

OREGON EMPLOYMENT DEPARTMENT **FRAUD REPORT**



Calendar Year 2022



SUPPORT BUSINESS | PROMOTE EMPLOYMENT

INTRODUCTION

This report is focused on fraud within the Unemployment Insurance (UI) program at the Oregon Employment Department (OED). With the launch of the Paid Leave Oregon program in 2023, future fraud reports will broaden in scope to cover both programs.

UNEMPLOYMENT INSURANCE PROGRAM SUMMARY

Unemployment Insurance benefits are a critical safety net for people who are unemployed, their families, and their wider communities. Paying benefits in a timely manner, while protecting the solvency of 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 UI benefits. Unfortunately, UI fraud (and the threat of it) has always existed in the UI system and presents a risk to the UI Trust Fund. Fraud is a continuing concern for the Oregon Employment Department and other UI programs throughout the nation. That concern became more acute during the COVID-19 pandemic health crisis, due in part to the increased financial incentives for people who commit fraud:

- “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 people who commit fraud 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 of which were retroactive, added to the pressure on UI programs to get urgently needed benefits to Oregonians.
- The waiting week was waived for initial claims filed between March 8, 2020, and Sept. 4, 2021. 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 the fraud risk of the claim before payment begins. While the waiting week was waived in 2020 and 2021, some fraud prevention tools could not be fully utilized until **after** payments had already been 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 had been significant media attention highlighting UI fraud in other states. A 2021 report from the inspector general of the U.S. Labor Department found that people who commit fraud may have stolen \$45.6 billion from UI agencies nationwide since the start of the pandemic. That estimate is significantly higher than the \$16 billion it had identified one year previously. 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 make combating fraud a top priority.

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 people who commit fraud more insight into how to successfully craft their fraud schemes. People who commit fraud 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 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 to successfully attack Oregon's UI system.

IDENTITY THEFT + OVERPAYMENTS FROM FRAUDULENT CLAIMS = TOTAL FRAUD

The figures below represent a snapshot in time from Jan. 1, 2022, to Dec. 31, 2022, as well as the snapshot in time from the 2021 UI fraud report for comparison. The department continues receiving tips and finding other indicators of potential fraud for benefits paid in prior years and will continue to launch investigations based on this information. This data does not reflect the many fraudulent or identity theft claims that were identified by OED employees and fraud detection tools 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 claims¹.

Jan. 1 - Dec. 31, 2021

| | | |
|---|-------------------------|--------------|
| TOTAL pandemic benefits paid to 532,824 claimants in 2021* | \$ 4,665,772,588 | 100% |
| TOTAL amount paid in suspected or proven identity theft and other fraud cases* | \$ 76,016,756 | 1.63% |
| Amount paid in 29,138 identity theft cases confirmed or under investigation* | \$ 17,864,202 | |
| Amount paid to 3,056 individuals found to have committed UI fraud* | \$ 58,152,554 | |

*All information in this table is as of Dec. 14, 2022

Jan. 1 - Dec. 31, 2022

| | | |
|---|----------------------|--------------|
| TOTAL pandemic benefits paid to 31,630 claimants in 2022* | \$ 72,504,258 | 100% |
| TOTAL amount paid in suspected or proven identity theft and other fraud cases* | \$ 5,140,879 | 7.09% |
| Amount paid in 351 identity theft cases confirmed or under investigation* | \$ 2,110,403 | |
| Amount paid to 953 individuals found to have committed UI fraud* | \$ 3,030,476 | |

*All information in this table is as of July 19, 2023

While the data show a very large reduction in the number of fraud cases and total amount of monies lost to fraud, due to the cessation of federal pandemic benefit programs, there was a significant increase in the rate of fraud. This can be attributed to several factors, but the largest is that while the amount of benefits has decreased vastly due to the ending of federal pandemic benefits, OED continues to investigate suspected fraud cases from those programs (fraud investigations by necessity lag behind benefit payments). Reductions in staff due to reduced federal funding also increased the amount of time it took to process fraud cases.

FRAUD OVERPAYMENTS

In 2022, OED employees reviewed and triaged tens of thousands of identity theft inquiries and tips, and closed thousands of identity theft cases. This work is done by the department's Benefit Payment Control (BPC) section, which includes the agency's overpayment, identity theft, and fraud investigation units.

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

The amounts in the two tables below only include cases where fraud has been confirmed so the amounts are lower than the total fraud numbers above, which include cases of suspected fraud that have not yet been confirmed.

2022 overpayments due to fraud by programⁱⁱ

| Program | Distinct Count | Overpaid Amount |
|---|----------------|-----------------|
| Regular Unemployment Insurance claim | 987 | \$3,240,662 |
| Federal Pandemic Unemployment Compensation (FPUC) | 19 | \$33,213 |

Fraud overpayment decisions issued in 2022ⁱⁱⁱ

| Distinct Count | Overpayment Amount |
|----------------|--------------------|
| 4,097 | \$57,650,514 |

Amount remaining due on 2022 fraud overpayment decisions

| Distinct Number | Balance Remaining of Funds That Need to be Recovered |
|-----------------|--|
| 988 | \$2,910,513 |

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^{iv} below is based on weeks overpaid in 2022. Because this data is based on weeks overpaid in 2022 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 2022 claims involving potential fraud, which may result in our identification of fraud in addition to the amounts listed. The Lost Wages Assistance (LWA) program is not represented in this data.

↪ 988 individuals had been assessed fraud related overpayments: \$3,282,501

↪ Amount paid back to date by claimants with fraudulent overpayments: \$371,976

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 the Office of Administrative Hearings, the Employment Appeals Board, the Court of Appeals, and Oregon Supreme Court.

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.

Fraud prevention has always been a cat-and-mouse game wherein people who commit fraud develop new methods to overcome fraud prevention techniques and UI systems, in turn, we develop new techniques to combat those efforts. During the pandemic OED, and UI systems nationally, were forced to rapidly adapt to an unprecedented volume of fraud attempts. Many valuable lessons were learned and incorporated into OED's current fraud prevention systems as well as, crucially, into OED's ongoing modernization effort.

UI fraud will continue to be an ongoing issue and focus in the years to come, and OED is committed to focusing our efforts on detecting and preventing fraud. A fraud report covering the data for calendar year 2023 is anticipated to be released in Jan. 2025.



Need help?

The Oregon Employment Department (OED) is an equal opportunity agency. OED provides free help so you can use our services. Some examples are sign language and spoken-language interpreters, written materials in other languages, large print, audio, and other formats. To get help, please go to unemployment.oregon.gov and click on Contact Us or call us at 877-345-3484. TTY users call 711.

¿Necesita ayuda?

El Departamento de Empleo de Oregon (OED) es una agencia de igualdad de oportunidades. El OED proporciona ayuda gratuita para que usted pueda utilizar nuestros servicios. Algunos ejemplos son intérpretes de lengua de señas e idiomas hablados, materiales escritos en otros idiomas, letra grande, audio y otros formatos. Para obtener ayuda, vaya a unemployment.oregon.gov/es y haga clic en Contact o llámenos al 877-345-3484. Usuarios de TTY pueden llamar al 711.

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