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Description of document:	Department of Labor (DOL) Office of Inspector General (OIG) Presentation regarding OIG activities regarding Portfolio of Unemployment Insurance Fraud Cases 2022
Requested date:	06-October-2021
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Posted date:	13-March-2023
Source of document:	Disclosure Officer Office of Inspector General U.S. Department of Labor 200 Constitution Ave., N.W., Room S-5506 Washington, DC 20210 Fax: (202) 693-7020

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U.S. Department of Labor

Office of Inspector General
Washington D.C. 20210



November 17, 2021

This is in response to your October 6, 2021, FOIA request addressed to this office through the National FOIA Portal, referred to this office on October 19, 2021, and assigned FOIA case number **2022006**.

Your request seeks the following information:

a copy of the most recent overview presentation or briefing regarding the OIG's activities regarding its portfolio of Unemployment Insurance fraud cases, which constitutes more than 75% of the OIG. investigative case inventory.

Attached is a copy of the most recent overview presentation made to the PRAC team by OIG Office of Investigations and Office of Audit staff. Names of investigative personnel and their direct contact information has been redacted for the reason below:

Exemption (b)(7)(C) of the FOIA authorizes the withholding of names and details of personal information related to various individuals which, if disclosed to the public, could reasonably be expected to constitute an unwarranted invasion of personal privacy.

If you are not satisfied with the response to this request, you have the right to administratively appeal this decision within 90 days from the date of this letter. Should you decide to do this, your appeal must state, in writing, the grounds for appeal, together with any statement or arguments. Such an appeal should be addressed and directed to the Solicitor of Labor, citing OIG/FOIA No. **2022006**, Room N-2428, 200 Constitution Avenue, N.W., Washington, D.C. 20210 or emailed to foiaappeals@dol.gov Please refer to the Department of Labor regulations at 29 CFR 70.22 for further details on your appeal rights.

Should you need to discuss your request, feel free to contact this office at FOIA.PrivacyAct@oig.dol.gov or the DOL FOIA Public Liaison, Thomas Hicks at Hicks.Thomas@dol.gov. Additionally, you may contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows: Office of Government Information Services, National Archives and Records Administration, 8601 Adelphi Road-OGIS, College Park, Maryland 20740-6001; e-mail at ogis@nara.gov; telephone 202-741-5770; toll free at 1-877-684-6448; or facsimile at 202-741-5769.

Page 2.
November 17, 2021

Please note that due to the COVID-19 pandemic, OGIS staff does not have access to submissions sent by U.S. mail, overnight mail services, or fax. As a result, responses to mail and fax inquiries will be delayed. To ensure a more timely response to your inquiry, please contact OGIS by email at ogis@nara.gov.

For your information, Congress excluded three discrete categories of law enforcement and national security records from the requirements of the FOIA. See 5 U.S.C. 552(c). This response is limited to those records that are subject to the requirements of the FOIA. This is a standard notification that is given to all our requesters and should not be taken as an indication that excluded records do, or do not, exist. Finally, fees were not charged for this request.

If you have any questions regarding this letter, feel free to email me.

Sincerely,

Kim Pacheco

Kimberly J Pacheco

FOIA Officer
Office of Inspector General

Attachment:
OIG Presentation

DOL-OIG & Unemployment Insurance Fraud

PRAC Identity Fraud Reduction and
Redress Working Group

(b) (7)(C)



DOL-OIG Mission

We serve the American people, DOL, and Congress by providing independent and objective oversight of Departmental programs through audits and investigations, and by combatting the influence of labor racketeering in the workplace.

DOL-OIG Background

- Departmental programs/statutes: Fair Labor Standards Act; Davis Bacon Act; Occupational Health and Safety Act; Federal Employees Compensation Act; Mine Safety and Health Act; Workforce Innovation and Opportunity Act; **Unemployment Insurance Program**
- Human trafficking – Labor trafficking, forced labor
- Visa fraud – Foreign labor certification
- Labor racketeering – Labor Management Relations Act (Taft Hartley); Hobbs Act (Extortion); Labor-Management Reporting and Disclosure Act (embezzlement from a union), ERISA (embezzlement from an employee benefit plan)
- Obstruction of Department's civil investigative authority
- Employee misconduct



A dark, grainy, black and white photograph of a group of men, likely from the Great Depression era. They are wearing various styles of hats, including fedoras and flat caps. The men are looking in different directions, some towards the camera and others away. The image has a somber and historical feel, with high contrast and some visible wear or damage to the original print.

