

UI Fraud Overview



COLORADO
Department of
Labor and Employment

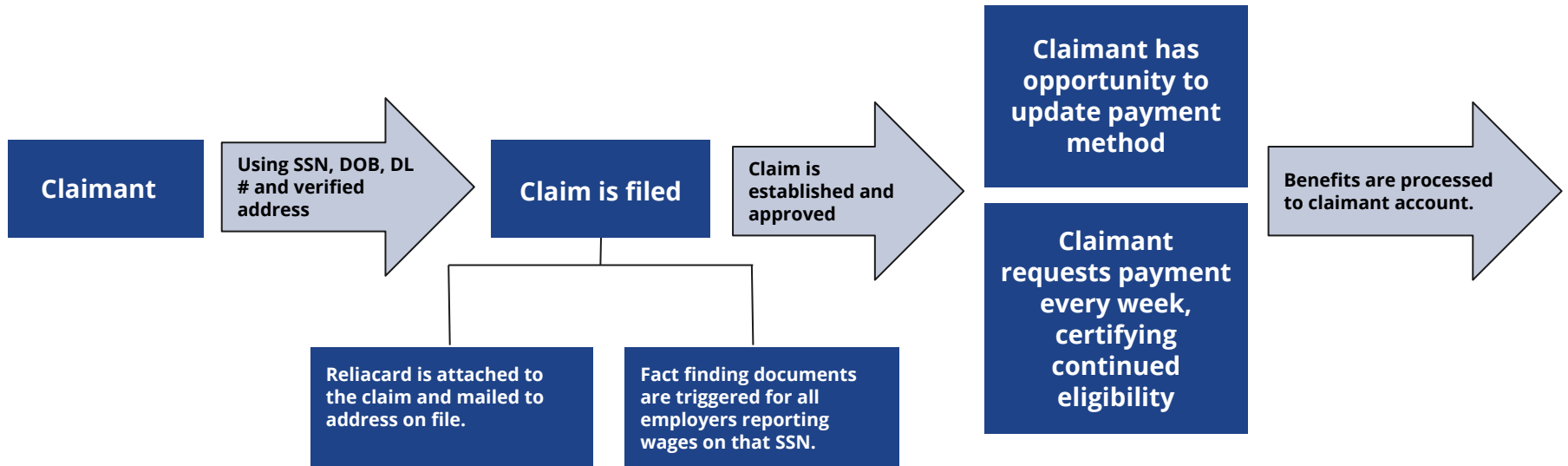




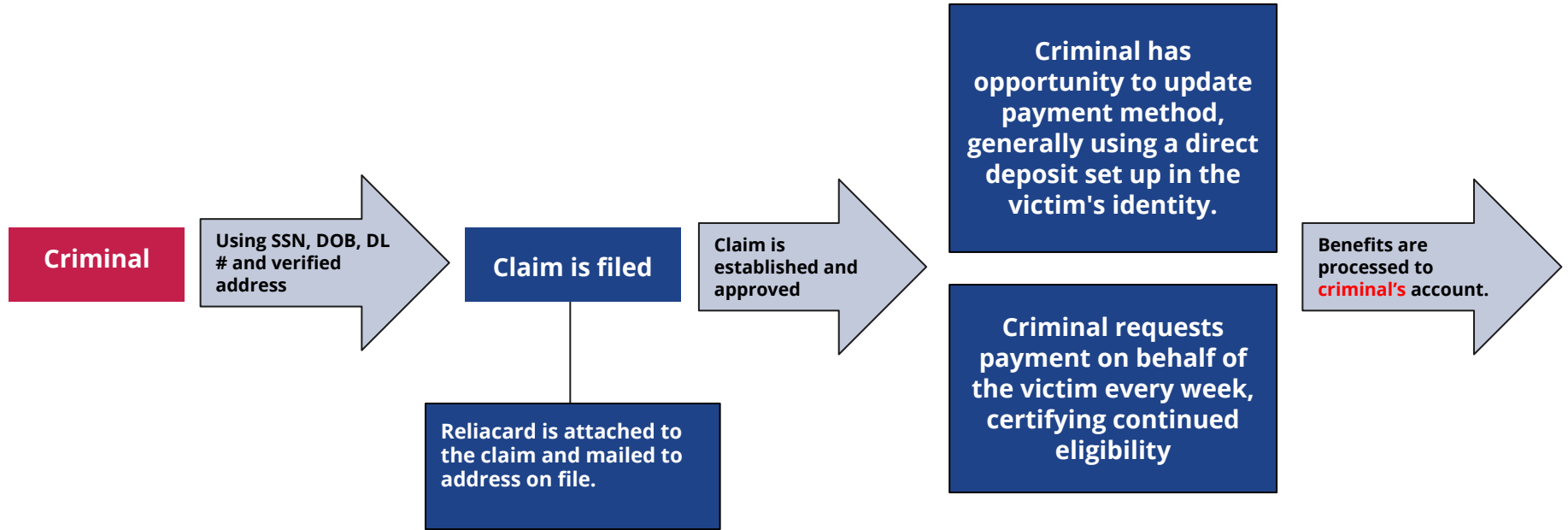
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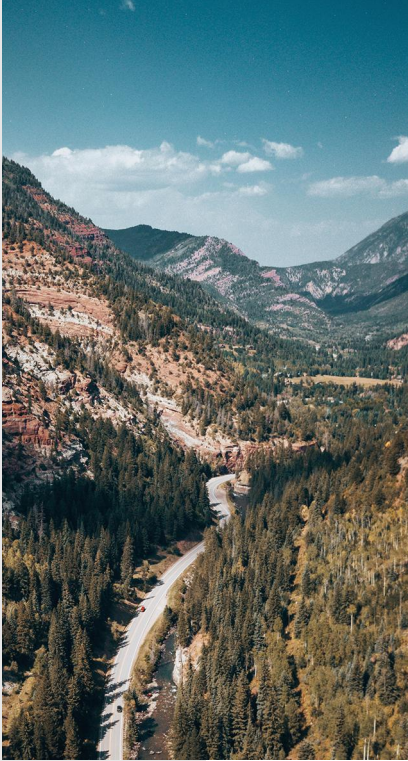
- The fraud we are seeing during the pandemic is a new type of fraud
- Since the inception of UI, CDLE has relied on the sanctity of a private SSN.
- Mass data breaches over the last few years changed that.
 - The identifying information is likely coming from these mass breaches, and not CDLE or an employer breach.
- We began noticing this trend in June, with the federal programs.
 - These are easier to target, no checks and balances
- We immediately implemented measures to detect and prevent fraudulent payments.
- As federal programs approached expiration 12/26, we saw a huge spike into the state system.

