U.S. Department of Labor
Office of Inspector General—Office of Audit

REPORT TO THE EMPLOYMENT AND TRAINING ADMINISTRATION

COVID-19: ETA NEEDS TO IMPROVE ITS OVERSIGHT OF STATES' EFFORTS TO IDENTIFY UI FRAUD USING FEDERAL PRISONERS' SOCIAL SECURITY NUMBERS

AUDIT SERIES: HIGH-RISK AREAS FOR POTENTIAL UI FRAUD, AUDIT FOUR OF FOUR

This report was prepared by Regis & Associates, PC (Regis) under contract to the U.S. Department of Labor, Office of Inspector General, and, by acceptance, it becomes a report of the Office of Inspector General.

U.S. Department of Labor
Assistant Inspector General for Audit

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BRIEFLY...

COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify UI Fraud Using Federal Prisoners' Social Security Numbers

Why We Did the Audit

As of September 2022, the OIG had reported a cumulative $45.6 billion (questioned costs) paid in four high-risk areas of unemployment insurance (UI) fraud the OIG had identified; claimants using federal prisoners' Social Security numbers (SSN)—$267.3 million—was the fourth largest area. The OIG shared its data and methodology for identifying those claimants with the Employment and Training Administration (ETA). ETA is responsible for providing states with UI program direction and oversight; the states are responsible for ensuring UI payments go only to eligible claimants and for making determinations of fraud.

Based on the OIG's concerns regarding UI benefits paid in each of the four high-risk areas, the OIG began a series of audits; this is the fourth and final audit in the series. Specifically, for claimants using federal prisoners' SSNs, we contracted with Regis & Associates, PC (Regis) to answer the following question:

> To what extent have ETA and state workforce agencies (SWA) addressed potentially fraudulent CARES Act UI claims filed using federal prisoners' SSNs?

Read the Full Report

For more information, go to: <https://www.oig.dol.gov/public/reports/oa/2026/19-26-002-03-315.pdf>.

What We Found

Regis found 1 of the 10 SWAs tested confirmed 1 claimant filed fraudulent UI claims using a federal prisoner's SSN—although more could have gone undetected by SWAs. ETA took limited action to ensure states properly addressed potentially fraudulent UI claims filed using federal prisoners' SSNs. While ETA transmitted claimant data associated with those claims to the 53 SWAs and Guam, including instructions and investigative requirements, ETA did not perform the following oversight actions:

- monitor nor require states to report the results of research or investigations of potentially fraudulent UI claims, which would have assisted ETA in identifying high-risk areas;
- ensure states had timely access to the Social Security Administration's Prisoner Update Processing System (PUPS) through the Interstate Connection Network to perform incarceration cross-matches to detect UI fraud; or
- ensure states consistently established and reported fraudulent overpayments made to imposter claimants or identify systemic weaknesses that resulted in states reporting zero fraudulent overpayments when UI fraud risk was at its height.

The first deficiency occurred because ETA considered its oversight responsibilities to be limited. Specifically, ETA did not consider monitoring the results of states' research and investigations as part of its responsibilities. The remaining deficiencies occurred because states' information technology systems and staffing challenges hindered states' abilities to: (1) obtain timely access to PUPS data to perform incarceration cross-matches and (2) establish or report fraudulent overpayments.

Without knowledge of the states' investigative results or complete fraudulent overpayment reporting, ETA's ability to assess UI program performance, identify high-risk areas, and provide states with additional tools and guidance to prevent fraudulent overpayments was impaired. In addition, without SWAs' implementation of PUPS, fraudulent overpayments to individuals using federal prisoners' SSNs likely went undetected.

The OIG selected 160 claimants that filed potentially fraudulent UI claims across 10 SWAs for Regis to test. Regis determined $684,475 in UI benefits were paid; states confirmed $135,642 (20 percent) of that was fraudulent, including $27,240 on fraudulent claims associated with 1 federal prisoner's SSN.

What We Recommended

To address some issues identified in this report and improve ETA's oversight of states' efforts to identify fraud, Regis made two recommendations in this report, with which ETA agreed. Regis also made two recommendations (Numbers 1 and 3), with which ETA generally agreed, in the first report of this series that address the remaining issues. That report can be found at: OIG Report No. 19-25-004-03-315.

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INSPECTOR GENERAL'S REPORT

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The U.S. Department of Labor (Department or DOL) Office of Inspector General (OIG) contracted with the independent certified public accounting firm Regis & Associates, PC (Regis) to conduct a performance audit of the Employment and Training Administration's (ETA) and state workforce agencies' (SWA or state)[1] efforts to address potentially fraudulent unemployment insurance (UI) claims filed using federal prisoners' Social Security numbers (SSN).[2]

The OIG monitored Regis' work to ensure it met professional standards and contractual requirements. Regis' independent audit was conducted in accordance with generally accepted government auditing standards.

Regis was responsible for the auditors' evaluation and conclusions expressed in the report while the OIG reviewed Regis' report and supporting documentation.

Purpose

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequent legislation,[3] Congress provided expanded UI benefits to workers who were unable to work due to the COVID-19 pandemic. UI is a joint federal-state

[1] This report uses "state" or "SWA" to refer to the body that administers the UI program within the state, district, or territory. For the 50 states, as well as the U.S. Virgin Islands, Puerto Rico, and the District of Columbia, that administrative body is a SWA. Therefore, there are 53 SWAs.
[2] Some situations involve prisoners applying for UI benefits while misrepresenting their eligibility while others involve fraud perpetrators stealing prisoners' SSNs to obtain UI benefits.
[3] The CARES Act expanded UI benefits through December 31, 2020. On December 27, 2020, the Continued Assistance for Unemployed Workers Act of 2020 extended these programs through March 14, 2021. On March 11, 2021, the American Rescue Plan Act of 2021 further extended these programs through September 6, 2021.

program with each state administering a separate UI program under its own laws while following uniform guidelines established by federal law.

According to ETA, which is responsible for providing UI program leadership, direction, and assistance to SWAs, as of January 2023, about $888 billion had been paid in pandemic-related UI benefits. Additionally, ETA made $562.6 million available from January 2021 through July 2022 to support the 53 SWAs and Guam with fraud detection and prevention, including identity verification and overpayment recovery activities in pandemic-related UI programs.

The OIG conducts independent oversight of the UI program through audits to strengthen the integrity and efficiency of the program and through criminal investigations to detect and deter large-scale fraud. Applying the Department's Fiscal Year 2022 estimated improper payment rate of 21.52 percent to pandemic UI expenditures, the OIG estimated at least $191 billion (22 percent) of the $888 billion in pandemic UI benefits could have been paid improperly, with a significant portion attributable to fraud.

As of September 2022, the OIG—aided by data analytics—had identified a cumulative $45.6 billion in potentially fraudulent UI benefits (questioned costs) paid in four specific high-risk areas, involving claims with SSNs:

1. filed in multiple states,
2. of deceased persons,
3. used to file with suspicious email accounts, and
4. of federal prisoners.[4]

That $45.6 billion included $267.3 million paid on claims filed using federal prisoners' SSNs between March 2020 and October 2020. ETA's guidance states that, to be eligible for unemployment benefits, an individual must be able, available, and actively seeking work. Incarcerated individuals do not typically meet the eligibility requirements to receive UI benefit payments as they would not be able or available for work while incarcerated.[5]

The states are responsible for ensuring UI benefits are paid only to eligible claimants and for making determinations of fraud. When the OIG identifies

[4] Alert Memorandum: Potentially Fraudulent Unemployment Insurance Payments in High-Risk Areas Increased to $45.6 Billion, Report No. 19-22-005-03-315 (September 21, 2022), https:///www.oig.dol.gov/public/reports/oa/2022/19-22-005-03-315.pdf

[5] Unemployment Insurance Program Letter No. 1-22, Announcing the Availability of an Incarceration Data Exchange and Instructions to Access the Data Exchange between the Unemployment Insurance (UI) Interstate Connection Network (ICON) and the Social Security Administration (SSA) Prisoner Update Processing System (PUPS) (October 29, 2021)

anti-fraud measures that may help the UI program, it shares them with the Department and SWAs, as appropriate. As of September 2022, the OIG had shared its claimant data and methodology on potential fraud in the four high-risk areas with ETA for distribution to the 53 SWAs and Guam. Based on our concerns regarding UI benefits paid in each of the four high-risk areas, we began a series of audits; this is the fourth and final audit in the series. Specifically, for UI claims filed using federal prisoners' SSNs, we contracted with Regis to answer the following question:

> To what extent have ETA and SWAs addressed potentially fraudulent CARES Act UI claims filed using federal prisoners' SSNs?

To answer this question, Regis reviewed the actions taken by ETA and SWAs—from April 7, 2021, through September 15, 2022—to address the OIG-identified potentially fraudulent UI claims filed using federal prisoners' SSNs from March 2020 through October 2020.

Using a risk-based approach, the OIG selected 160 claimants for Regis to test from the States of: Hawaii, Massachusetts, Maryland, Minnesota, New Hampshire, North Dakota, North Carolina, Ohio, Tennessee, and Washington (10 SWAs).[6] Regis also reviewed the 10 SWAs' policies, processes, and results of relevant actions taken. However, Regis did not make determinations of fraud or evaluate whether the states made the correct determinations. In addition, Regis surveyed the remaining 43 SWAs and Guam; 32 SWAs (73 percent) responded. Regis also reviewed updated guidance and UI payment reporting activities that extended outside of the audit period. See Appendix A for additional details on scope and methodology.

Results

Regis found 1 of the 10 SWAs confirmed 1 claimant filed fraudulent UI claims using a federal prisoner's SSN—although more could have gone undetected by

[6] The OIG selected this sample based on the highest per capita benefits paid. The OIG calculated per capita benefits using the number of claimants flagged for filing claims using federal prisoners' SSNs and the benefit amounts paid against these claims. The OIG then ranked the SWAs by the per capita amount, largest to smallest, and selected the top 10 SWAs. The OIG also controlled for repetition of SWAs within the four high-risk areas; the OIG did not select the same SWAs if they appeared in a higher-ranked risk area, resulting in the selection of 10 different SWAs for each of the four high-risk audits. The OIG ranked the high-risk areas from highest to lowest: multistate claimants, deceased persons' SSNs, suspicious email accounts, and federal prisoners' SSNs.

SWAs.[7] ETA took limited action to ensure states properly addressed the potentially fraudulent UI claims filed using federal prisoners' SSNs.

ETA is responsible for providing oversight of UI fraud risk management and states' management should report internal control deficiencies to ETA—consistent with the Government Accountability Office's Standards for Internal Control in the Federal Government. Specifically, the standards state the oversight body is responsible for overseeing the strategic direction of the entity and obligations related to its accountability. This includes overseeing management's design, implementation, and operation of an internal control system. Further, management should report deficiencies identified in the internal control system to the oversight body.

These standards align with the Office of Management and Budget's guidance which states federal leaders and managers are accountable for establishing internal control systems, agency strategic and performance goals, responding to risks, managing program performance and operations, and maintaining assessment controls that help agencies operate effectively and deliver results. The guidance also requires management to assess and report on internal control annually–providing assurances on internal control effectiveness, including information on material weaknesses and corrective action as appropriate.[8]

ETA transmitted the OIG's claimant data and methodology to the 53 SWAs and Guam in April 2021, including instructions and investigative requirements on due process. However, ETA did not perform the following oversight actions:

- monitor nor require states to report the results of research or investigations of potentially fraudulent UI claims, which would have assisted ETA in identifying high-risk areas for UI fraud;

- ensure states had timely access[9] to the Social Security Administration's (SSA) Prisoner Update Processing System (PUPS)[10]—through the

[7] Regis did not make determinations of fraud or evaluate whether states made the correct determinations.
[8] OMB Circular No. A-123 (Revised), Management's Responsibility for Internal Control (March 10, 2026)
[9] Within this report, PUPS access is defined as SSA's approval of the data exchange request and security assessment and the SWA's full implementation of the incarceration cross-match.
[10] Managed by SSA, PUPS is a centralized system that receives and processes information about incarcerated individuals from federal correctional facilities. This system ensures Social Security benefits are suspended for prisoners who are ineligible to receive payments during their incarceration, in compliance with federal law. This data exchange was designed to equip SWAs with a crucial tool to cross-match UI claims information with SSA's prisoner data, thereby determining UI eligibility more accurately.