Unemployment Insurance

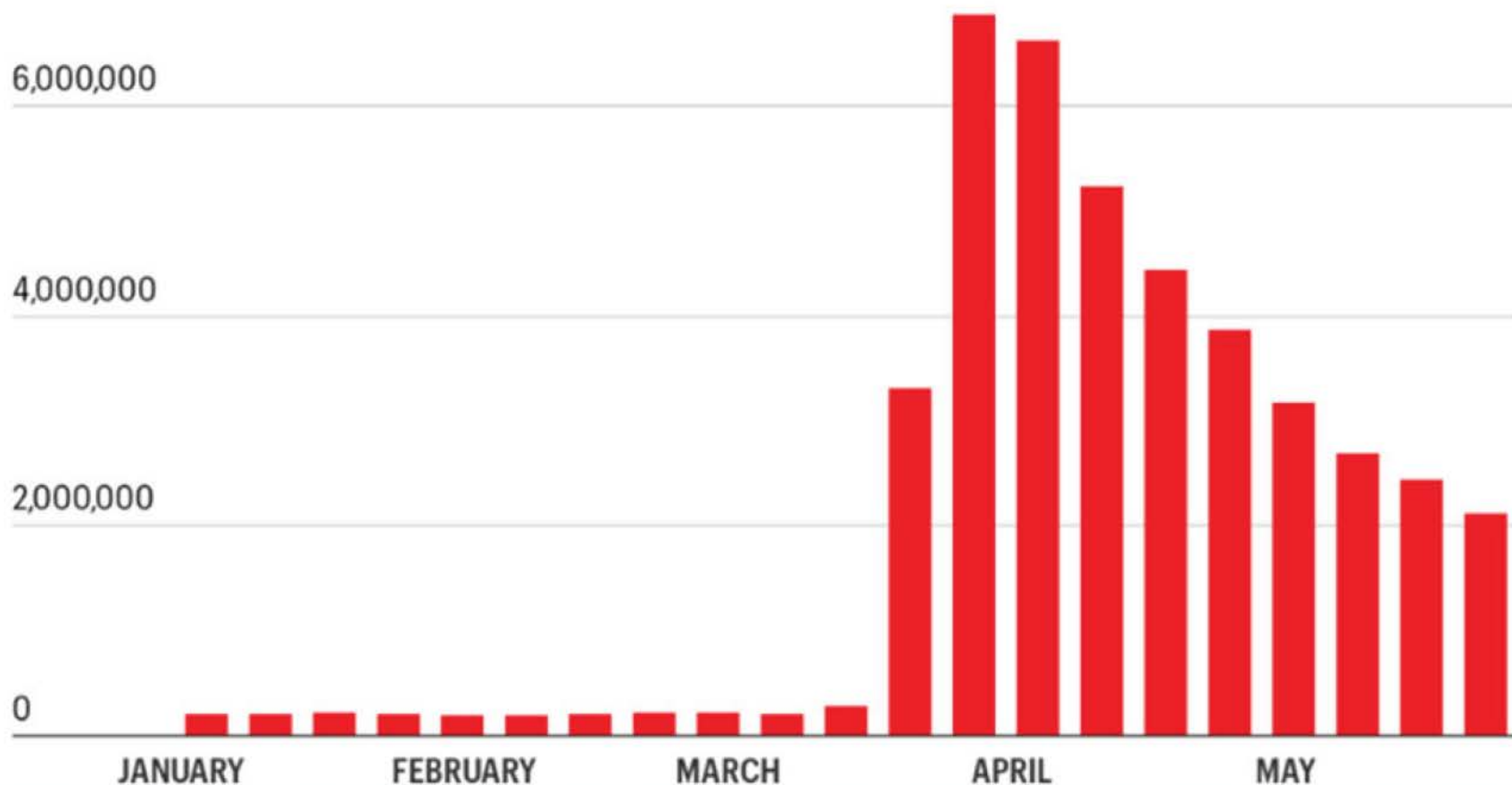
The UI program provides temporary income support to eligible (lawful) workers who become unemployed through no fault of their own.

