

UNEMPLOYMENT INSURANCE FRAUD CALENDAR YEAR 2020



Protecting Unemployment Insurance
during the COVID-19 pandemic
health crisis



SUPPORT BUSINESS | PROMOTE EMPLOYMENT

SUMMARY

Unemployment Insurance (UI) benefits are a critical safety net for people who are unemployed, their families, and communities. Paying unemployment benefits in a timely manner, while protecting the Oregon UI Trust Fund, is a core principle of the Oregon Employment Department.

Fraud occurs when a person intentionally provides false or misleading information to obtain unemployment insurance benefits. Unfortunately, UI fraud (and the threat of it) has always existed in the UI system and presents a risk to the trust fund. Fraud is a continuing concern of the Oregon Employment Department and other UI programs throughout the nation. That concern was greatly heightened during the COVID-19 pandemic health crisis, due in part to the increased financial incentives for fraudsters:

- “Plus up” benefit programs, such as the Federal Pandemic Unemployment Compensation (FPUC) and Lost Wages Assistance (LWA) programs, meant higher benefit payments per week. This made any successful fraud attempt more lucrative.
- Extension programs meant more weeks of benefits were available than normal, which also made fraud potentially more lucrative.
- The new ability to extensively backdate claims meant that if a fraudulent claim could ‘sneak through,’ many weeks of benefits could pay all at once, making it easier for criminals to get more money before getting caught.
- The sudden and severe job loss due to the pandemic put intense pressure on UI programs to pay benefits to people quickly. Frequent changes to benefit programs, many which were retroactive, added to the pressure on UI programs to get urgently needed benefits to Oregonians.
- The waiting week was waived. This critical fraud preventative gives a buffer between processing a claim and issuing payment. This week allows the agency to begin its thorough review of claims before payment begins. While the waiting week was waived, some fraud prevention tools could not be fully utilized until after payments began being made. Federal requirements also limit the circumstances in which the Department can stop payments after payments began, even in cases of suspected fraud.

Throughout the pandemic, there has been significant media attention highlighting UI fraud in other states (see appendix A – National news coverage of UI fraud during the pandemic). The good news is that Oregon has not seen losses on the scale of some other states. Fraud remains a significant threat to Oregon’s UI system; however, the Department continues to dedicate significant resources and efforts to combat it.

During the height of the pandemic, OED declined to answer specific questions about fraud to prevent the disclosure of information that could be used by fraudsters to further scam the system. Now that the PUA program has ended and work in the program is winding down, we can publicly share some information about fraud that occurred in calendar year 2020 without creating undue further risk.

Calendar year 2021 data is not in this report for two reasons. The Department is still seeing active fraud attempts, and criminal rings continue to quickly adapt to any information they discover about states’ efforts to combat fraud.

The Department is committed to ensuring that when it shares data, it does so in a manner that does not make it easier for sophisticated criminal enterprises to steal public money. Also, because calendar year 2021 has recently ended, it will take time for the data to be available.

Oregon has several tools that help combat UI fraud. Although some are federally required, many are not. Oregon participates in the National Association of State Workforce Agencies (NASWA) Integrity Center steering committee and has been an early adopter of their fraud combating tools. Combating pandemic-related fraud and pursuing accountability for those trying to steal public funds will be an ongoing and significant amount of work for the Department for some time into the future.

The increase of public information nationally, with details of UI benefit administration, fraud schemes, and fraud prevention tools, gave criminals more insight into how to successfully craft their schemes. Criminals knew – and took advantage of – the fact that across the nation, state systems were overwhelmed by the sheer volume of people seeking benefits, the complexity of the many programs available, and the frequent change of program requirements. The pandemic saw not just ‘traditional fraud’ but series of attacks from multiple national and international criminal rings, some of which were quite sophisticated.

Because of the ongoing huge threat of fraud and criminals’ use of publicly available information, OED, like our counterparts in some other states, is cautious about sharing any information that could invite or be used by criminals to successfully attack Oregon’s UI system.