Interstate Connection Network (ICON)[11] operated by the National Association of State Workforce Agencies' Center for Employment Security Education and Research—to perform incarceration cross-matches to detect UI fraud; or

- ensure states consistently established and reported fraudulent overpayments made to imposter claimants or identify systemic weaknesses that resulted in states reporting zero fraudulent overpayments when UI fraud risk was at its height during the pandemic.

The first deficiency occurred because ETA considered its oversight responsibilities to be limited. Specifically, ETA did not consider monitoring the results of states' research and investigations as part of its responsibilities. The remaining two deficiencies occurred because states' information technology systems and staffing challenges hindered states' abilities to: (1) obtain timely access to PUPS data to perform incarceration cross-matches and (2) establish or report fraudulent overpayments.

Without knowledge of the states' investigative results or complete fraudulent overpayment reporting, ETA's ability to assess UI program performance, identify high-risk areas, and provide states with additional tools and guidance to prevent fraudulent overpayments was impaired. In addition, without SWAs' implementation of PUPS, fraudulent overpayments to individuals using federal prisoners' SSNs likely went undetected.

We selected 160 claimants that filed potentially fraudulent UI claims across 10 SWAs for Regis to test. Regis determined $684,475 in UI benefits were paid, and states confirmed $135,642 (20 percent) of that was fraudulent, including $27,240 paid by 1 state on fraudulent claims associated with 1 federal prisoner's SSN.

We appreciate the cooperation and courtesies ETA extended to us during this audit.



Laura B. Nicolosi
Assistant Inspector General for Audit

[11] ICON is a computerized system that facilitates communication and data exchange between state UI agencies.

CONTRACTOR PERFORMANCE AUDIT REPORT

REGIS & ASSOCIATES, PC
MANAGEMENT CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Performance Audit Report on Unemployment Insurance Claims Submitted by Federal Prisoners

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We were engaged by the U.S. Department of Labor (DOL or Department) Office of Inspector General (OIG) to conduct a performance audit of the Employment and Training Administration's (ETA) oversight of state workforce agencies' (SWA or state)[12] efforts to address potentially fraudulent Unemployment Insurance (UI) claims filed using federal prisoners' Social Security numbers (SSN). Specifically, we conducted the audit to answer the following question:

> To what extent have ETA and SWAs addressed potentially fraudulent Coronavirus Aid, Relief, and Economic Security (CARES) Act UI claims filed using federal prisoners' SSNs?

To answer this question, we reviewed the actions taken by ETA and SWAs—from April 7, 2021, through September 15, 2022 (the audit period)—to address the OIG-identified potentially fraudulent UI claims filed using federal prisoners' SSNs from March 2020 through October 2020. Using a risk-based approach, the OIG selected 160 claimants for us to test from the States of: Hawaii, Maryland, Massachusetts, Minnesota, New Hampshire, North Carolina, North Dakota, Ohio, Tennessee, and Washington (10 SWAs). We also reviewed the 10 SWAs' policies, processes, and results of relevant actions taken. However, we did not make determinations of fraud or evaluate whether the states made the correct determinations. In addition, we surveyed the remaining 43 SWAs and Guam, of

[12] This report uses "state" or "SWA" to refer to the administrative body that administers unemployment insurance within the state, district, or territory. For the 50 states, as well as the U.S. Virgin Islands, Puerto Rico, and the District of Columbia, that administrative body is a SWA.

which 32 (73 percent) responded. We also reviewed updated guidance and UI payment reporting activities that expanded outside the audit period. See Appendix A for additional details on the scope and methodology.

RESULTS

We found 1 of the 10 SWAs confirmed 1 claimant filed fraudulent UI claims using a federal prisoner's SSN—although more could have gone undetected by SWAs.[13] ETA took limited action to ensure SWAs properly addressed the potentially fraudulent UI claims filed using federal prisoners' SSNs.

ETA is responsible for providing oversight of UI fraud risk management and states' management should report internal control deficiencies to ETA—consistent with the Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government. Specifically, the standards state the oversight body is responsible for overseeing the strategic direction of the entity and obligations related to its accountability. This includes overseeing management's design, implementation, and operation of an internal control system. Further, management should report deficiencies identified in the internal control system to the oversight body.

GAO's standards align with the Office of Management and Budget's guidance which states federal leaders and managers are accountable for establishing internal control systems, agency strategic and performance goals, responding to risks, managing program performance and operations, and maintaining assessment controls that help agencies operate effectively and deliver results. The guidance also requires management to assess and report on internal control annually–providing assurances on internal control effectiveness, including information on material weaknesses and contraction action as appropriate.[14]

ETA transmitted the OIG's claimant data and methodology associated with potentially fraudulent UI claims to the 53 SWAs and Guam in April 2021, including instructions and investigative requirements on due process. However, ETA did not perform the following oversight actions:

[13] We did not make determinations of fraud nor evaluate whether the states made the correct determinations.
[14] OMB Circular No. A-123 (Revised), Management's Responsibility for Internal Control (March 10, 2026)

- monitor nor require states to report the results of research or investigations of potentially fraudulent UI claims, which would have assisted ETA in identifying high-risk areas for UI fraud;

- ensure states had timely access[15] to the Social Security Administration's (SSA) Prisoner Update Processing System (PUPS)[16]—through the Interstate Connection Network (ICON)[17] operated by the National Association of State Workforce Agencies' (NASWA) Center for Employment Security Education and Research (CESER)—to perform incarceration cross-matches to detect UI fraud; or

- ensure states consistently established and reported fraudulent overpayments made to imposter claimants or identify systemic weaknesses that resulted in states reporting zero fraudulent overpayments when UI fraud risk was at its height during the pandemic.

The first deficiency occurred because ETA considered its oversight responsibilities to be limited. Specifically, ETA did not consider monitoring the results of states' reviews and investigations as part of its responsibilities. The remaining two deficiencies occurred because states' information technology (IT) systems and staffing challenges hindered states' abilities to: (1) obtain timely access to PUPS data to perform incarceration cross-matches and (2) establish or report fraudulent overpayments.

Without knowledge of states' investigative results or complete fraudulent overpayment reporting, ETA's ability to assess UI program performance, identify high-risk areas, and provide states with additional tools and guidance necessary to prevent fraudulent overpayments was impaired. In addition, without SWAs' implementation of PUPS, fraudulent overpayments to individuals using federal prisoners' SSNs likely went undetected.

The OIG selected 160 claimants that filed potentially fraudulent UI claims across 10 SWAs for us to test. We determined $684,475 in UI benefits were paid; states confirmed $135,642 (20 percent) of that was fraudulent, including $27,240 paid

[15] Within this report, PUPS access is defined as the SSA's approval of the data exchange request and security assessment and the SWA's full implementation of the incarceration cross-match.
[16] PUPS is a centralized system managed by SSA that receives and processes information about incarcerated individuals from federal correctional facilities. This system ensures Social Security benefits are suspended for prisoners who are ineligible to receive payments during their incarceration, in compliance with federal law. This data exchange was designed to equip SWAs with a crucial tool to cross-match UI claims information with SSA's prisoner data, thereby determining UI eligibility more accurately.
[17] ICON is a computerized system that facilitates communication and data exchange between state UI agencies.

by 1 state on fraudulent claims associated with 1 federal prisoner's SSN (see Exhibit).

ETA Needs to Improve Its Oversight of States' Efforts to Identify UI Fraud Using Federal Prisoners' SSNs

ETA is the federal agency responsible for providing states UI program direction and oversight. ETA provided states with claimant data associated with potentially fraudulent UI claims, recommended states use the incarceration cross-match, and required states to report aggregated fraudulent overpayment data. However, after taking these actions, ETA did not sufficiently monitor states' fraud detection and reporting activities to ensure improvements to UI program integrity. This occurred because ETA considered its oversight responsibilities to be limited, resulting in an impairment of its ability to assess performance of the UI program and identify high-risk areas.

ETA Neither Monitored Nor Required States to Report Results of Research or Investigations

In April 2021, ETA transmitted lists of claimants who filed potentially fraudulent UI claims using federal prisoners' SSNs as identified by the OIG to 53 SWAs and Guam. ETA sent the lists with investigative instructions and due process requirements. ETA officials confirmed the agency received electronic notifications that all 53 SWAs and Guam had received the email and downloaded the claimant files. However, only 8 of the 10 SWAs—Massachusetts, Maryland, Minnesota, New Hampshire, North Dakota, North Carolina, Ohio, and Tennessee—confirmed they received their respective claimant lists from ETA. Due to personnel turnover, the remaining two SWAs—Hawaii and Washington—were unable to confirm whether they had received the lists.

ETA stated it was unaware of the issues faced by Hawaii and Washington because, after distributing the lists, it neither monitored the states' actions nor required them to report the outcomes of any research or investigations performed. Such monitoring activity would have assisted ETA in identifying the receipt and access issues as well as in identifying high-risk areas for UI fraud. GAO's Standards for Internal Control in the Federal Government prescribes management should report deficiencies identified in the internal control system to the oversight body, which—in the case of the UI system—is ETA.

The eight states that confirmed receipt of the lists informed us they did not communicate results of subsequent research or investigations to ETA even though their investigations had confirmed the occurrence of fraudulent transactions. In survey responses, 25 out of the 31 respondent SWAs[18] (81 percent) indicated they did not report any results of research or investigations regarding the claimant lists to ETA. The remaining six respondents indicated they generally report aggregated fraudulent overpayments to ETA but did not report the results of investigations specific to the claimant lists.

We also submitted detailed testing questionnaires to the 10 SWAs for each of the selected 160 UI claimants to determine the SWAs' actions to address the potentially fraudulent CARES Act UI claims filed using federal prisoners' SSNs. Each SWA's response indicated whether the claims had been determined by the state to be fraudulent or nonfraudulent. We found the 10 SWAs paid $684,475 in UI benefits; states confirmed $135,642 (20 percent) was fraudulent. This included $27,420 paid by 1 state against claims using 1 federal prisoner's SSN and $108,222 paid by 3 states against claims filed for other fraudulent reasons—although there could be more federal prisoners' SSNs that went undetected by SWAs (see Exhibit).[19]

ETA Did Not Consider Monitoring Results of SWAs' Investigations as Part of Its Oversight Responsibilities

ETA did not monitor results of the SWAs' research and investigations of potentially fraudulent UI claims because it did not consider such monitoring activities to be a required part of its oversight responsibilities. This is contrary to government standards on management reporting and managing fraud risks[20] as well as recommendations from both the OIG and GAO.

ETA relied on the SWAs' submissions of aggregate overpayment and fraud data on the following two distinct pandemic program reports:

1. Quarterly ETA 227 Overpayment Detection and Recovery reports[21] for the FPUC and PEUC programs and

[18] During a survey, we asked 43 SWAs and Guam if they reported results of investigations to ETA; 31 SWAs responded.
[19] Other fraudulent reasons included program eligibility, multistate claimants, out of state wages, identity theft and suspicious banking information.
[20] GAO, A Framework for Managing Fraud Risks in Federal Programs, GAO-15-593SP (July 2015), available at: https://www.gao.gov/assets/gao-15-593sp.pdf
[21] For the FPUC and PEUC programs, SWAs use ETA 227 to report quarterly program activities, including the establishment of overpayments, recoveries of overpayments, criminal and civil actions involving overpayments obtained fraudulently, and an aging schedule of outstanding benefit overpayment accounts.