COVID-19 & Unemployment Insurance

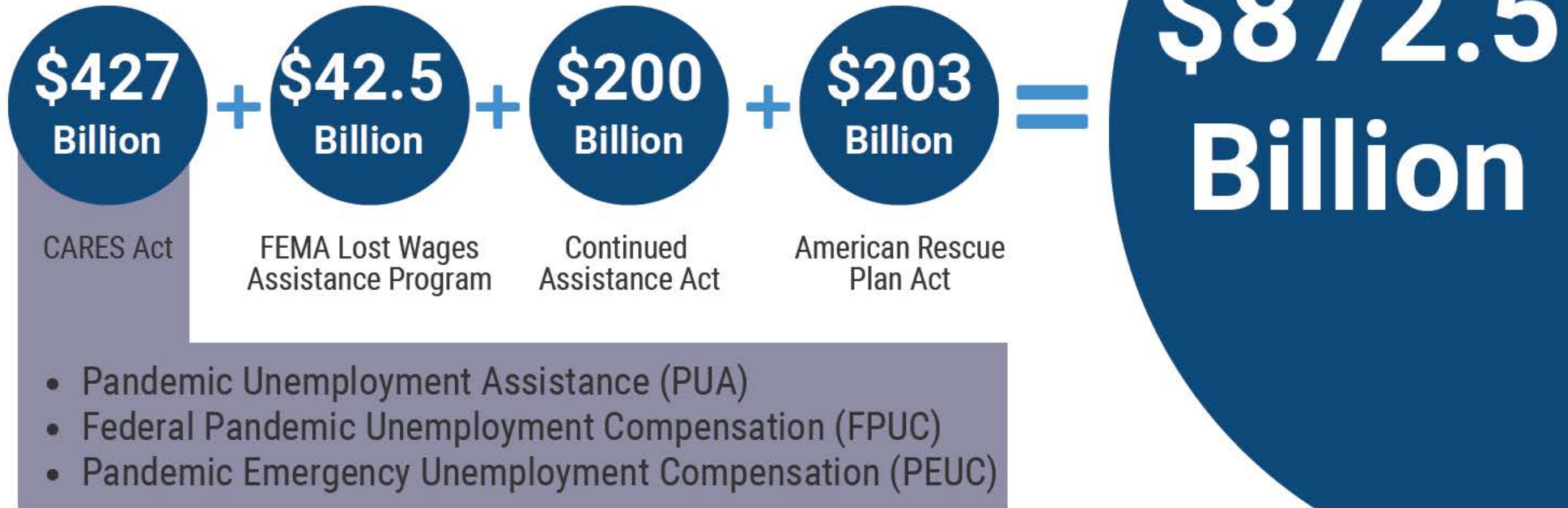


April 9, 2020

Weekly initial unemployment claims in 2020



Pandemic-related Federal UI Spending to date

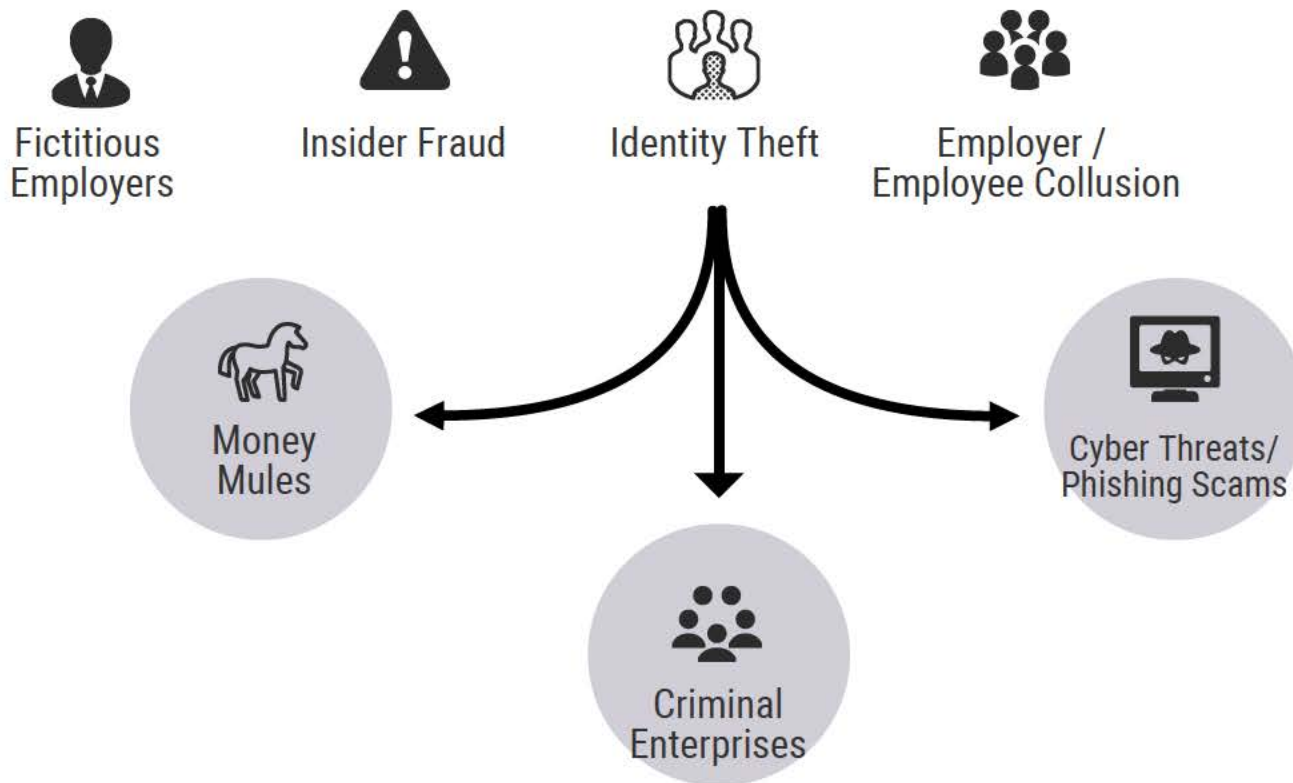


Historic Fraud Rate

Based on historical statistics we can estimate baseline figures for potential fraud loss:

- DOL-ETA's published fraud rate for UI is approximately 3.5%. Based on the \$872.5B in estimate in pandemic related federal UI spending to date, there could conservatively be \$26B in fraud loss.
- Based on public SWA reporting, we have seen predictions that the fraud rate for regular UI and the CARES Act programs could be between 10% and 30%.

