

UNEMPLOYMENT INSURANCE FRAUD CALENDAR YEAR 2021



Protecting Unemployment Insurance



SUPPORT BUSINESS | PROMOTE EMPLOYMENT

SUMMARY

Unemployment Insurance (UI) benefits are a critical safety net for people who are unemployed, their families, and their wider communities. Paying unemployment benefits in a timely manner, while protecting the solvency of Oregon's 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 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 be paid 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 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 claims 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 begin, 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). A 2022 report from the inspector general of the U.S. Department of Labor found that fraudsters may have stolen \$45.6 billion from UI agencies nationwide since the start of the pandemic. The new estimate is significantly higher than the \$16 billion 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 dedicate significant resources and efforts to combat it.

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, including serving on its steering committee, and the department has been an early adopter of fraud combating tools.

Combating pandemic-related fraud and pursuing accountability for those trying to steal public funds will be ongoing and a 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 of – 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.

IDENTITY THEFT + OVERPAYMENTS FROM FRAUDULENT CLAIMS = TOTAL FRAUD

The figures below represent a snapshot in time from Jan. 1, 2021, to Dec. 31, 2021, as well as the snapshot in time from the 2020 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 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 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, 2020

TOTAL pandemic benefits paid to 581,801 claimants in 2020*	\$ 7,442,771,123	100%
TOTAL amount paid in suspected or proven identity theft and other fraud cases*	\$24,172,793	0.32%
Amount paid in 4,543 identity 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 Dec. 14, 2022

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

The data show a significant increase in fraud incidents in 2021 as compared to 2020, predominately due to incidents of identity theft. This can partly be explained by the increased resources OED devoted to uncovering identity theft but is mostly due to a national trend of massive increases in the volume of attempts. Additionally, OED saw a large spike in identity theft attempts when the waiting week was removed in November 2020. This caused a backlog in fraud investigations starting in 2020 that wasn't resolved until 2021.

FRAUD OVERPAYMENTS

In 2021, 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 new ID Theft and PUA Investigations team has worked with state and federal law enforcement to assist in prosecution where appropriate. The department does not provide additional information on prosecutions to avoid commenting on ongoing criminal investigations.

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

2021 fraud overpayments due to fraud by program²

Program	Distinct Count	Overpaid Amount
Disaster Unemployment Assistance (DUA)	0	0
Pandemic Unemployment Assistance (PUA)	1,379	\$18,916,464
Extended Benefits (EB)	161	\$427,056
Pandemic Emergency Unemployment Compensation (PEUC)	906	\$5,425,864
Regular Unemployment Insurance	2,324	\$10,377,312
Federal Pandemic Unemployment Compensation (FPUC)	3,211	\$30,086,435
Supplemental Unemployment Insurance Benefits for Dislocated Workers (SUD)	1	\$2,413

Fraud overpayment decisions issued in 2021³

Distinct Count	Overpayment Amount
3,694	\$26,345,225.27

Amount remaining due on 2021 fraud overpayment decisions

Distinct Number	Balance Remaining of Funds That Need to be Recovered
4,040	\$62,348,490

Fraud convictions in 2021*

Convictions	Associated Overpayment
5	\$90,985

*Does not include cases still pending

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 data⁴ below is based on weeks overpaid in 2021. Because this data is based on weeks overpaid in 2021 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 2021 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.

- 4,040 individuals had been assessed fraud-related overpayments: \$65,235,544
- Amount paid back to date by claimants with fraudulent overpayments: \$2,811,909

The department can begin collecting on an overpayment only 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 the Oregon Supreme Court.

NEXT STEPS

The department continues seeking out fraud and recovering unemployment insurance benefits. The department anticipates issuing a follow-up UI report in late 2023, to reflect the data for calendar year 2022.

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 a 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 fraudsters develop new methods to overcome fraud prevention techniques and, in turn, UI systems 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 having to face the difficult balance of making UI benefits easily accessible to legitimate claimants while preventing identify thieves and other criminals from accessing benefits they are not eligible to receive. Many valuable lessons were learned and incorporated into OED's current fraud prevention systems as well as, crucially, into OED's ongoing modernization effort.

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

U.S. watchdog estimates \$45.6 billion in pandemic unemployment fraud – [Washington Post, Sep. 23, 2022](#)

Unemployment Insurance: Opportunities to Address Long-Standing Challenges and Risks –
U.S. Government Accountability Office, [Sep 22, 2022](#)

Unemployment fraud has subsided in Ohio, but issues still linger – [Cleveland Plain Dealer, Sep. 13, 2022](#)

NYS identified 1.4M fraudulent unemployment claims, but won't say amount of tax money lost –
[WRGB Albany, Oct. 3, 2022](#)

How Unemployment Insurance Fraud Exploded During the Pandemic – [ProPublica, July 26, 2021](#)

Fraud Still Upending Effort to Update State Unemployment Systems – [Bloomberg Law, March 8, 2022](#)

Michigan Unemployment Insurance Agency paid up to \$8.5B to fraudulent claims, report shows –
[Detroit Free Press, Dec. 29, 2021](#)

Scammers Stealing Billions From Taxpayers in Fraudulent Unemployment Claims During Pandemic –
[NBC Washington, March 16, 2022](#)

California recovers \$1.1 billion in unemployment aid amid fraud investigation –
[Los Angeles Times, June 21, 2022](#)

Unemployment scammers collected \$550 million since start of pandemic, audit estimates –
[The Providence Journal, July 13, 2022](#)

'A magnet for rip-off artists': Fraud siphoned billions from pandemic unemployment benefits –
[Washington Post, May 15, 2022](#)

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 identity 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 or 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.



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