2. Monthly ETA 902-P Pandemic Unemployment Assistance Activities reports[22] for the PUA program.

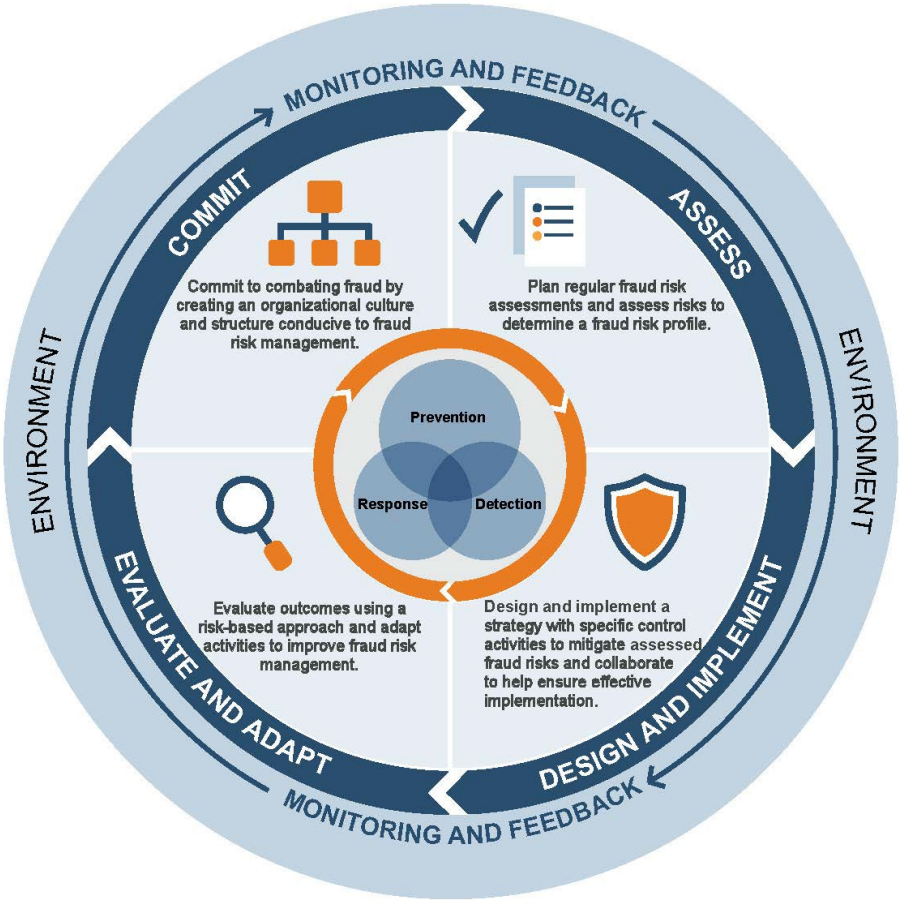
ETA required states to report aggregated data on UI claims, including details on established overpayments and nonmonetary determinations. ETA officials asserted it was not ETA's oversight responsibility to require states to provide results of their individual investigations. Specifically, they noted the agency offered guidance and funding to states to operate UI programs and thus had no reason to collect claimant-level results of the SWAs' investigations nor did it have the capacity to evaluate or analyze such data. However, ETA is the federal agency responsible for providing UI program direction and oversight. This responsibility includes distributing federal funds for states' implementation of the CARES Act UI programs, ensuring the integrity of the UI system, and managing fraud risks.

ETA agreed with the OIG's finding in a previous COVID-19 report[23] that there was a significant increase in fraudulent activity in the UI program. In addition, ETA subsequently provided the OIG's list of claimants to the SWAs and informed the SWAs it would collaborate with them to combat the sophisticated imposter fraud affecting the UI system. Accordingly, ETA accepted and demonstrated its monitoring responsibilities. However, ETA's decision not to monitor the results of SWAs' research and investigations of potentially fraudulent claims filed using federal prisoners' SSNs did not align with its stated intent to collaborate with the SWAs to combat imposter fraud.

Further, ETA's oversight responsibility to ensure the integrity of the UI system includes managing its fraud risk environment. In October 2021,[24] GAO recommended DOL designate a dedicated entity and document its responsibilities for managing the process of assessing fraud risks to the UI program consistent with leading practices as provided in its Fraud Risk Framework (see Figure 1). In addition, GAO recommended DOL should have, among other things, clearly defined and documented responsibilities and authority for managing fraud risk assessments and for facilitating communication among stakeholders regarding fraud-related issues.

[22] For the PUA program, SWAs use ETA 902P to report monthly data on PUA activities, including application and payment, denials and appeals, and overpayments.
[23] Alert Memorandum: The Employment and Training Administration (ETA) Needs to Ensure State Workforce Agencies (SWA) Implement Effective Unemployment Insurance Program Fraud Controls for High-Risk Areas, Report No. 19-21-002-03-315 (February 22, 2021), https://www.oig.dol.gov/public/reports/oa/2021/19-21-002-03-315.pdf
[24] COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response, GAO-22-105051 (October 27, 2021), available at: https://www.gao.gov/products/gao-22-105051

Figure 1: GAO's Framework for Managing Fraud Risks in Federal Programs



Source: GAO, A Framework for Managing Fraud Risks in Federal Programs, Report No. GAO-15-593SP (July 2015), available at: https://www.gao.gov/assets/gao-15-593sp.pdf

GAO has closed this recommendation based on actions taken by the Department. On January 6, 2023, the Secretary designated DOL's Chief Financial Officer as the dedicated entity responsible for managing the process of assessing fraud risks to the UI program consistent with leading practices as provided in GAO's Fraud Risk Framework. However, the designation came almost 3 years after the onset of the pandemic. The beginning of the pandemic was the most critical time for administering new temporary programs, and states struggled to process the highest level of claims in the history of the UI program.

ETA, with advisory support from the Office of the Chief Financial Officer (OCFO) Fraud Risk Working Group, also developed a UI Fraud Risk Profile in August 2023. However, this was 8 months after the Chief Financial Officer was

designated as the anti-fraud risk entity. In April 2024, ETA published "Building Resilience: A Plan to Transform Unemployment Insurance". This plan details seven transformation activities, including bolstering state UI programs against fraud. The plan also listed ongoing and completed strategies, as well as legislative reform proposals.

In May 2024, the OIG and OCFO met to discuss OCFO's role and responsibilities as related to the UI program. OCFO officials stated OCFO did not specialize in UI programs; rather, OCFO advised ETA on UI fraud risk management. According to OCFO officials, the UI Fraud Risk Profile is a living document. Further, they stated ETA identified the risks it contains based on high-risk areas reported in previous GAO and OIG reports, as well as data ETA regional offices collected from the states. Altogether, ETA identified 18 UI fraud risks in the UI Fraud Risk Profile, including:

- applicants fraudulently filing claims and receiving benefits across multiple states,
- deceased persons' identities used to file for UI benefits,
- suspicious email addresses or devices used to file UI claims, and
- incarcerated individuals or prison inmates applying for UI benefits while misrepresenting their eligibility.

In the UI Fraud Risk Profile, ETA and OCFO included responses to mitigate each fraud risk. OCFO officials stated challenges to mitigate the risks included the 53 SWAs' having: (1) statutory authority to use or not use Integrity Data Hub (IDH) services and (2) varying laws that define fraud.

Nonetheless, ETA developed a UI Integrity Strategic Plan through which it updated, oversaw, and communicated its UI anti-fraud strategies. According to ETA, the strategic plan continuously evolves and includes strategies and anti-fraud controls to combat emerging fraud schemes and address the highest residual risks identified in the UI Fraud Risk Profile. ETA requires states to submit Integrity Action Plans every 6 months to capture ongoing and planned actions to mitigate each fraud risk and reduce improper payments. Further, according to the plan, ETA tracks and evaluates each fraud risk mitigation strategy and action quarterly to determine their effectiveness in mitigating each UI fraud risk and the level of risk that remains.

ETA officials stated, if the agency determined a risk response effectively decreased the UI fraud risk to an acceptable tolerance level, it would update the risk ratings. Accordingly, these updates could reprioritize the remaining UI risks in the UI Fraud Risk Profile and ETA would revise the associated control strategies in the UI Integrity Strategic Plan to target higher priority risks.

However, if ETA determined a risk response was not effective enough to lower a risk to an acceptable risk tolerance level, the agency would develop additional control strategies. These additional strategies would be added to the UI Integrity Strategic Plan and tracked on a quarterly basis until the control was fully implemented.

This process would be repeated until ETA determined the risk response effectively decreased the risk to an acceptable tolerance level. As new fraud threats emerge, ETA would: (1) update the UI Fraud Risk Profile and (2) incorporate and track additional risk response activities to mitigate the newly identified risks in the UI Integrity Strategic Plan. However, ETA could not provide documented evidence that it performed quarterly evaluations of strategies and actions to determine their effectiveness in mitigating each fraud risk and the remaining levels of risk.

On June 27, 2024, through Training and Employment Notice 32-23, ETA announced the launch of the WorkforceGPS UI Fraud Risk Management webpage.[25] ETA and OCFO developed the webpage to encourage states to share feedback with their ETA regional office, including best practices in fraud risk management that could assist other states in operating their UI programs.

In GAO's Framework for Managing Fraud Risks in Federal Programs, GAO emphasized that it is critical that the anti-fraud entity be located with the agency and not the OIG, so the OIG can retain independence to serve its oversight role.[26] However, since June 2020, the OIG has been the leading federal entity collecting pandemic-related UI claimant data from states nationwide, performing risk assessments, and identifying high-risk areas. As previously noted, the OIG provided ETA and states with high-risk, potentially fraudulent UI claimant data associated with high-risk potentially fraudulent UI claims and its methodology. These efforts should not be deferred to the OIG's independent oversight.

As the oversight agency for UI programs, ETA is responsible for establishing a routine program integrity function. With the support of the Chief Financial Officer as the designated anti-fraud entity, ETA could: (1) perform its own data analytics and risk assessments, (2) identify high-risk areas, and (3) update the UI Fraud Risk Profile.

[25] Accessible with account creation request at: https://ui.workforcegps.org/resources/2024/05/01/18/20/Unemployment_Insurance_Fraud_Risk_Management

[26] GAO, A Framework for Managing Fraud Risks in Federal Programs, GAO-15-593SP (July 2015), available at https://www.gao.gov/assets/gao-15-593sp.pdf

In a September 2023 OIG report,[27] the OIG identified the need for data analytics to provide effective UI program oversight and to combat fraud. In addition, the OIG recommended ETA create an integrity program incorporating a data analytics capability and regularly monitor state UI claims data to detect and prevent improper payments, including fraudulent payments, and to identify trends and emerging issues that could negatively impact the UI program.

In response to the OIG's report, ETA cited limited funding as a reason for not being able to staff a data analytics team. In addition, ETA stated creating data analytics capability and monitoring state UI claims data would duplicate DOL's ongoing investment in the UI Integrity Center,[28] including the IDH. As an alternative, ETA stated it would leverage ongoing investments in the UI Integrity Center's IDH and work with the center to improve IDH's data analytics capabilities to better identify fraud trends.

However, states are not required to participate in the IDH and those that do participate do so to varying degrees, which has limited the IDH's effectiveness. As of March 27, 2026, 52 of the 53 SWAs used IDH services to some degree. The OIG's recommendations remained unimplemented as of April 21, 2026. We are not reissuing these recommendations but emphasize the importance of addressing them to resolve the deficiencies identified within this report.

ETA Did Not Ensure States Had Timely Access to PUPS Data to Perform Incarceration Cross-Matches

Although incarceration cross-matches are not required, ETA issued guidance[29] that strongly recommended states use the incarceration cross-match as a Benefit Payment Control activity for the regular UI, Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) programs. Also, ETA proposed legislation in the President's Fiscal Year 2025 budget that would authorize the

[27] Alert Memorandum: ETA Needs to Incorporate Data Analytics Capability to Improve Oversight of the Unemployment Insurance Program, Report No. 19-23-012-03-315 (September 25, 2023), https://www.oig.dol.gov/public/reports/oa/2023/19-23-012-03-315.pdf

[28] The UI Integrity Center, established by DOL and operated by NASWA, is designed to: (1) assist states in efforts to more effectively prevent, detect, and recover improper and fraudulent payments and (2) improve program integrity by developing and promoting innovative program strategies.