ID THEFT + OVERPAYMENTS FROM FRAUDULENT CLAIMS = TOTAL FRAUD

The figures below represent a snapshot in time. The Department continues receiving tips and finding other indicators of potential fraud for benefits paid in 2020 and has launched many ongoing investigations. That means known fraud amounts will continue to increase. This data also does not reflect the many fraudulent or ID theft claims that were identified by OED employees and stopped before any benefits were paid.

When the Department finds that a claimant has committed fraud, the claimant is told they were overpaid benefits that must be paid back. The Department issues overpayment findings only after investigatory work is completed, and people can then appeal those determinations. Federal requirements, and principles of due process require these steps to be followed to help ensure only actual cases of fraud are treated as fraud. This work is still ongoing with many claims.

TOTAL pandemic benefits paid to 581,801 claimants in 2020*	\$ 7,442,771,123	100%
TOTAL amount paid in suspected or proven ID theft and other fraud cases*	\$24,172,793	0.32%
Amount paid in 4,543 ID theft cases confirmed or under investigation*	\$ 3,064,393	
Amount paid to 4,692 individuals found to have committed UI fraud*	\$21,108,400	

*All information in this table is as of November 30, 2021



FRAUD OVERPAYMENTS

During the pandemic, OED employees reviewed and triaged tens of thousands of ID theft inquiries and tips, and closed thousands of ID theft cases. This work is done by the Department’s Benefit Payment Control (BPC) section, which includes the agency’s overpayment, ID theft, and fraud investigation units. To address the increasing volume of work due to the pandemic, the BPC section quadrupled in size. Prior to the pandemic, there were 49 staff; the unit currently employs almost 200 individuals.

Due to the increase in ID theft cases and misrepresentation in the PUA program, OED added a new ID Theft and PUA Investigations team to the existing fraud unit in 2021. The new ID Theft and PUA Investigations team has worked with state and federal law enforcement to assist in prosecution where appropriate. The Department will not provide additional information on prosecutions to avoid commenting on ongoing criminal investigations.

2020 fraud overpayments due to fraud by program²

Program	Distinct Count	Overpaid Amount
Disaster Unemployment Assistance (DUA)	0	0
Pandemic Unemployment Assistance (PUA)	385	\$4,441,372
Extended Benefits (EB)	135	\$196,356
Pandemic Emergency Unemployment Compensation (PEUC)	421	\$825,937
Regular Unemployment Insurance claim	3366	\$11,213,363

Note: Federal Pandemic Unemployment Compensation (FPUC) is included in fraudulent program overpayment amounts

Fraud overpayment decisions issued in 2020

Distinct Count	Overpayment Amount
2,198	\$5,913,274.76

Amount remaining due on 2020 fraud overpayment decisions

Distinct Number	Balance Remaining of Funds That Need to be Recovered
1,739	\$4,327,426.01

FRAUD OVERPAYMENT REPAYMENT STATUS

When an overpayment is due to fraud, the individual is not eligible for any state or federal overpayment waivers. The fraud overpayment repayment data below is based on weeks overpaid in 2020 and includes fraudulent overpayment notices that were created in 2021. Because this data is based on weeks overpaid in 2020 and not when the overpayment setup was completed, this may not match any of our usual reporting, or even other data sets in this report. The Department is still investigating calendar year 2020 claims involving potential fraud, which may result in our identification of fraud in addition to the amounts listed. LWA is not represented in this data.

↪ 4,307 individuals had been assessed fraud related overpayments:	\$16,677,028
↪ Amount paid back to date by claimants with fraudulent overpayments:	\$1,071,626

The Department projects that the final fraud overpayment recovery amount will be higher once 2021 fraud repayments are included. Claimants pay back fraudulent overpayments over multiple years until the overpayment is paid in full or deemed unrecoverable. The Department will update the numbers in this report as:

- ↪ Additional fraud, ID theft and other improper payments are uncovered and investigated;
- ↪ Decisions about benefit payments are changed as a result of an appeal; and
- ↪ New overpayments for calendar year 2020 claims are issued and more amounts are recoverable.

