Most Effective Ways to Identify Fraud and Avoid Overpayments

Background Information

- Reducing Unemployment Insurance (UI) improper benefit payments is a key objective at both federal and state levels.

- Presidential Executive Order 13520 was signed on November 20, 2009, and reaffirms the commitment for reducing improper payments.

- Several federal laws have been enacted since 2002 specific to reducing improper payments.

Key Partnerships

California's EDD maintains strong partnerships with the following entities that assist with combating fraud:

- California's employer community

- U.S. Department of Labor:
  - ✓ Office of Unemployment Insurance
  - ✓ Office of Inspector General
  - ✓ Employment and Training Agency, Region 6

- U.S. Attorney's Office

- U.S. Citizenship and Immigration Services

Key Partnerships (cont'd)

- U.S. Postal Service

- Federal Bureau of Investigation

- Social Security Administration

- National Association of State Workforce Agencies

- Other states' Unemployment Insurance programs

- Local district attorney offices

- Other California state agencies
  (Joint enforcement efforts/data sharing)

Strategic Goals

- **Strategic Goal One**: **Fraud Deterrence -** To promote the risk and consequences that will deter individuals from engaging in fraud activities.

- **Strategic Goal Two**: **Fraud Prevention -** To develop and maintain critical policies and procedures that effectively prevent an individual from successfully engaging in fraud.

- **Strategic Goal Three**: **Fraud Detection -** To deploy a variety of initiatives that detect fraud at the earliest stage; and to analyze the cause to develop new tactics for deterring and preventing fraud.

Tactics To Combat Fraud

- The EDD deploys approximately 41 different tactics to achieve the three strategic goals for deterring, preventing, and detecting fraud.

- The following slides provide a few key examples of the different tactics deployed by EDD for each strategic goal.

Tactics To Combat Fraud (Cont'd)

Fraud Deterrence: 11 different tactics are deployed. A few examples include:

1. Marketing fraud hotline;

2. Informing claimants of the consequences of fraud;

3. Issuing statements in press releases on the outcome of criminal fraud cases; and

4. Participating in a national campaign on fraud prevention and the consequences of engaging in fraud.

Tactics To Combat Fraud (Cont'd)

Fraud Prevention: 18 different tactics are deployed. A few examples include:

1. Conducting Social Security number verification;
2. Verifying claimants' identity using Department of Motor Vehicles data;
3. Conducting an identity verification determination when a claimant's identity is in question;
4. Implementing an automated control to prevent fictitious employer schemes;

Tactics To Combat Fraud (Cont'd)

<u>Fraud Prevention</u> (cont'd)

5. Partnering with other agencies & associations to identify best practices for combating fraud;

6. Implementing an identity management system for protecting confidential records from unauthorized access;

7. Deploying a logging system that tracks all transactions performed by program staff to deter & prevent internal fraud; and

8. Implementing the UI State Information Data Exchange System that will allow electronic reporting.

Tactics To Combat Fraud (Cont'd)

Fraud Detection: 12 different tactics are deployed. A few examples include:

1. Conducting benefit audits;

2. Investigating allegations of benefit fraud;

3. Cross-matching data from other agencies such as county and state inmate records;

4. Participating on joint enforcement strike force teams; and

5. Obtaining a new data analytics service designed specifically for detecting fraud.

New Tactics Under Consideration

Fraud Deterrence

- Apply a 52-week prohibition to future benefits regardless of the code section used to file criminal charges or convict a claimant.

- Repeal the requirement to provide a 10-day advance notice of intent to file criminal charges.

New Tactics Under Consideration (Cont'd)

Fraud Prevention

- Implement a permanent Internet Protocol (IP) address blocking system across all platforms that prevents benefit claims from being filed from known addresses where fraud occurs.

New Tactics Under Consideration (Cont'd)

Fraud Detection

- Enhance fraud detection by ensuring all information technology systems capture IP addresses from individuals conducting UI business online.

- Implement a new Management Information System that links prior fraud schemes to new or current fraud cases.

- Participate in the National Directory of New Hire crossmatch system.

Introduction to Fraud Detection as a Service

- Complements strategic goals by using data analytics.

- Supplemental federal funding was used to purchase this service.

- No significant IT resources were needed.

- Fast implementation time - nine weeks after the data transfer was initiated.

- Comprehensive solution using five years of program data (5.9 million claim records; 3.6 million distinct claimants; and 1.8 million distinct employers).

Introduction to Fraud Detection as a Service

- Key outcomes expected from this service include:
    1. Obtaining data that allows us to prioritize investigative resources;
    2. Identifying business processes that may be vulnerable for allowing improper payments; and
    3. Developing new tactics to strengthen our strategic goals for fraud deterrence and prevention.