[29] Unemployment Insurance Program Letter 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 (May 11, 2020)

U.S. Secretary of Labor to require states to cross-match incarceration data against Secretary of Labor-designated systems, such as PUPS. However, such a proposal was not included in the President's Fiscal Year 2026 budget.

The State Verification and Exchange System (SVES)[30] and ICON are the two primary data exchange systems that allow states to access PUPS data from SSA and perform federal incarceration cross-matches using SSNs. Prior to the pandemic-related UI programs, states had been able to access SSA PUPS data by working directly with SSA and connecting through SVES. For the SVES data exchange, a SWA submits an SSA-157 Data Exchange Request Form to SSA for review and approval. If any issues prevent approval of the request form, the SWA and SSA coordinate directly with one another to resolve. Once SSA approves the SWA's request, the two parties modify or establish an information exchange agreement and conduct a security assessment (see Figure 2).

[30] SVES is SSA's query system that provides states and some federal agencies with a standardized method of SSN verification and uniform data response for Social Security Disability Insurance and Supplemental Security Income data for benefit program processing.

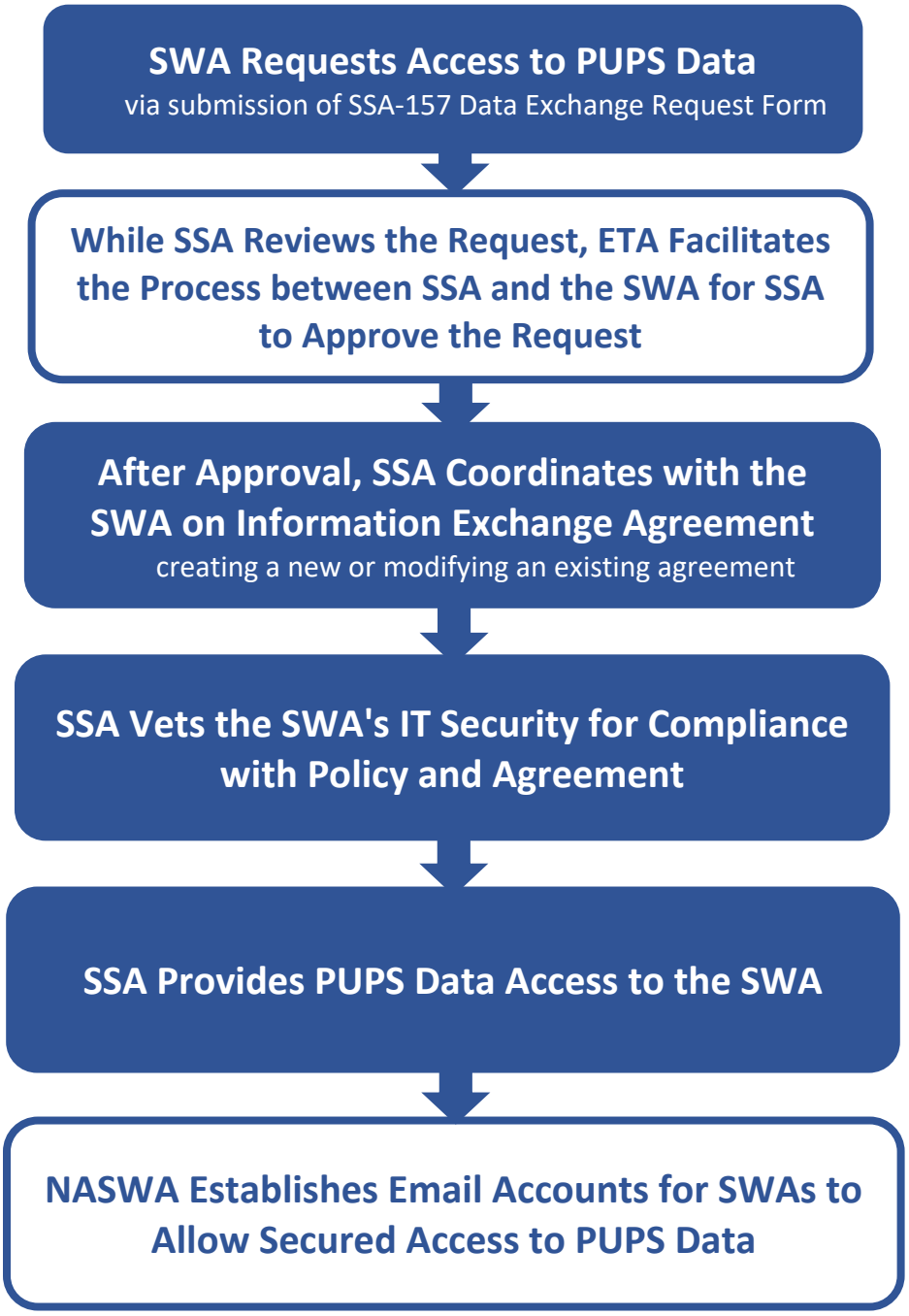
Figure 2. SVES Data Exchange Approval Process



Source: Regis' visual representation of the SVES data exchange approval process

For the ICON data exchange, ETA facilitates communication between the SWA and SSA to resolve incomplete request forms or other issues that may prevent SSA approval. In addition, NASWA establishes email accounts for SWAs to allow secured access to PUPS data (see Figure 3).

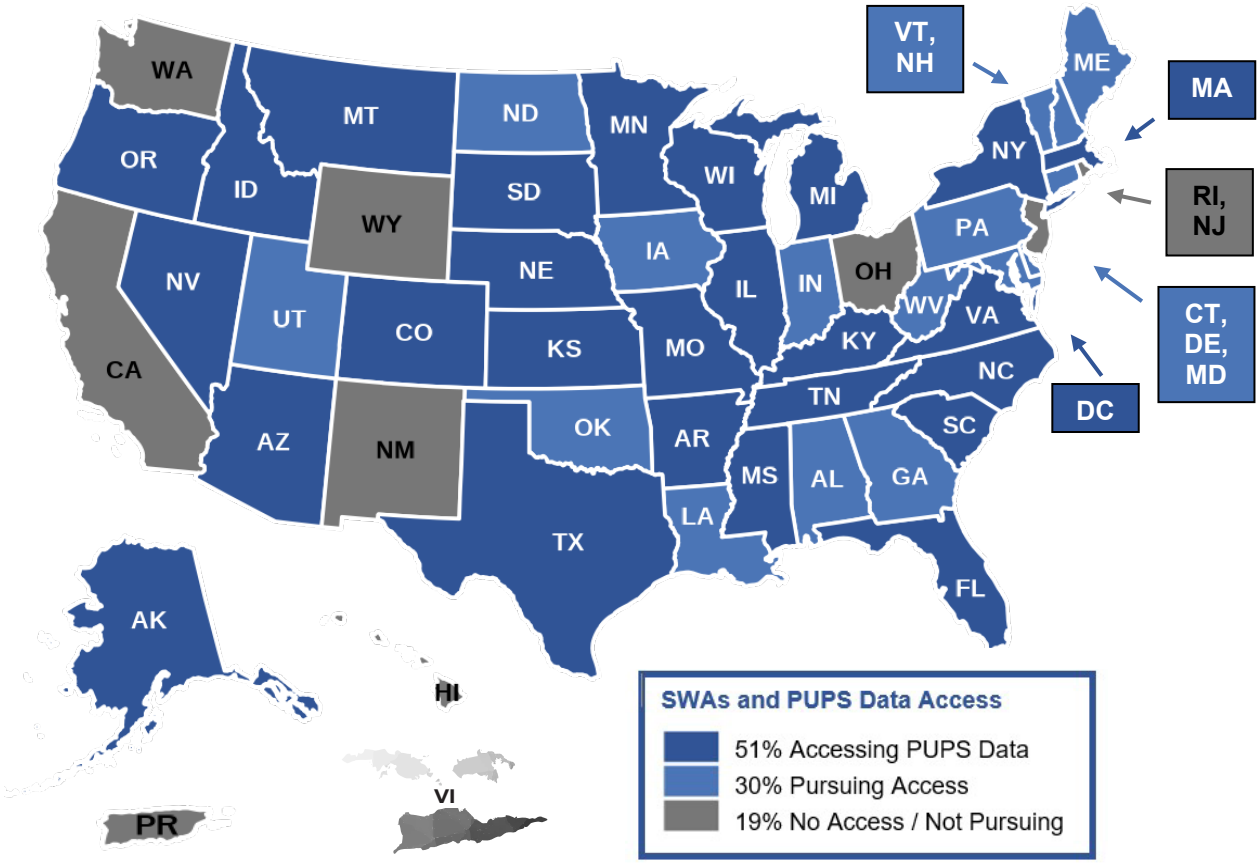
Figure 3. ICON Data Exchange Approval Process



Source: Regis' visual representation of the ICON data exchange approval process

We found, as of September 2022, 23 percent of the SWAs (11 of 53 SWAs)[31] had access to PUPS data to perform incarceration cross-matches. As of December 9, 2025, that percentage increased to 51 percent (27 of 53 SWAs). That included 13 SWAs accessing PUPS through SVES and 14 through ICON. An additional 16 SWAs (30 percent) were actively pursuing PUPS access, and the remaining 10 SWAs (19 percent) had yet to apply (see Figure 4).

Figure 4. PUPS Access Status for the 53 SWAs as of December 9, 2025



Note, for visibility, Puerto Rico and the U.S. Virgin Islands (neither of which are accessing or pursuing access to PUPS data) are shown larger than scale.
Source: OIG visual representation of ETA's response on PUPS access status for 53 SWAs

[31] Alaska, Idaho, Mississippi, Missouri, Montana, Nebraska, New Jersey, New York, South Carolina, Tennessee, and Wisconsin

Of the 10 SWAs selected for review, however, the percentage with PUPS access was lower: we found only 40 percent (4 SWAs) had PUPS access. Specifically, one SWA (Tennessee) had access through SVES and three SWAs (Massachusetts, Minnesota, and North Carolina) had access through ICON. Of the remaining six SWAs, half were actively pursuing PUPS data: Maryland, North Dakota, and New Hampshire.[32] Of the other three, two (Hawaii and Ohio) did not plan to apply for access. The third SWA, Washington, had paused its initial pursuit of access as of April 2025.

According to Washington officials, the agency de-prioritized PUPS access, planning to pursue it in the future, because the SWA considered identity theft a higher risk priority. In terms of UI claims using federal prisoners' SSNs, some situations involve prisoners applying for UI benefits while misrepresenting their eligibility. However, other situations involve fraud perpetrators stealing prisoners' SSNs to obtain UI benefits. Therefore, Washington having PUPS access would support its priority to address identity theft. Also, ETA identified incarcerated individuals applying for UI benefits as the second highest UI fraud risk. Therefore, by discontinuing pursuit of PUPS access, Washington exposed itself to a higher likelihood of UI fraud committed by individuals using federal prisoners' SSNs.

ETA opined that a state not having PUPS access did not mean it had no access to incarceration data. According to ETA officials, many states also rely on private sector sources and state and local jails and correctional facilities to obtain incarceration data. As of December 9, 2025, ETA stated 4 of the 10 SWAs (Hawaii, Maryland, Minnesota, and Washington) had alternate access. However, only one of those four (Minnesota) had alternate access to federal incarceration data (as opposed to state and local data), which is necessary to detect UI claims filed with federal prisoners' SSNs.

Furthermore, we found states seeking SSA PUPS access—whether through SVES or ICON—experienced challenges, as described in the following sections.

SWAs Experienced Challenges Pursuing PUPS Access through SVES

According to ETA, SWAs expressed concerns with the lengthy process to obtain SSA approval for PUPS access through SVES. Specifically, SWAs experienced

[32] Although SSA approved the PUPS data exchange request forms for Maryland, New Hampshire, and North Dakota, those SWAs have not begun PUPS implementation. All three planned to complete PUPS implementation in 2026: New Hampshire by February, North Dakota by September, and Maryland by December.

delays with SSA's regional data exchange coordinators in responding to questions and communicating application status updates.