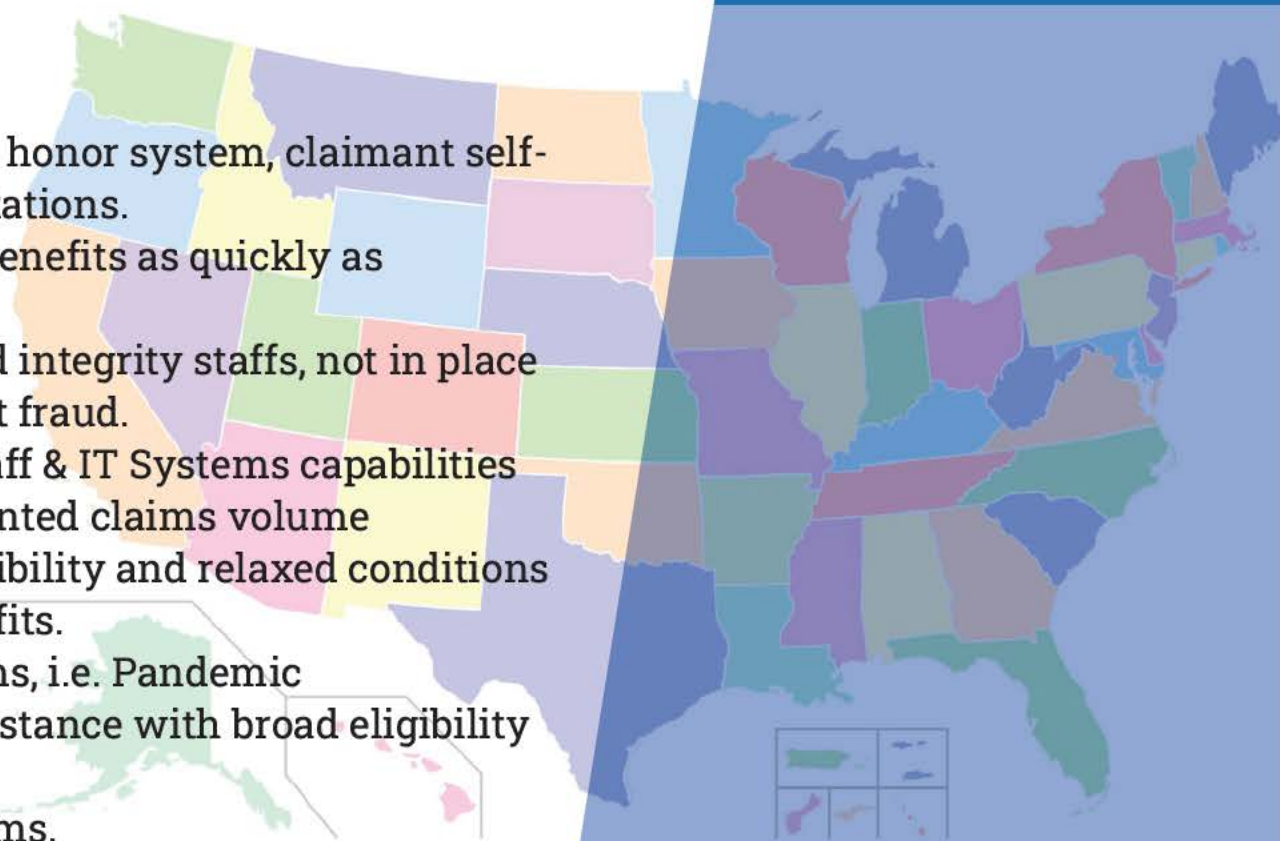
UI Fraud Typologies



Perfect Storm

Vulnerable System

- UI program relies on honor system, claimant self-certifications / attestations.
- Effort to “push out” benefits as quickly as possible.
- Internal controls and integrity staffs, not in place to detect and prevent fraud.
- Insufficient SWA Staff & IT Systems capabilities to handle unprecedented claims volume
- Broadened state flexibility and relaxed conditions in awarding UI benefits.
- New benefit programs, i.e. Pandemic Unemployment Assistance with broad eligibility criteria.
- 54 different UI systems.



Perfect Storm

Exploitation

- Easy access to PII enables bad actors to overcome identify proofing tools used by states
- Harvesting of PII that is monetized on Internet and dark web
- Online tutorials on how to exploit the UI system on both domestic and foreign platforms
- Sophisticated players maintain anonymity through the use of VPNs, virtual banks
- Large and small pockets of non-traditional organized crime, i.e. street gang members perpetrating the fraud
- Facilitated by witting and unwitting money mules who receive and forward the UI proceeds.



DOL-OIG Challenges



OI has initiated approximately **24,942** new investigative matters in response to the COVID-19 pandemic.



OI has received 124,180 NCDF referrals, which are trending upward at 1,800-3,000 per week.



In a normal year, OI opens about 120 UI fraud related matters. Typically, about 10% of case inventory.



Initial Response

- Created Pandemic Rapid Response Team
- Published DOL-OIG Pandemic Response Oversight Plan on April 2020 and revised April 2021