State Unemployment



Federal Programs



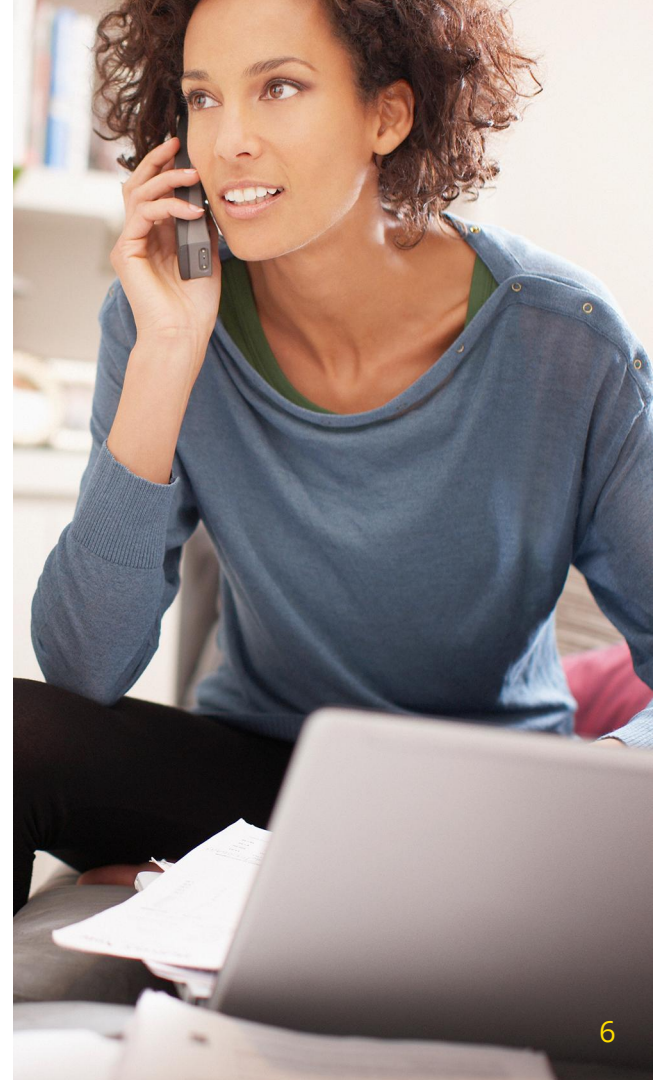


Why We Need Your Help

- In 2019, CDLE had 88 cases of fraud. Since March of 2020, CDLE has well over 1.2 million claims on a payment hold for suspected fraud.
- Our current strategy does not rely on **preventing** a fraudulent claim from being filed, but **stopping payment** immediately upon filing.
 - We have no way to verify if a claim is fraudulent or not until it is filed in our system.
- The one aspect that a criminal cannot control, is the employers we notify once a claim is filed.
- All employers reporting wages onto an SSN in the last two years will automatically be notified of a claim being filed under that SSN.
- We need employers to help notify victims to ensure they take necessary precautions to protect themselves.

What Should Victims Do?

- Put a fraud alert on their credit with the three credit bureaus and invest in credit monitoring. See other tips in the “identity theft repair toolkit” created by the Attorney General’s Office
 - Unemployment is relatively harmless to credit, but with the information these criminals have they can do much more profitable and harmful things.
 - See more here:
www.stopfraudcolorado.gov/fraud-center/identity-theft.html
- Report the fraud to CDLE and US Bank through our respective forms.
 - CDLE uses a Google form, and it is secure. The form and the sheet are secure, and transmission of data (data in flight) is secure and encrypted
- Once reported, if it does not already have a payment hold, the system will flag the claim to hold payment.



What Should Employers Do?



DO Immediately report the suspected fraud to CDLE via our [online form](#)



DO Disregard any additional correspondence from the division on these claims as these are automatically generated until we can reprogram the system to suspend these communications.



DO Inform the employee that they may be a victim of identity theft and direct them to our website for resources.

What Should Employers Do?



DO NOT Complete the questionnaire in MyUI Employer or the paper form you may have received. Submitting the report will hold payment on the claim, pending investigation. (SIDES users still need to respond to their electronic request)



DO NOT File an appeal. Payment of any fraudulent benefits will not be charged to your account (upon a finding of fraud) and will not impact your experience rating when your premium rates are calculated.



DO NOT Call the main UI call center at 303-318-9000. You may call the Employer Services line at 303-318-9100 should you have any questions but after completing the fraud form rest assured, the report was received, and the claim is under investigation.

Question #1

Where did the data being used to file these fraudulent claims come from? CDLE? Employers?

Answer: There is no indication of a CDLE data breach. Note that we only have data around SSNs and wage history, and do not hold data like DOB, mailing address, phone number etc. We believe this data came from the mass data breaches we have seen over the past 10 years, the top five of which are:

- 2013 Yahoo - 3 billion identities compromised
- 2019 First American Financial Corp - 885 million identities compromised.
- 2019/2021 Facebook - 500 million - 1 billion
- 2018 Marriott - 500 million identities
- 2016 Friend Finder - 412 million identities

Question #2

Employer charging for payments made on fraudulent claims:

Reimbursable: Is the State Requiring payment of confirmed Fraudulent Unemployment Liabilities? If so, and we choose not too, what are the consequences?

Contributory: How can you confirm the fraudulent benefits that may have been paid are not charged against the employer's account for the employer's rate setting purposes? If the fraudulent benefits have been charged to the employer's account, how do you dispute those charges for rate setting purposes?

Answer: No employer will be responsible for fraudulent payments made. If an employer sees charges on their billing statement, they can contact employer services to have that removed. If an employer pays for a fraudulent claim, that employer will be credited once the system catches up and establishes the overpayment on the claim.

Question #3

I received the paperwork on a fraudulent claim and filled it out and sent it in, how will I know the case is closed?

The page where company representatives can report fraudulent claims, says not to fill out the questionnaires. However, if they are not filled out a decision is made with information currently available. Because we are not receiving word back, how can we be sure that correct information is delivered?

Answer: The most important thing to do is fill out the fraud report at <https://cdle.colorado.gov/fraud-prevention> This will prevent payment from going out if the fraud detection system did not previously catch it.