In addition, some SWAs improperly completed or provided insufficient detail on the SSA-157 Data Exchange Request Form. ETA stated there was no escalation process in place when SWAs encountered communication delays. To perform the recommended incarceration cross-matches, states sought prisoner data from other sources at the local, county, or state levels. However, these sources did not offer federal prisoner data.

ICON Did Not Streamline Access Time for SWAs Pursuing PUPS Data Access

To streamline the PUPS access process, ETA began engaging SSA to establish an alternative process for PUPS access through ICON (instead of SWAs directly accessing PUPS data through SVES). According to ETA, facilitating PUPS data access for states through ICON (already used by states for other purposes) would alleviate technical connection issues. ETA coordinated with SSA to develop detailed instructions for states to complete the request form. In October 2021, ETA modified an existing information exchange agreement with SSA[33] to allow participating states access to PUPS data and announced the ICON availability to states with application instructions.[34] According to ETA, the detailed instructions helped reduce errors and unnecessary communication delays between SSA and the SWAs.

In addition, ETA stated the ICON team operated by NASWA/CESER worked with SSA and states to resolve technical challenges whereas states pursuing PUPS access through SVES relied on their internal IT resources to address technical challenges. Furthermore, ETA stated that, when a state experienced delays in accessing PUPS through ICON or communication challenges with SSA, ETA could escalate the issue with the SSA National Office PUPS team to obtain status updates and request expedited assistance or communication. According to ETA, approval for PUPS access through SVES could take several months or longer, but, through ICON, on average, SSA could approve a state's request for PUPS access in about 2 weeks.

We reviewed the number of days it took for states to receive SSA approval for PUPS access through ICON. Of the 10 SWAs, we found 6 SWAs

[33] The information exchange agreement between ETA and SSA expired on July 15, 2023. However, on June 23, 2023, ETA renewed the agreement with SSA to cover 5 years from July 16, 2023, through July 15, 2028.

[34] UIPL No. 1-22, Announcing the Availability of an Incarceration Data Exchange and Instructions to Access the Data Exchange between the Unemployment insurance (UI) Interstate Connection Network (ICON) and the Social Security Administration (SSA) Prisoner Update Processing System (PUPS) (October 29, 2021)

(Massachusetts, Minnesota, North Carolina, North Dakota, New Hampshire, and Maryland) had submitted the data exchange request for PUPS access and were approved by SSA. Of the five able to confirm dates,[35] approval took, on average, 150 days, considerably exceeding ETA's 2-week assertion.

Further contributing to delays, three[36] of the six SWAs with access through ICON took an average of 546 days to implement PUPS.[37] For the three SWAs[38] still working to implement PUPS access through ICON, an average of more than 980 days had elapsed:

- 956 days had elapsed since Maryland submitted its data exchange request to SSA, on April 28, 2023;
- 936 days had elapsed since New Hampshire submitted its data exchange request to SSA, on May 18, 2023; and
- 1,062 days had elapsed since North Dakota submitted its data exchange request to SSA, on January 12, 2023.

Staffing and IT Issues Contributed to Delays with SWAs' PUPS Implementation

Despite ETA providing states with an escalation process for SSA communication issues and access to a NASWA technical assistance team, states continued to face implementation delays with PUPS through ICON. ETA attributed these delays to challenges with SSA's security assessments and IT modernization while SWAs noted the main challenges they encountered regarded insufficient IT system capabilities and staffing resources, issues of longstanding concern to the Labor OIG.[39]

According to ETA, some SWAs ceased pursuit of PUPS to focus on UI IT system modernization efforts. ETA also stated the SWAs that had recently modernized their UI IT systems were required to: (1) undergo a new SSA security assessment (required to establish secure connections between SSA and

[35] Minnesota, North Carolina, North Dakota, New Hampshire, and Maryland were able to confirm the dates that SSA approved the states' data exchange request forms. Massachusetts officials could not provide the date that SSA approved the states' request forms. Therefore, we excluded Massachusetts from this specific analysis.
[36] Massachusetts, Minnesota, and North Carolina
[37] When SSA approves a request, the SWA is granted authorization for PUPS access whereas PUPS implementation is the subsequent integration into UI systems to receive PUPS data.
[38] Maryland, New Hampshire, and North Dakota (data as of December 9, 2025)
[39] In April 2020, the OIG advised DOL of six areas of initial concern, including state preparedness–namely, staffing and IT resources. For more information, see Advisory Report: CARES Act: Initial Areas of Concern Regarding Implementation of Unemployment Insurance Provisions; Report No. 19-20-001-03-315 (April 21, 2020), https://www.oig.dol.gov/public/reports/oa/2020/19-20-001-03-315.pdf.

states' UI systems) and (2) possibly make changes to their information exchange agreements to reflect the changes and new system. ETA also stated SWAs encountered internal delays with updating the agreements.

Due to these challenges, access to PUPS remained low among states. Of the 10 SWAs, 4 reported delays with PUPS implementation due to limited IT systems and staffing resources and the 2 SWAs that had not applied for PUPS access provided related reasoning for not yet applying. Details follow.

Maryland, New Hampshire, North Dakota, and Washington Experienced Delays in PUPS Implementation Due to Limited IT Systems Capabilities and Limited Staffing Resources

Maryland officials stated:

- despite the SWA finalizing the data sharing agreement with SSA in September 2024, Maryland prioritized three other projects that demanded available staffing resources and
- they expected full implementation by December 2026.

New Hampshire officials stated:

- the SWA's implementation was delayed due to limited availability of IT personnel who were assigned to support a higher-priority IT emergency project and
- they expected full implementation to be completed by February 2026.

North Dakota officials stated:

- PUPS implementation was delayed due to the state's IT modernization overhaul, which consumed all available IT staff;
- the SWA therefore experienced delays in making the required security and audit software updates to enable them to receive PUPS data; and
- they anticipated completion of the IT modernization effort by September 2026, which would then qualify the state to meet SSA specification requirements for PUPS access.

Washington officials stated:

- PUPS data access and implementation were delayed due to other competing priorities that strained staffing resources and,

- as of April 15, 2025, the SWA was no longer pursuing PUPS data access through ICON.

Hawaii and Ohio Had Not Applied for PUPS Access Due to Limited IT Systems Capabilities and Limited Staffing Resources

Hawaii officials stated:

- the SWA is currently modernizing its UI system and plans to incorporate PUPS into the system after modernization; however,
- they did not provide an anticipated completion date for the modernization effort or for PUPS implementation.

Ohio officials stated:

- the SWA did not implement PUPS due to lack of resources and other competing priorities.

We commend ETA's efforts in proposing legislation in the President's Fiscal Year 2025 budget authorizing the U.S. Secretary of Labor to mandate state incarceration cross-matches. However, ETA must continue efforts to ensure states have the necessary resources to access federal prisoner data in a timely manner and perform these cross-matches.

Alternative Federal Prisoner Data Sources May Be Available

In May 2024, ETA issued guidance that announced a new data sharing partnership between the U.S. Department of the Treasury's Fiscal Service and NASWA's UI Integrity Center to make Do Not Pay data sources and services available to the IDH to further support states in preventing and detecting improper payments and strengthening UI program integrity.[40] According to ETA, this partnership facilitates state information sharing from data sources such as the Do Not Pay Death Master File and IDH's Account Verification Services and Entity Validation Services. The guidance also required states to execute an updated IDH Participation Agreement to access Do Not Pay data sources and services through the IDH. According to ETA, as of March 27, 2026, 52 SWAs were currently participating in the IDH Do Not Pay partnership. Further, according to ETA officials, they are engaged with the U.S. Department of the

[40] Training and Employment Notice No. 28-23, Announcement of a New Data Sharing Partnership Between the U.S. Department of Treasury's (Treasury) Bureau of the Fiscal Service (Fiscal Service) and the National Association of State Workforce Agencies' (NASWA) Unemployment Insurance (UI) Integrity Center to provide State UI Agencies Access to Do Not Pay Working System (DNP) Data Sources and Services through the UI Integrity Data Hub (IDH) (May 2, 2024)

Treasury and the IDH to explore additional data sources, including federal prisoner information from the Bureau of Prisons.

ETA Did Not Ensure States Consistently Established and Reported Fraudulent Overpayments or Identify Systemic Weaknesses that Resulted in States Reporting Zeros

We found states did not consistently establish and report fraudulent overpayments to ETA, including those resulting from identity fraud. Of the 10 SWAs, 9 responded they established and reported fraudulent overpayments related to imposter claimants while Minnesota responded it did not establish nor report such fraudulent overpayments unless an investigation subsequently identified the imposter. However, the non-identification of an imposter does not negate the fact that an overpayment was made. Without complete overpayment reporting, ETA cannot sufficiently perform its oversight role and effectively direct its resources to address identity fraud.

Since April 2020, ETA guidance has required SWAs to report FPUC, PUA, and PEUC overpayments, including fraud, on ETA 227 and 902P reports.[41,42,43] We acknowledge that, for the first 3 months the programs existed (April 2020 through June 2020), there may have been legitimate reasons as to why the states lacked activity to report. However, the applicable guidance did not waive the reporting requirements for that period. Therefore, we analyzed the UI reporting activity for the 10 SWAs for the full audit period (April 2020 through September 2022), including the first 3 months.

As of January 2025, we found that, during the audit period, the 10 SWAs periodically reported zero fraudulent overpayments on ETA 227 reports (FPUC and PEUC) and on ETA 902P reports (PUA). However, it is unlikely that there were no fraudulent overpayments disbursed for multiple quarters, considering the: (1) high UI fraud risks associated with the quick implementation of the new, high-dollar value pandemic programs; (2) evolving guidance; and (3) rapid increase in UI claims. As part of its oversight role, ETA could have identified the

[41] UIPL No. 15-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Federal Pandemic Unemployment Compensation (FPUC) Program Operating, Financial, and Reporting Instructions (April 4, 2020)
[42] UIPL No. 16-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Pandemic Unemployment Assistance (PUA) Program Operating, Financial, and Reporting Instructions (April 5, 2020)
[43] UIPL No. 17-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Pandemic Emergency Unemployment Compensation (PEUC) Program Operating, Financial, and Reporting Instructions (April 10, 2020)

systemic weaknesses that led to states reporting zero fraudulent overpayments when UI fraud risk was at its highest during the pandemic.

For FPUC, three SWAs reported zero fraudulent overpayments on ETA 227 reports for a total of six quarters (see Table 1).

Table 1: Three SWAs Reported Zero FPUC Fraudulent Overpayment on ETA 227 Reports, April 2020–September 2022

State	Quarters Ending with Zero FPUC Fraudulent Overpayments	Number of Quarters
Minnesota	June 30, 2022	1
New Hampshire	June 30, 2022	1
North Dakota	June 30, 2020, through March 31, 2021	4
Totals	**N/A**	**6**

Source: OIG analysis based on ETA responses

For PEUC, six SWAs reported zero fraudulent overpayments on ETA 227 reports for a total of 13 quarters (see Table 2).

Table 2: Six SWAs Reported Zero PEUC Fraudulent Overpayments on ETA 227 Reports, April 2020–September 2022

State	Quarters Ending with Zero PEUC Fraudulent Overpayments	Number of Quarters
Hawaii	June 30, 2020, through March 31, 2021	4
Maryland	June 30, 2020, through December 31, 2020	3
Massachusetts	June 30, 2020	1
Minnesota	September 30, 2020	1
New Hampshire	September 30, 2020	1
North Dakota	June 30, 2020, through December 31, 2020	3
Totals	**N/A**	**13**

Source: OIG analysis based on ETA responses

For PUA, all 10 SWAs reported zero fraudulent overpayments on ETA 902P reports for a total of 92 months (see Table 3).[44]

[44] PUA fraudulent overpayments excluded fraudulent payments made as a result of identity theft. States are required to report overpayments made as a result of identity theft separately on the ETA 902P report.