- Four Phases – Phases 1 and 2 completed.
- Currently in Phase 3, estimated completion in October 2021.
- Phase 4 estimated completion by December 2021
- Subpoenaed 54 SWA's for UI claimant data

OA Accomplishments

To date, we have issued 8 UI reports that confirmed UI program weaknesses we previously identified continue to exist.

- Advisory Report - Initial Areas of Concern
- Alert Memo - PUA Vulnerabilities
- Audit Report - DOL's Response to CARES Act
- Audit Report - PUA Self-Certification Vulnerabilities
- Alert Memo - High Risk Fraud Area Management
- Audit Report - CARES Act Implementation
- Alert Memo - Data Act
- Alert Memo - NASWA's Sharing of UI Fraud Data

OI Accomplishments

- Created National UI Fraud Coordinator, Regional UI Fraud Coordinators, and Regional UI Fraud Forfeiture Coordinators
- National UI Fraud Task Force – DOJ, DOL-OIG, FBI, USSS, HSI, USPIS, IRS- CI, SSA-OIG, DHS-OIG
- Hired 19 additional Special Agents; plans to hire 34 more special agents this FY.
- Private/public “partnerships” – financial institutions, industry associations
- DOJ hired 12 term Assistant U.S. Attorneys – all in place
- COVID-19 Fraud Enforcement Task Force – representation on all subcommittees – OI, OA, OLS

DOL-OIG's Data Response



Issued 54 IG Subpoenas
twice for Claimant UI
data



While processing data,
began seeing distinct ID
Theft patterns



Reported findings to PRR
weekly meeting

Two Alert Memos issued

In February and June 2021 Alert Memos, OA and OI Collaborated to identify a total of \$17 billion in potential fraud in four high risk areas.