The Department can only begin collecting on an overpayment after the fraud decision has become final. A claimant may exhaust multiple appeals until a final decision is reached. Claimants may appeal decisions to OED, then the Office of Administrative Hearings, the Employment Appeals Board, the Court of Appeals and Oregon Supreme Court.

NEXT STEPS

The Department continues seeking out fraud and recovering unemployment insurance benefits. The Department anticipates issuing a follow up unemployment insurance fraud report by late 2022, which will include calendar year 2021 data.

CLOSING

Oregon's low rate of pandemic era UI fraud compared to some other states speaks volumes to the dedication of OED employees who diligently worked to keep up on ever-changing trends in UI fraud and prevent it along with their vigilant efforts to protect Oregon's UI Trust Fund. During the time of skyrocketing pandemic related workloads, preventing fraud became an even greater challenge for the UI system nationally and in Oregon. As we move beyond the pandemic, a constant remains: We are committed to detecting and preventing fraud.

APPENDIX

A. National news coverage of unemployment insurance fraud during the pandemic

- In R.I., 43 percent of unemployment insurance claims were suspected or confirmed fraud – [The Boston Globe, March 5, 2021](#)
- \$646 million: Audit reveals scope of COVID-19 unemployment fraud in Washington – [K5 News, April 13, 2021](#)
- Benefits Behind Bars: Mass. Investigating Unemployment Paid to Inmates – [10 News Boston, March 5, 2021](#)
- California Unemployment Fraud Reaches at Least \$20 billion – [Los Angeles Times, Oct. 25, 2021](#)
- Fraudulent Unemployment Claims Continue to Rise in Ohio – [JD Supra, March 17, 2021](#)
- Connecticut Labor Department Reports More Than 100,000 Fraudulent Unemployment Claims as Joblessness Surged in the Coronavirus Pandemic – [Hartford Courant, March 19, 2021](#)
- Thousands Fall Victim to Unemployment Identity Fraud in Kentucky – [Wave 3 News, March 24, 2021](#)
- Kansas Dept. of Labor Releases Unemployment Fraud Attempts, Payments – [KOAM News, March 24, 2021](#)
- Texas Workforce Commission Investigations for Unemployment Fraud Skyrocketed in 2020 – [Houston Chronicle, March 26, 2021](#)
- Feds Spotlight Miami as Capital of COVID-19 Fraud, from Business to Employee Benefits – [Miami Herald, March 26, 2021](#)
- Watch Out For Rise In Unemployment Insurance Fraud, COVID Vaccine Scams Around Maryland, State Says – [CBS 13 WJZ, March 30, 2021](#)
- DWD Warns Of Scams That Mimic Unemployment Insurance Program – [Wisconsin Examiner, April 2, 2021](#)
- Fraud Losses For Colorado Unemployment Office Spike; Scammers Estimated To Have Stolen \$20 To \$30 Million – [CBS 4 Denver, April 13, 2021](#)

¹ These fraud figures do not include the Lost Wages Assistance (LWA) program because it is a Federal Emergency Management (FEMA) administered program, not an unemployment insurance program.

² The fraud numbers in this table are not related to ID theft.

³ This reflects when decisions were issued, not the time period of the overpaid benefits.

⁴ Publicly available reports (including the US Department of Labor’s ETA 227 and 902P reports) capture a portion of the data reflected in this report and might differ due to factors including:

- Publicly available reports are quarterly or monthly updates that include debt amounts from prior reporting periods that were identified or collected in subsequent quarters/months; annual reports also run on a federal fiscal year (July-June) rather than a calendar year.
- Publicly available reports reflect only completed work, and do not account for open cases under investigation.
- Publicly available reports often do not disaggregate data by program.



The Oregon Employment Department is an equal opportunity agency. Auxiliary aids and services are available upon request to individuals with disabilities. Language assistance is available to persons with limited English proficiency at no cost.

El Departamento de Empleo de Oregon es una agencia que respeta la igualdad de oportunidades. Disponemos de servicios o ayudas auxiliares, formatos alternos y asistencia de idiomas para personas con discapacidades o conocimiento limitado del inglés, a pedido y sin costo.

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