Table 3: 10 SWAs Reported Zero PUA Fraudulent Overpayments on ETA 902P Reports from April 2020 through September 2022

State	Months with Zero PUA Fraudulent Overpayments	Number of Months
Hawaii	April 2020 through September 2022	30
Maryland	April 2020 through September 2020	6
Massachusetts	April 2020 through October 2021	19
Minnesota	April 2020, July 2020 through September 2020, December 2020, and February 2021	6
New Hampshire	April 2020 through July 2020, December 2020, and February 2021 through April 2021	7
North Carolina	April 2020	1
North Dakota	April 2020 through March 2021, July 2021, October 2021 through December 2021, May 2022, and September 2022	18
Ohio	April 2020	1
Tennessee	April 2020	1
Washington	April 2020, May 2020, and August 2022	3
Totals	**N/A**	**92**

Source: OIG analysis based on ETA responses

Previous OIG reports identified the states' non-reporting of overpayments, including fraud, for CARES Act UI programs, was due to antiquated IT systems. In May 2021,[45] the OIG recommended ETA assist states with claims, overpayments, and fraud reports to create clear and accurate information. In August 2022,[46] the OIG similarly recommended ETA work with states to ensure

[45] COVID-19: States Struggled to Implement CARES Act Unemployment Insurance Programs, Report No. 19-21-004-03-315 (May 28, 2021), https://www.oig.dol.gov/public/reports/oa/2021/19-21-004-03-315.pdf

[46] Alert Memorandum: The Employment and Training Administration Needs to Ensure States Workforce Agencies Report Activities Related to CARES Act Unemployment Insurance Programs, Report No. 19-22-004-03-315 (August 2, 2022), https://www.oig.dol.gov/public/reports/oa/2022/19-22-004-03-315.pdf

submission of missing reports and information before the commencement of ETA's Fiscal Year 2022 financial statement audit.

ETA agreed with the OIG that complete and accurate reporting is important to the administration and oversight of the temporary UI programs created under the CARES Act and related subsequent legislation. To address the issue and August 2022 recommendation, ETA: (1) provided the states with training on reporting accurate data and submitting ETA 227 and ETA 902P reports, (2) required corrective action plans for states with reporting challenges as part of State Quality Service Plans,[47] and (3) conducted state-specific technical assistance. Also, ETA made $562.6 million available to support the 53 SWAs and Guam with fraud detection and prevention, including identity verification and overpayment recovery activities in pandemic-related UI programs.

As of March 2025, more than 2 years since the August 2022 recommendation, 5 of the 10 SWAs—Hawaii, Maryland, Massachusetts, New Hampshire, and North Dakota—are still establishing and reporting fraudulent overpayments for the pandemic UI programs. The remaining five SWAs—Minnesota, North Carolina, Ohio, Tennessee, and Washington—have completed their reporting efforts. The following information contains specifics on the status of the five SWAs with ongoing reporting efforts:

Hawaii officials stated:

- estimating a timeline to complete investigation and reporting of fraudulent overpayments is challenging;
- regarding PEUC, they plan to identify and adjudicate fraudulent claims, establish overpayments, and pursue recovery in the coming months; and
- they are working with their vendor to review FPUC and PEUC payments to ensure fraudulent overpayments are identified and addressed;

Maryland officials stated:

- the SWA is investigating potentially fraudulent claims linked to SSNs flagged and suspended during the pandemic;
- they are also examining whether UI benefit payments made on previous claims with the same SSNs were fraudulent; and
- upon completing investigations and establishing fraudulent overpayments, the SWA will submit the necessary overpayment and recovery reports;

[47] The annual State Quality Service Plan is the principal vehicle the state UI programs use to plan, record, and manage improvement efforts. It serves as the programmatic plan portion of the grant document through which states receive federal UI administrative funding.

Massachusetts officials stated:

- they are continuing to establish FPUC, PEUC, and PUA fraudulent overpayments if they are discovered within the 4-year statute of limitations; however,
- they have identified only a few overpayments related to UI benefits that were paid nearly 4 years ago;

New Hampshire officials stated:

- the SWA has not yet completed identifying and reporting fraudulent overpayments for PUA, PEUC, and FPUC; and,
- they plan to complete review of all potentially fraudulent pandemic-related UI program overpayments by the quarter ending September 30, 2026;

North Dakota officials stated:

- they have not completed identifying and reporting fraudulent overpayments for PUA, PEUC, and FPUC; and,
- due to the overwhelming number of claims filed during the pandemic, there is currently no estimated date for when all fraud related to these programs will be fully identified and reported.

We commend ETA for continuing to work with the states to identify and report fraudulent overpayments in the CARES Act UI programs. However, these efforts to establish and report fraudulent overpayments have been ongoing for more than 2 years, and, based on the SWAs' anticipated completion dates or absence of a completion date, it could take longer.

Antiquated IT Systems, Staffing Challenges, and an Ambiguous State Law Caused Five States to Report Zero Fraudulent Overpayments

Due to IT system programming, staffing challenges, and an ambiguous state law, 5 of the 10 SWAs experienced difficulties resulting in the states reporting zero fraudulent overpayments for the FPUC, PEUC, and PUA programs. Without sufficient resources, overpayment reporting on the ETA 227 and 902P reports

was inconsistent among states and likely understated. The reporting difficulties that the five SWAs experienced are described in the following section.[48]

Hawaii

Hawaii officials noted establishing fraud operating procedures for PEUC reporting involves conducting investigations and determinations of fraud. Due to the resources needed for these procedures, the state prioritized processing less complex claims to efficiently meet residents' needs during the pandemic.

Regarding PUA fraudulent overpayment reporting, officials initially submitted ETA 902P reports for the period from April 2020 through September 2022, showing established fraudulent overpayments. However, these amounts were later adjusted to zero because they were inaccurate. The claims linked to the originally reported overpayments had not been properly investigated or established. This discrepancy arose because the PUA system automatically reported overpayments following a retroactive denial; however, staff needed to review each case before confirming and reporting the overpayment.

Further, due to staffing and software limitations, the officials noted PUA overpayments were not established and reported until February 2023. The SWA primarily relied on new or temporary employees who lacked specialized training, thereby necessitating time for staff development. Additionally, the SWA used an "off-the-shelf" software solution that lacked the built-in capability to investigate, establish, and recover PUA overpayments, leading to delays in developing the necessary module and workflow.

Maryland

Maryland officials stated it is unclear whether the reporting of zero fraudulent overpayments was due to delays in the integration of the pandemic programs with the Maryland SWA's IT system or due to the SWA not processing overpayments for PEUC claims.

[48] North Carolina, Ohio, and Tennessee were excluded from our root cause analysis of states reporting zero fraudulent overpayments because fraudulent overpayments are reported in the month in which they are detected, rather than in the month the payments were made. The three SWAs reported zero fraudulent PUA overpayments for the month ending April 30, 2020, which marked the beginning of PUA program implementation. Therefore, any fraudulent overpayments made in April 2020 would have been detected and reported in later months.

Massachusetts

Massachusetts officials stated the SWA did not report PEUC overpayments for the quarter ending June 30, 2020, because staffing resources were focused on programming the IT system to implement the PUA program and paying regular UI claims. As a result, PEUC overpayments were not consistently established and reported until the quarter ending September 30, 2020.

They also noted a lack of adequate staffing and system capability to conduct the required fraud fact-finding for every potentially fraudulent PUA claim. They explained the PUA system was developed outside of the SWA's regular benefits system and it had limitations. Typically, most benefit systems would require an 18-month timeframe for design, development, and launch; however, they had only 2 weeks to develop the PUA system to issue benefits. The SWA continued developing other modules while still accepting and paying new PUA claims.

Massachusetts did not complete development of the overpayment module in the PUA system until July 2021. Furthermore, officials noted they did not begin establishing and reporting PUA fraudulent overpayments in the UI system until November 2021. This delay was due to: (1) developing a methodology to cross-match PUA claims with the existing ICON database and (2) training staff on the PUA system, claims adjudication, and fraud identification.

Minnesota

According to Minnesota officials, Minnesota Statute 268 did not authorize them to establish or report fraudulent overpayments made to the imposter when the imposter was unknown. Specifically, Minnesota officials stated, to establish a fraudulent overpayment under Minnesota's state law, the identity of the individual to whom the overpayment is attributed must be known. Further, the officials noted the statute required the individual to have a UI account with which the determination could be associated.

We reviewed Minnesota Statute 268 and determined the statute did not require the state to know the identity of the imposter that filed the fraudulent UI claim to make a fraud determination. Rather, the criteria for the commissioner to make a fraudulent overpayment determination involved the applicant receiving overpaid UI benefits based on making false statements or misrepresentations. Specifically, the law establishes an overpayment because of misrepresentation in the following scenario:

> [a]n applicant has committed misrepresentation if the applicant is overpaid unemployment benefits by making a false statement or representation without a good faith belief as to the correctness of the statement or representation. After the discovery of facts indicating misrepresentation, the commissioner must issue a determination of overpayment penalty assessing a penalty equal to 40 percent of the amount overpaid.

The law defined "applicant" as an individual who had filed an application for unemployment benefits and has established or is pursuing the establishment of a benefit amount. However, the definition did not specify the individual had to be known.

Minnesota officials subsequently stated the state law did not contemplate the creation of an overpayment to an unknown entity. Due to the ambiguity of the state law, the officials opined there was no provision in the statute that authorized them to establish a fraudulent overpayment made to an unknown individual. However, the statute also did not prohibit the SWA from establishing and reporting fraudulent overpayments made to an unknown individual.

Minnesota officials stated there were no determinations of PEUC fraudulent overpayments made for the quarter ended September 30, 2020. However, they acknowledged PEUC fraudulent overpayments had been established in the previous quarter ending June 30, 2020.

For the 6 months[49] in which Minnesota reported zero PUA fraudulent overpayments, officials explained they were unable to establish and report fraudulent overpayments paid to imposter claimants without flagging the victims' SSN, which would potentially penalize the victims. According to Minnesota officials, if the state were to establish overpayments, it would unduly impact the victims of identity fraud—potentially resulting in losing eligibility for future UI benefits, collection actions, and tax implications.

ETA issued guidance to SWAs to protect identity fraud victims and ensure the owners of fraudulently used SSNs were not held responsible. Specifically, UIPL 16-21 states that, when an SWA determines identity fraud has occurred, it must take precautions to protect the rights of the victim and mitigate the negative consequences to the victim, including:

[49] Minnesota reported zero fraudulent PUA overpayments for the 6 months: April 2020; July 2020, through September 2020; December 2020; and February 2021.

- ensuring that, if a future claim is filed under the victim's SSN, the claimant undergoes a secondary identity verification process while minimizing the burden on the victim;
- ensuring the owner of the SSN is not held responsible for any overpayment or, whenever possible, is not issued a Form 1099G at the end of the relevant year;
- excluding the overpayment from the Treasury Offset Program and suspending Benefit Payment Control collection activity; and
- refraining from initiating any legal actions against the owner of the SSN.

The UIPL also recommends an option states can use to mitigate negative impacts on a victim: transferring all claim information regarding the imposter's claim to a pseudo claim record once the state makes a fraud determination. The pseudo claim record removes the fraudulent activity from the victim's SSN. This allows the victim to file UI claims in the future and preserves data from the fraudulent activity to be used for future analytics.

According to further ETA guidance,[50] SWAs that lack the administrative capability to move fraudulent activity to a pseudo claim may choose to temporarily identify the overpayment as "uncollectible." This ensures victims are not negatively impacted while the SWA develops a process to disassociate fraudulent activity from the victim's SSN. However, this temporary "uncollectible" classification does not constitute waiving recovery of the overpayment.

Minnesota also did not consistently establish and report fraudulent overpayments because the SWA lacked sufficient staffing resources to investigate potentially fraudulent UI claims filed by impostor claimants. Minnesota officials stated the states' UI program did not have the ability to track unknown individuals or groups, most of whom were likely outside the state. As such, the officials stated there is often no case established because the claims were filed by unknown bad actors and the UI program did not have resources to investigate these claims.

New Hampshire

New Hampshire officials stated the SWA's programming for reporting FPUC, PEUC, and PUA overpayment activity was not fully implemented until December 2021. According to the officials, any fraudulent overpayments reported from April 2020 through November 2021 were identified through manual queries the SWA performed to provide monthly activity information as directed by DOL.

