

**Additional Information and Resources to Develop a Multi-layered Approach  
to Addressing Fraud, Reducing Improper Payments and  
Recovering Established Overpayments**

To effectively combat fraud and improper payments in the UI program, states must use a variety of controls and strategies. As a greater level of organized criminal elements have embarked on fraudulently obtaining UC payments, no one approach is sufficient on its own to adequately prevent and detect fraud and resulting improper payments. This Attachment offers an overview of various tools, strategies, and process improvements that states should consider as part of their fraud and improper payment plan, including enhanced and robust use of IDH and the SIDES.

Intercepting fraud as early as possible minimizes its impact on the UI system. Fraud detection operations and procedures, coupled with using a risk-based approach to determine which claims are subject to evidence-based ID verification, are critical to ensuring payment is made timely and only to individuals entitled to receive UC. The Department continues to strongly encourage states to adopt multiple strategies and techniques to validate UC claims; detect and share suspicious claim attributes among states; consider a range of other available tools and resources when combating fraud; conducting risk-based ID verification; and ensure program integrity. In addition, states should work collaboratively with law enforcement agencies to assist in investigative efforts.

Overpayment recovery is critical to protect both state unemployment funds and Federal funds in the Federal unemployment trust fund and must be given the same priority as overpayment prevention and detection. ETA strongly encourages states to work proactively and collaboratively with Federal law enforcement to streamline forfeiture and seizure efforts and with banks and financial institutions to facilitate the rapid return/recovery of improperly paid UC.

ETA has provided states significant additional funding to support states with fraud prevention and detection, ID verification, and overpayment recovery activities in the CARES Act UI programs and regular UI programs (*see* UIPLs No. [28-20](#); [28-20, Change 1](#); [28-20, Change 2](#); [28-20, Change 4](#); [22-21](#); [02-22](#); and [11-23](#)).

#### State Use of the National Identity Verification (ID) Offering

The UI program integrity focus includes ID verification; fraud prevention and detection; fraud risk mitigation; improper payment reduction; the recovery of overpayments; the prevention of underpayments; the timely and accurate payment of benefits; the timely and accurate establishment of employer accounts, the timely and accurate collection of employer contributions, and ensuring equitable access in all UI programs. ETA's efforts to improve integrity in the UI programs include providing guidance, technical assistance, resources, and funding to support states in combatting fraud; strengthening ID verification; reducing improper payments; recovering overpayments; assessing and

addressing fraud risks; protecting victims of ID fraud; modernizing state UI systems; and evaluating data to ensure effectiveness and equity in fraud prevention and detection efforts.

UIPL No. [11-23](#) announced an opportunity for states to participate in a National ID Verification Offering (NIDVO) for both online and in-person ID verification services. That UIPL informed that over the next two (2) years, subject to the availability of funding and necessary agreements being in place, the Department will use ARPA funds to make available to states the government-operated ID verification systems developed by the U.S. General Services Administration to verify identities online through Login.gov, and by the U.S. Postal Service (USPS) to verify identities in person at participating USPS retail locations nationwide. That UIPL also informed that the Department will cover the transaction costs for ID verification for participating states during this process.

UIPL No. [11-23, Change 1](#) announced the expansion of the period that the Department will cover transaction costs for ID verification for participating states for at least the later of two years after the date the state deploys NIDVO, or two years after the date of issuance of UIPL No. [11-23, Change 1](#), subject to both the availability of funding and all applicable agreements being executed. In addition, the Department established a deadline for states regarding participation in NIDVO and having transaction costs covered by the Department. States must have entered into a data sharing agreement with the Department by June 28, 2024.

#### State Use of UI Integrity Center Resources

The UI Integrity Center, established and funded by the Department and operated by NASWA's CESER, assists states in their efforts to prevent, detect, and recover improper and fraudulent payments, and improve UI program integrity by developing and promoting innovative program strategies. The UI Integrity Center is a unique and extremely valuable resource available at no cost to states, and ETA strongly encourages states to access its services and resources on a regular and ongoing basis to inform and support state integrity strategies, strengthen fraud prevention and detection, enhance fraud management operations, and improve overpayment recovery efforts. Below are important UI Integrity Center services and resources that states should connect to and build into the IAP as part of the SQSP.

- [Integrity Data Hub](#) – is a secure, robust, centralized, multi-state data system that allows participating states to cross-match, compare, and analyze UC claims data against a variety of datasets for enhanced prevention and detection of improper payments and fraud in UI programs (*see* [TEN No. 24-21](#)). On May 2, 2024, the Department announced a new data sharing partnership between U.S. Treasury's Bureau of Fiscal Service and NASWA's UI Integrity Center to make Treasury's Do Not Pay Working System data sources and services available to IDH to further support states in preventing and detecting improper payments and strengthening UI program integrity. See [TEN No. 28-23](#).
- [State Services](#) – supports states in assessing business processes and provides recommendations for adoption of effective strategies for combatting fraud, reducing a state's improper payment rate, enhancing overpayment recovery, and improving UI program integrity.

- [UI Integrity Knowledge Exchange Library \(Library\)](#) – provides an online, searchable, knowledge-sharing platform with a repository containing thousands of UI technical resources to strengthen UI program integrity.
- [Behavioral Insights \(BI\)](#) – is a UI Integrity Center effort that brings together practices from the field of behavioral science to promote UI integrity and reduce UI improper payments by applying observations about human behavior to strategies that can improve decision-making and program outcomes. NASWA’s [BI Toolkit](#) provides states with a collection of resources, articles, templates, and how-to information to help state UI agencies apply the learnings of BI to address program compliance challenges and improve UI program integrity (see [TEN No. 15-21](#)).
- [UI National Integrity Academy \(Academy\)](#) – provides no-cost interrelated certificates that offer program integrity trainings for state staff via online, eLearning modules and Virtual Instructor Led Training. The Academy’s Learning Management System provides states with access to self-paced, on-demand training available at any time and a searchable online catalog with over 120 lessons available for state UI staff in the areas of Program Leadership, UI Operations Integrity, Fraud Investigations, Tax Integrity, Data Analysis, and Behavioral Insights.