Multi-State
Claimants



Use of Deceased
Individuals
Social Security
Numbers

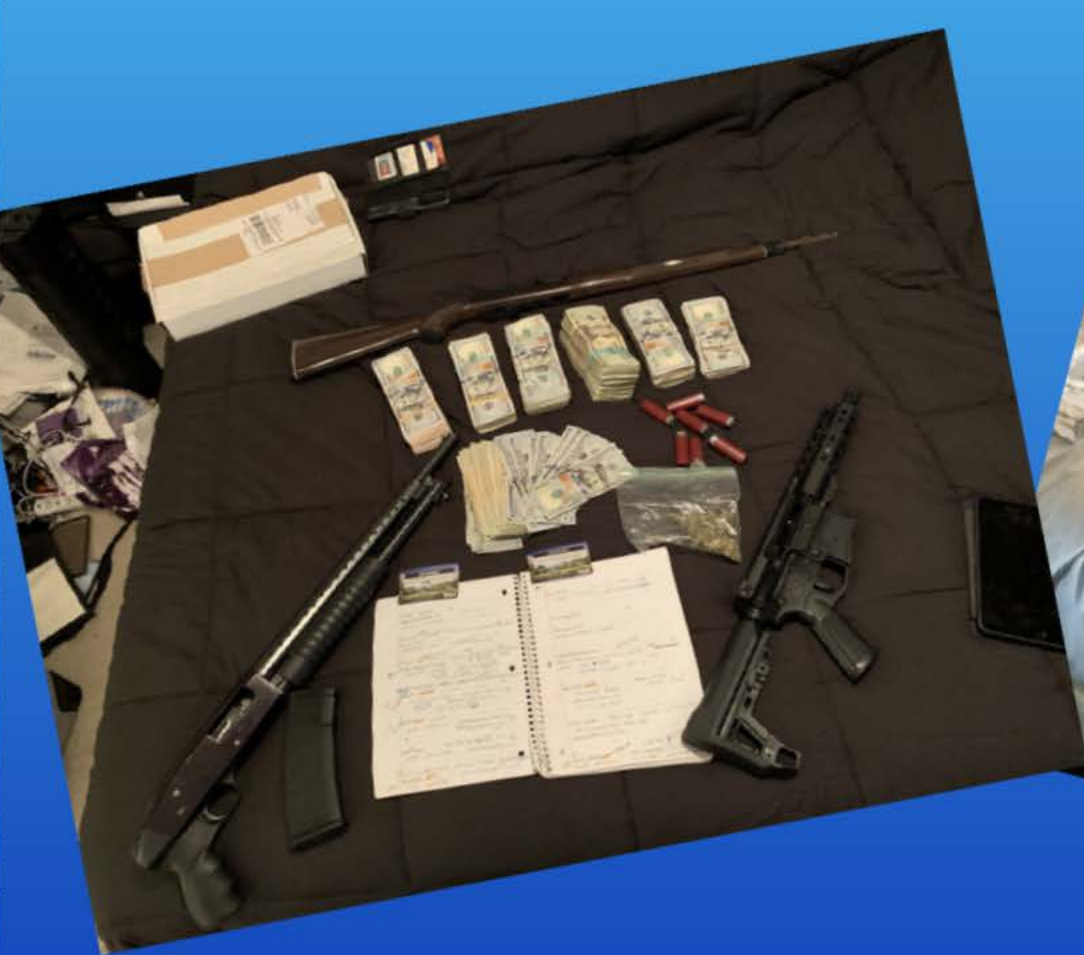


Federal Prisoners



Use of Suspicious
and Disposable
Email Accounts

Challenge - Gangs, Drugs, and Guns



Challenge - Gangs, Drugs, and Guns



Violent Offender Pilot Project

DOJ's Violent Offender Project, with
DOJ-OCGS, FBI, and ATF

- DOL-OIG matched data and analyzed for potential UI Fraud.
- DOJ provided DOL-OIG with identifiers for three regions.
- Three pilot cities:
 - Atlanta, GA
 - Saint Louis, MO
 - San Antonio, TX