[50] UIPL 20-21, Change 1, Additional State Instructions for Processing Waivers of Recovery of Overpayments under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as Amended (February 7, 2022)

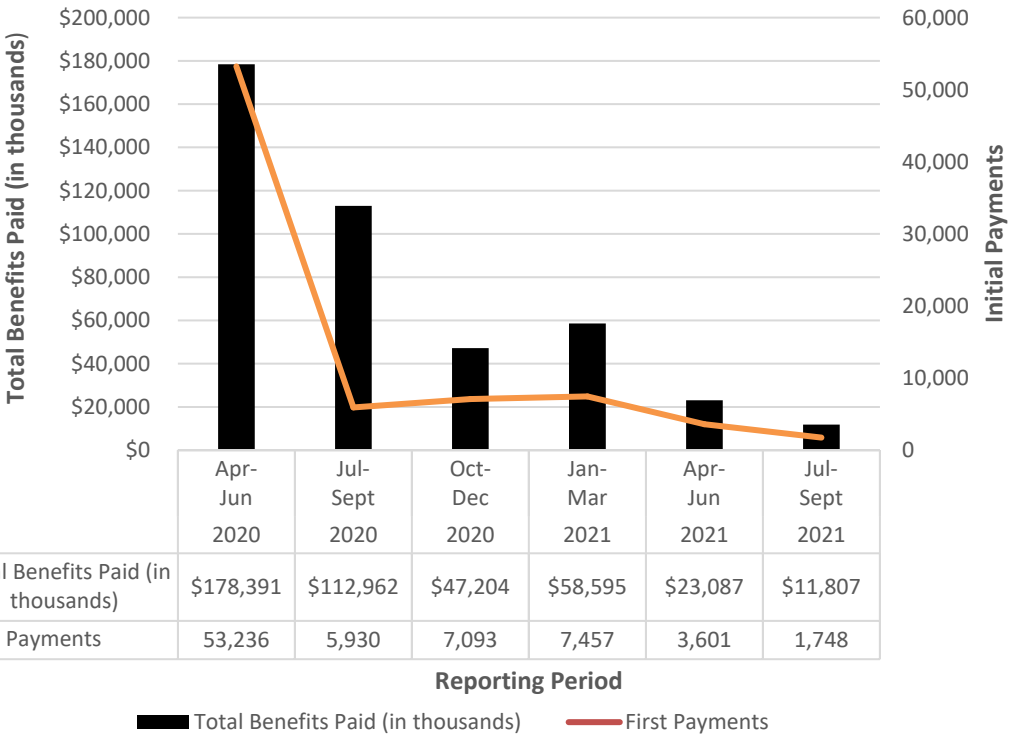
New Hampshire officials stated its Benefit Payment Control unit prioritized detecting identity theft claims over establishing fraudulent overpayments.

Two SWAs Responded with No Reporting Issues

North Dakota

North Dakota officials stated the SWA did not detect FPUC and PEUC fraudulent overpayments for the first 3 to 4 quarters or PUA fraudulent overpayments for 13 months during the pandemic. However, considering the high UI fraud risks associated with the largest percentage of initial payments and benefits being disbursed from April 2020 through September 2020, it is unlikely no fraudulent overpayments were disbursed during that period. During the pandemic UI program period (April 2020 through September 2021), the SWA disbursed 79,065 initial payments, totaling $432 million. From April 2020 through September 2020, the SWA disbursed 59,166 initial payments (75 percent), totaling $291.4 million (67 percent) (see Figure 5).

Figure 5: North Dakota's Initial UI Benefit Payments, April 2020–September 2021



Source: OIG analysis using ETA monthly program and financial data

Washington

Washington officials noted the months of April and May 2020 marked the start of the pandemic and PUA benefit payments; therefore, the agency would not have established and reported PUA payments as fraudulent at that time. They explained UI claims would have been flagged but not identified as fraudulent overpayments until reviewed and confirmed by an adjudicator in the UI system.

We agree overpayments are reported in the month in which they are detected rather than when payments are made. Since the PUA program began in April 2020, any fraudulent overpayments from that time would have been detected and reported in later months. However, given some SWAs reported fraudulent overpayments for May 2020, it would have been reasonable for Washington to establish and report fraudulent overpayments for that month.

CONCLUSION

The OIG has estimated at least $191 billion (22 percent) of $888 billion in pandemic UI benefits could have been paid improperly, with a significant portion attributable to fraud. We acknowledge ETA demonstrated a responsibility toward improving UI program integrity by: (1) assisting states with PUPS data access to perform incarceration cross-matches; (2) transmitting the OIG's lists of potentially fraudulent claimants[51] to SWAs, along with instructions and specific requirements for conducting investigations and due process; and (3) developing a UI Fraud Risk Profile based on risks reported by GAO and the OIG.

While these actions served to guard against fraud in the UI program, SWAs could benefit from more direction and assistance from ETA, to timely identify and address suspected fraudulent activity, including UI claims filed with federal prisoners' SSNs. This is even more critical when federal funds are at stake—such as with the key pandemic-related UI programs that provided an unprecedented level of funding during a crisis, necessitating even more programmatic oversight and support to ensure effective, efficient delivery of benefits to eligible claimants. ETA can take a leading role in collecting UI claimant data from states, performing risk assessments, and identifying high-risk areas. These efforts would better position the agency to effectively assist states with developing response activities to address ever-evolving fraud risks that threaten the integrity of the UI program.

[51] "Potentially fraudulent claimants" refers to the SSNs associated with potentially fraudulent UI claims.

RECOMMENDATIONS

We recommend the Assistant Secretary of Labor for Employment and Training:

1. Ensure Congress is made aware of the continued need to mandate the use of systems designated by the U.S. Secretary of Labor, such as the Prisoner Update Processing System (PUPS), for cross-matching federal incarceration data.

2. Work with the U.S. Department of the Treasury's Bureau of Fiscal Services, Bureau of Prisons, and UI Integrity Center to facilitate states' streamlined access to federal incarceration data leveraging the Do Not Pay initiative and the Integrity Data Hub.

To address other issues identified in this report and improve ETA's oversight of states' efforts to identify fraudulent UI claims, we made two recommendations (Numbers 1 and 3) in the first report of this series, with which ETA generally agreed.[52]

Analysis of ETA's Comments

In response to a draft of this report, ETA agreed with the OIG's recommendations to improve oversight of states' efforts to identify fraud. We reviewed ETA's response and made minor clarifying edits to the final report. Synopses of ETA's responses follow:

- For Recommendation 1, ETA agreed and stated it will explore potential avenues to improve Congressional awareness of this matter.
    - We determined ETA's proposed corrective action meets the intent of the recommendation.

- For Recommendation 2, ETA agreed, stating it has facilitated a connection between Do Not Pay and the IDH that is offered cost-free to the 52 participating SWAs. ETA also stated it is actively engaged with Treasury's Bureau of the Fiscal Service, who manages the Do Not Pay system, and the UI Integrity Center, which manages the IDH, to incorporate additional

[52] COVID-19: ETA Needs to Improve Its Oversight Of States' Efforts to Identify Multistate UI Fraud, Report No. 19-25-004-03-315 (August 4, 2025), https://www.oig.dol.gov/public/reports/oa/2025/19-25-004-03-315.pdf

data sources, including federal prisoner information from the Bureau of Prisons. Currently, however, the Bureau of Prison's System of Records Notice only allows federal programs access to its federal prisoner information, thus preventing access to the data for federally funded, state-administered programs like the UI program. ETA has made Treasury and the Bureau of Prisons aware of the urgent need to access the federal prisoner data for the UI program.

- We determined ETA's proposed corrective action to engage with Treasury's Bureau of Fiscal Service, the Bureau of Prisons, and the UI Integrity Center to incorporate additional data sources, including federal prisoner information from the Bureau of Prisons, meets the intent of our recommendation.

The agency's response to the draft report is included in its entirety in Appendix B. We appreciate the cooperation and courtesies ETA extended to us during this audit.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
June 10, 2026

EXHIBIT: TESTING RESULTS, FRAUDULENT AND NONFRAUDULENT PAYMENTS FOR THE 10 SWAS

Table 4: Fraudulent and Nonfraudulent Payment Breakdown of OIG-Identified Federal Prisoners' SSNs for the 10 SWAs

State	Total Claimants Sampled	Total Benefit Payments	Number of Nonfraudulent Claimants[53]	Nonfraudulent Amounts Paid	Number of Fraudulent Claimants[54]	Fraudulent Amounts Paid
Hawaii	10	$0[55]	0	$0	10	$0
Maryland	38	$207,039	26	$207,039	12	$0
Massachusetts	25	$51,812	7	$46,956	18	$4,856
Minnesota	10	$18,028	2	$18,028	8	$0
New Hampshire	10	$40,585	6	$40,585	4	$0
North Carolina	18	$75,906	9	$ 74,850	9	$1,056
North Dakota	10	$10,394	3	$10,394	7	$0
Ohio	14	$140,941	6	$38,631	8	$102,310
Tennessee	15	$88,619	4	$61,199	11	$27,420
Washington	10	$51,151	7	$51,151	3	$0
Totals	**160**	**$684,475**	**70**	**$548,833**	**90**	**$135,642**

Source: Regis analysis based on SWA responses to questionnaires

[53] "Nonfraudulent claimants" refers to the sampled SSNs the states determined were not associated with fraudulent UI claims.
[54] "Fraudulent claimants" refers to the sampled SSNs the states determined were associated with fraudulent UI claims.
[55] Hawaii did not pay UI benefits to the sampled claimants due to various reasons, including the absence of an established monetary determination and/or claimant disqualification, identity verification issues, eligibility determinations, incarceration status, active or pending regular UI claims, and other program eligibility findings.

Table 5: Fraudulent Payment Breakdown of OIG-Identified Federal Prisoners' SSNs and Other Fraudulent Reasons[56] for the 10 SWAs

State	Number of Fraudulent Claimants[57]	Fraudulent Amounts Paid	Number of Claimants Using Federal Prisoners' SSNs	Total Paid to Claimants Using Federal Prisoners' SSNs	Number of Claimants with Other Reasons	Total Paid to Claimants with Other Reasons
Hawaii	10	$0	0	$0	10	$0
Maryland	12	$0	0	$0	12	$0
Massachusetts	18	$4,856	0	$0	18	$4,856
Minnesota	8	$0	0	$0	8	$0
New Hampshire	4	$0	0	$0	4	$0
North Carolina	9	$1,056	0	$0	9	$1,056
North Dakota	7	$0	0	$0	7	$0
Ohio	8	$102,310	0	$0	8	$102,310
Tennessee	11	$27,420	1	$27,420	10	$0
Washington	3	$0	0	$0	3	$0
Totals	**90**	**$135,642**	**1**	**$27,420**	**89**	**$108,222**

Source: Regis analysis based on SWA responses to questionnaires

[56] Other fraudulent reasons included program eligibility, multistate claimants, out of state wages, identity theft and suspicious banking information.
[57] "Fraudulent claimants" refers to the sampled SSNs the states determined were associated with fraudulent UI claims.

APPENDIX A: SCOPE AND METHODOLOGY

Scope

The audit covered the actions taken by ETA and SWAs from April 7, 2021, through September 15, 2022, to address OIG-identified, potentially fraudulent CARES Act UI claims filed using federal prisoners' SSNs from March 2020 through October 2020. To ensure currency and relevance, we also reviewed updated ETA guidance and UI payment reporting activities that extended outside of the audit period.

Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We obtained and reviewed the CARES Act and SWAs' policies and procedures related to the UI claims process, establishment and recovery of overpayments, and identification of fraudulent or nonfraudulent payments. We submitted process review and internal control questionnaires to 10 SWAs to gain an understanding of the SWAs' internal control tools used to investigate potentially fraudulent claimants. We also conducted walkthroughs to gain a better understanding of SWAs' internal controls that were considered significant to the audit objective.