### Increased State and Employer Use of SIDES

State implementation and employers’ use of SIDES should be an integral part of a state’s integrity strategy (see [TEN No. 12-16](#) and information available at <https://www.naswa.org/uisides>). SIDES is composed of Web Services for third-party administrators (TPAs) and large employers, and E-Response for smaller employers. States should view SIDES as a critical part of UI integrity efforts and are encouraged to connect to all SIDES exchanges and build SIDES into the IAP as part of the SQSP.

The *SIDES Separation Information Exchange* supports timely and accurate information from employers and TPAs, which aids in reducing separation errors. As set out in [UIPL No. 19-16](#), ETA has expectations for the overall state usage of SIDES (Web Services and E-Response) with a goal for states to receive employer responses through SIDES Web Services and SIDES E-Response for at least 50 percent of all UC initial claims processed, and, separately, a goal of at least 35 percent of all UC initial claims processed through the SIDES E-Response. ETA encourages states to increase employer usage of SIDES for separation exchanges by pursuing the following strategies:

- Each state should strive to have all TPAs operating within the state to be live and using Web Services.
- States that have been successful in obtaining greater employer use have SIDES as the default method of exchanging information, unless employers “opt-out” of this approach. These states have also used SIDES as the only electronic response system and have not used parallel/dual systems.
- States that have been successful in obtaining greater employer use have a single sign-on for SIDES and the state’s employer portal. The NASWA SIDES Team can provide technical assistance to states on implementing a single sign-on option if the state is not currently using a single sign-on for employers.

- States also should consider efforts to promote SIDES E-Response and to encourage employers who do not use TPAs to use SIDES, especially those employers who are frequent users of the UI program. In marketing SIDES, states are encouraged to use resources like the SIDES toolkit found at <http://sidesitk.naswa.org/sides>.

States should also consider strategies to address fictitious employer fraud schemes, such as early detection through employer registration fraud risk scoring for newly established employer accounts, and potentially looking at focused audits for blocked claims.

In addition, states should monitor their performance under the Effective Audit Measure to determine whether they are effectively detecting and preventing worker misclassification (see UIPL No. [03-11](#)). States may deploy a wide array of strategies to address worker misclassification. ETA encourages states to develop and implement strategies to address the misclassification of workers and to include those strategies in the states' SQSPs. ETA will continue to identify state "best-promising practices" in this area and share them broadly.

States should consider using the other valuable SIDES exchanges, if they are not already doing so. These additional exchanges include:

- *Monetary & Potential Charges Exchange* – advises the employer/TPA of the wages used to calculate potential UC payable to the claimant and advises the employer of the potential charges applied to the employer's state unemployment taxes if UC is paid, and the employer is found liable.
- *Additional Fact-Finding Exchange* – permits electronic transmission of unique questions and responses between the state and the employer/TPA.
- *Determinations & Decisions Exchange* – permits the state to electronically transmit a non-monetary determination or an appeals decision to an employer/TPA, and permits the employer/TPA to electronically respond, if necessary, with an appeal of a non-monetary determination or appeal of a lower-level appeal decision using the standard national format.
- *Earnings Verification Exchange* – electronically sends wage verification requests to employers through a state-specific employer portal and is recommended if a state does not have an automated web-based system for requesting employers to verify earnings.
- *Benefit Charges Exchange* – advises the employer/TPA of the amount of benefits charged to the employer for determining the employer's state unemployment taxes based on the claimant's eligibility and account liability.

### Fraud Risks Profile

The Department has aligned its UI fraud risk management activities with the U.S. General Accountability Office's (GAO's) Fraud Risk Framework by documenting a UI Fraud Risk Profile which identifies inherent fraud risks and assesses the likelihood and impact of fraud risks to the UI program. The Department determined the UI program has a "low" fraud risk tolerance, acknowledging that fraud risks can be mitigated, but cannot be eliminated. ETA continues to evaluate the suitability of existing

fraud controls and assesses and updates its antifraud and improper payment reduction strategies through a robust and dynamic UI Integrity Strategic Plan,<sup>1</sup> which continuously evolves and includes innovative strategies and antifraud controls to combat emerging fraud threats and address the highest residual risks identified in the UI Fraud Risk Profile. ETA is also investing in developing new and enhancing existing tools, datasets, and resources, and making them available to aid states in more quickly identifying potential improper payments and fraud.

Since the UI program is a Federal-state partnership, which means both the Department and state UI agencies are responsible for ensuring UI program integrity. Therefore, states should also evaluate UI fraud risks and implement and maintain sufficient controls to effectively prevent fraud and reduce improper payments. GAO's Framework for Managing Fraud Risks in Federal Programs highlights the key elements of an antifraud strategy.<sup>2</sup> In developing an antifraud strategy, states should establish roles and responsibilities of those involved in fraud risk management activities. The antifraud strategy should describe existing fraud control activities as well as any new control activities a program may adopt to address residual fraud risks.

---

<sup>1</sup> The public version of the UI Integrity Strategic Plan is found at [https://oui.doleta.gov/unemploy/integrity\\_plan.asp](https://oui.doleta.gov/unemploy/integrity_plan.asp).

<sup>2</sup> See A Framework for Managing Fraud Risks in Federal Programs at <https://www.gao.gov/assets/gao-15-593sp.pdf>, Table 4, page 19.