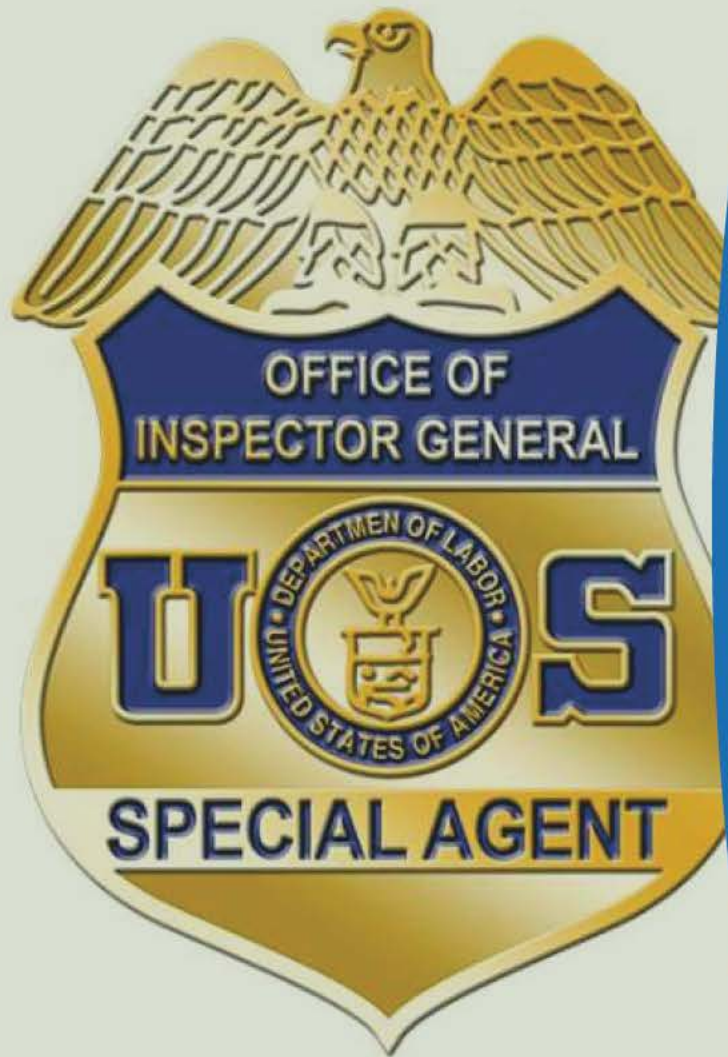
Reporting Identity Theft

- Harmonized messaging between DOL-OIG, DOJ, DOL, FTC and IRS
- Local law enforcement has also been collecting reports of Identity Theft
- Multiple SWA's have been working with OI field offices and providing lists of Identity Theft cases

Identity Theft Models & Machine Learning

- Clustered UI Data to identify individuals linked to multiple UI claims
- In one state, created a Identity Theft model to discover an additional 30,000 high risk claims
- Using the same data, created a Machine Learning program to identify unknown variables of Identity Theft
- OI then uses the newly identified variables to help detect potential Identity Theft victims.





Investigative Highlights

- Over 400 UI fraud search warrants and consensual searches
- About 414 UI Fraud Indictments/Initial Charges
- More than \$750 million in monetary results from investigations
- Issued 19 alerts, advisories, and/or guides targeting victims, internal and external stakeholders, and law enforcement agencies
- Hundreds of internal and external outreach sessions related to UI fraud

Ongoing and Planned OA Projects

Our ongoing and planned audit work consist of 14 projects that cover the following audit areas

- UI IT systems capability
- UI program integrity including, improper payment prevention, detection and recovery
- UI program efficiency and effectiveness

We plan to issue final reports starting in December 2021, with our last report being issued in August 2022.



(b) (7)(C) [redacted]
[redacted]
[redacted]@oig.dol.gov,
[redacted]



[redacted]
(b) (7)(C) [redacted]
[redacted]@oig.dol.gov,
[redacted]



(b) (7)(C) [redacted]
[redacted]
[redacted]@oig.dol.gov,
[redacted]

Contact Information