Question #4

What is the investigation process for claims that are filed during the pandemic? We are paying on claims that appear to not have been investigated?

Answer: All claims are subjected nightly to the fraud detection matrix, and all new claims must verify their identity prior to any payment issuing. Investigation into separation is heavily backlogged, and since March of 2020 CDLE will pay initial claims prior to the adjudication of separation issues being complete. Once the separation is adjudicated, overpayments can be established and employer accounts reimbursed. NOTE: Receiving benefits prior to adjudication requires sufficient wage history to justify it.

Question #5

I've recently been asked to fill out a couple of questionnaires for people who have filed unemployment but never worked at our company. Would you please add a field in your questionnaire toward the top where an employer can state: "This person never worked at our company"? And then set the form so that the employer is not required to fill out all those irrelevant fields?

Answer: We are working on this form, and employer forms more generally. Our ideal outcome would be that employers do not receive fact finding for claims that have not verified their identities.

Question #6

With all the fraud claims how do i make sure this does not affect my unemployment insurance payroll rate?

Answer: State unemployment benefits are paid for using the UI Trust Fund. This fund is entirely employer funded. In Colorado the vast majority of confirmed fraudulent payments are in the PUA system, which has no impact on the UI Trust Fund, thus minimal impact on employer rates. That being said, the UI trust fund started the pandemic at a positive balance of \$1.2 billion, and today we have depleted that balance and have reached just over \$1 billion borrowed. At such a deficit, all employer premiums are statutorily mandated to increase significantly. See more: <https://cdle.colorado.gov/businesses-employers>

Question #7

Is the CDLE able to vet unemployment claims before someone submits them and compare them to that company's Quarterly UI reports to determine if this person was ever employed by the company?

Answer: CDLE has no mechanism to validate a claim prior to it being filed in our system. At that point, we can run our fraud matrix and mandate identity verification. The quarterly wage reports “lag” one quarter, so we cannot use that to verify a claim “in the moment”, but we do run regular cross matches between wages reported and claims to find individuals potentially fraudulently collecting.

Question #8

When completing job separation information on the SIDES E response system, I am often asked to complete a form with additional information. There are no instructions of how to submit the completed additional information form. How should we submit it and why can't this requested information be part of the digital submission?

Answer: The new Fact Finding questionnaire/attachment for employers in the SIDES system is designed to gather more thorough information regarding claimant separation, this is an addendum to the “national” SIDES system, which you are used to completing. There are two methods to submit:

- An employer may download the attachment, save it to their system for completion, and then upload it again in the “Attachment” option of SIDES.
- An employer could also print the attachment, complete by hand, scan it back into their computer, save it, and then upload again into SIDES in the “Attachment” option.

Question #9

What are you doing to prosecute people engaging in the fraud? What is the status of the prosecutions?

Answer: In partnership with the Colorado Attorney General's Office, a law enforcement task force comprised of State, local, and federal partners has convened to begin investigating and prosecuting the individuals committing this fraud. We expect a good portion of the perpetrators are operating outside of the United States, but will do all that we can to bring them to justice. These investigations are lengthy, and it will be some time before the first prosecutions are brought forward.

Question #10

Should I report the fraudulent claims to my local police department?

Answer: No. Prior to the pandemic guidance around identity theft was to report the incident to local law enforcement, however with the sheer volume seen in the pandemic, this is not sustainable. The advantage to this was to have documentation to contest any further uses of a victim's credit, however we are working on this by other means.

Question #11

When Unemployment Fraud is committed, the victim reports the fraud to a credit reporting company. The credit reporting company sends alerts to creditors. That alert can trigger creditors to review the victim's credit and decide to reduce the amount of available credit. That decision results in less borrowing power which leads to a reduction of the credit score. Is there a letter that can be accessed so that the victim has an explanation of unemployment fraud and why any creditor action was taken?

Answer: CDLE is developing a formal correspondence for all victims of identity theft that have been subjects of fraudulent unemployment claims.

Question #12

One of our current employees received a letter that they owe money back the State due to the findings of a claim (they did not file). It was a fraudulent claim - what guidance can I give on how to handle that communication/request? Will they be responsible to pay back money they did not get/use?

Answer: No victim will be required to pay for fraudulent payments sent out when identity theft has occurred. We have ceased sending out these notices and are working on a broader fix.