Additionally, we obtained and reviewed ETA's UIPLs and other guidance provided to the states on investigation of the OIG-identified potentially fraudulent UI claims filed using federal prisoners' SSNs. Furthermore, we submitted detailed testing questionnaires to 10 SWAs for each of the selected 160 UI claimants. We used the questionnaires to determine the SWAs' actions to address the OIG-identified potentially fraudulent CARES Act UI claims filed using federal prisoners' SSNs. Based on each SWA's response, we categorized the claims as having been determined by the state to be either fraudulent or nonfraudulent. We also separated fraudulent claims attributable to the claimants who filed using federal prisoners' SSNs from fraudulent claims for other reasons.

Selection of SWAs

We conducted an in-depth examination of 10 OIG-selected SWAs—Hawaii, Massachusetts, Maryland, Minnesota, New Hampshire, North Dakota, North Carolina, Ohio, Tennessee, and Washington. The OIG selected this sample based on the highest per capita benefits paid. The OIG calculated per capita benefits using the number of claimants flagged for filing claims using federal prisoners' SSNs and the benefit amounts paid against these claims. The OIG then ranked the SWAs by the per capita amount, largest to smallest, and selected the top 10 SWAs.

The OIG also controlled for repetition of SWAs within other high-risk areas. Therefore, the OIG did not select the same SWAs if they appeared in a higher-ranked risk area, thereby resulting in the selection of 10 different SWAs for each of the four high-risk audits. The OIG ranked the high-risk areas from highest to lowest: multistate claimants, deceased persons' SSNs, suspicious email accounts, and federal prisoners' SSNs. In addition, we surveyed the remaining 43 SWAs and Guam[58] to obtain information on processes related to investigating and reporting fraudulent UI claims filed using federal prisoners' SSNs.

Data Reliability

We conducted tests to determine the reliability of the UI claimant data provided by the SWAs related to UI claims filed using federal prisoners' SSNs. To assess the reliability of the data, we performed procedures to test for completeness, accuracy, consistency, and validity. This included corroborating the claimant data against the SWAs' UI systems records, which included screen prints showing evidence of payment and other evidence provided by the SWAs. The supporting evidence was used to confirm information including whether the claims were paid, the determination made on whether a claim was fraudulent or nonfraudulent, and the status of any ongoing fraud investigation. We also provided the SWAs with questionnaires related to each of the selected claimants. We then reviewed the responses to ensure they were consistent with the supporting documentation. When necessary, we held meetings and requested additional documentation to substantiate the validity of the claimant data and responses provided.

Internal Controls

We obtained an understanding of the SWAs' internal controls, including IT and systems, that were considered significant to the audit objective. We used our understanding of the internal controls to help design audit procedures relevant to

[58] Of the 43 SWAs and Guam surveyed, 32 SWAs (73 percent) responded.

the audit objective and not to provide assurance on the internal controls. Consequently, we did not express an opinion on ETA's or SWAs' internal controls. Our consideration of internal controls for SWAs to address the risks associated with fraudulent claims filed using federal prisoners' SSNs would not necessarily disclose all matters that might rise to the level of significant deficiencies.

Sampling

We used sampling in this audit to evaluate ETA's and SWAs' efforts to address potentially fraudulent UI claims submitted using federal prisoners' SSNs. We extracted a random stratified sample of claimants from the 10 SWAs to determine whether corrective actions were taken. We determined the sample size using statistical sampling that factored a desired precision of 5 percent, a confidence level of 95 percent, and an expected error rate of 10 percent to select sample claimants from the population. Per statistical sample size standards, we used 10 as the sample size for states with a calculated sample size less than 10.

Criteria

- OMB Circular No. A-123 (Revised), Management's Responsibility for Internal Control (March 10, 2026)
- GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014)
- GAO-15-593SP, A Framework for Managing Fraud Risks in Federal Programs (July 2015)
- GAO-22-105051, COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response (October 27, 2021)
- UIPL 15-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020- Federal Pandemic Unemployment Compensation (FPUC) Program Reporting Instructions (April 4, 2020)
- UIPL No. 16-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Pandemic Unemployment Assistance (PUA) Program Operating, Financial, and Reporting Instructions (April 5, 2020)

- UIPL No. 17-20, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Pandemic Emergency Unemployment Compensation (PEUC) Program Operating, Financial, and Reporting Instructions (April 10, 2020)

- 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 (May 11, 2020)

- UIPL 16-21, Identity Verification for Unemployment Insurance (UI) Claims (April 13, 2021)

- UIPL No. 1-22, Announced the Availability of an Incarceration Data Exchange and Instructions to Access the Data Exchange between the Unemployment Insurance (UI) Interstate Connection Network (ICON) and the Social Security Administration (SSA) Prisoner Update Processing System (PUPS) (October 29, 2021)

- UIPL 20-21, Change 1, Additional State Instructions for Processing Waivers of Recovery of Overpayments under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as Amended (February 7, 2022)

- Training and Employment Notice No. 28-23, Announcement of a New Data Sharing Partnership Between the U.S. Department of Treasury's (Treasury) Bureau of the Fiscal Service (Fiscal Service) and the National Association of State Workforce Agencies' (NASWA) Unemployment Insurance (UI) Integrity Center to provide State UI Agencies Access to Do Not Pay Working System (DNP) Data Sources and Services through the UI Integrity Data Hub (IDH) (May 2, 2024)

Prior Relevant Coverage

During the last 6 years, the OIG has issued 13 reports of significant relevance to the subject of this report, as follows:

1. Advisory Report: CARES Act: Initial Areas of Concern Regarding Implementation of Unemployment Insurance Provisions, Report No. 19-20-001-03-315 (April 21, 2020) available at: https://www.oig.dol.gov/public/reports/oa/2020/19-20-001-03-315.pdf;

2. Alert Memorandum: The Employment and Training Administration (ETA) Needs to Ensure State Workforce Agencies (SWA) Implement Effective Unemployment Insurance Program Fraud Controls for High-Risk Areas, Report No. 19-21-002-03-315 (February 22, 2021), available at: https://www.oig.dol.gov/public/reports/oa/2021/19-21-002-03-315.pdf;

3. COVID-19: States Struggled to Implement CARES Act Unemployment Insurance Programs, Report No. 19-21-004-03-315 (May 28, 2021), available at: https://www.oig.dol.gov/public/reports/oa/2021/19-21-004-03-315.pdf;

4. Alert Memorandum: The Employment and Training Administration Needs to Issue Guidance to Ensure State Workforce Agencies Provide Requested Unemployment Insurance Data to the Office of Inspector General, Report No. 19-21-005-03-315 (June 16, 2021), available at: https://www.oig.dol.gov/public/reports/oa/2021/19-21-005-03-315.pdf;

5. Alert Memorandum: The Employment and Training Administration Needs to Ensure States Workforce Agencies Report Activities Related to CARES Act Unemployment Insurance Programs, Report No. 19-22-004-03-315 (August 2, 2022), available at: https://www.oig.dol.gov/public/reports/oa/2022/19-22-004-03-315.pdf;

6. Alert Memorandum: Potentially Fraudulent Unemployment Insurance Payments in High-Risk Areas Increased to $45.6 Billion, Report No. 19-22-005-03-315 (September 21, 2022), available at: https:///www.oig.dol.gov/public/reports/oa/2022/19-22-005-03-315.pdf;

7. COVID-19: ETA and States Did Not Protect Pandemic-Related UI Funds from Improper Payments Including Fraud or from Payment Delays, Report No. 19-22-006-03-315 (September 30, 2022), available at: https://www.oig.dol.gov/public/reports/oa/2022/19-22-006-03-315.pdf;

8. COVID-19 – ETA Can Improve its Oversight to Ensure Integrity over CARES Act UI Programs, Report No. 19-23-011-03-315 (September 22, 2023), available at: https://www.oig.dol.gov/public/reports/oa/2023/19-23-011-03-315.pdf;

9. Alert Memorandum: ETA Needs to Incorporate Data Analytics Capability to Improve Oversight of the Unemployment Insurance Program, Report No. 19-23-012-03-315 (September 25, 2023), available at: https://www.oig.dol.gov/public/reports/oa/2023/19-23-012-03-315.pdf;

10. COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify Multistate UI Fraud, Report No. 19-25-004-03-315 (August 4, 2025), available at: https://www.oig.dol.gov/public/reports/oa/2025/19-25-004-03-315.pdf;

11. COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify UI Fraud Using Deceased Persons' Social Security Numbers, Report No. 19-25-005-03-315 (August 15, 2025), available at: https://www.oig.dol.gov/public/reports/oa/2025/19-25-005-03-315.pdf;

12. COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify UI Fraud Using Suspicious Email Accounts, Report No. 19-25-007-03-315 (September 16, 2025), available at: https://www.oig.dol.gov/public/reports/oa/2025/19-25-007-03-315.pdf; and

13. COVID-19: Recovery of Millions in Pandemic-Related UI Overpayments Improperly Waived, including Fraud, Report No. 19-25-009-03-315 (September 25, 2025), available at: https://www.oig.dol.gov/public/reports/oa/2025/19-25-009-03-315.pdf.

APPENDIX B: AGENCY'S RESPONSE TO THE REPORT

The agency's response to our draft report follows.

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

May 22, 2026

MEMORANDUM FOR: LAURA B. NICOLOSI
Assistant Inspector General for Audit

FROM: HENRY MACK, ED.D.
Assistant Secretary for Employment and Training

SUBJECT: Response to Draft Report – *COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify UI Fraud Using Federal Prisoners' Social Security Numbers*,
Report No. XX-XX-XXX-XX-XXX

The U.S. Department of Labor's (Department) Employment and Training Administration (ETA) appreciates the opportunity to respond to the above-referenced draft report from the Office of Inspector General (OIG) regarding efforts to identify potentially fraudulent unemployment insurance (UI) claims filed using federal prisoners' Social Security numbers.

The Department is committed to taking aggressive action to reduce fraud, waste, and abuse in the UI program, but agrees that more work is necessary. This is a top priority for ETA, and the Agency continues to take important steps to further this goal. In response to other recent reports by the OIG, ETA will continue to hold states accountable and work with relevant stakeholders to ensure sufficient efforts are in place to prevent fraudulent activities.

Responses to the OIG Recommendations

Please find below each of the OIG's recommendations contained in the draft report, followed by ETA's response to each of the recommendations.

Recommendation 1: Ensure Congress is made aware of the continued need to mandate the use of systems designated by the U.S. Secretary of Labor, such as PUPS [Prisoner Update Processing System], for cross-matching federal incarceration data.

ETA Response: ETA agrees with this recommendation and will explore potential avenues to improve Congressional awareness of this matter.

The Administrator of the Office of Unemployment Insurance and the Acting Administrator of the Office of Policy Development and Research are responsible for the implementation of this recommendation.

Recommendation 2: Work with the U.S. Department of the Treasury's Bureau of Fiscal Services, Bureau of Prisons, and NASWA [National Association of State Workforce Agencies] / CESER [Center for Employment Security Education and Research] to facilitate states' streamlined access to federal incarceration data leveraging the Do Not Pay initiative and the Integrity Data Hub.

ETA Response: ETA agrees with this recommendation. In recent years, ETA has successfully facilitated a connection between the U.S. Department of the Treasury's Bureau of Fiscal Service Do Not Pay (DNP) and the Integrity Data Hub (IDH) that is offered cost-free to the 52 state workforce agencies that currently participate. The IDH is currently set up to facilitate information sharing with states from DNP's Death Master File, as well as from other critical payment integrity data sources and services. ETA is actively engaged with DNP and the IDH to incorporate additional data sources, including federal prisoner information from the Bureau of Prisons (BOP). Currently BOP's System of Records Notice only allows federal programs access to BOP's federal prisoner information, thus preventing access to the data for federally funded, state administered programs, like the UI program. ETA has made DNP and BOP aware of the urgent need to access the federal prisoner data for the UI program.

ETA respectfully requests that the OIG change the reference to "NASWA/CESER" in this recommendation to "UI Integrity Center" when issuing the final report, as this more accurately reflects the entity ETA will be working with to resolve and close this recommendation.

The Administrator of the Office of Unemployment Insurance is responsible for the implementation of this recommendation.

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