Innovations in Unemployment Insurance

Modernization and Limiting Fraud
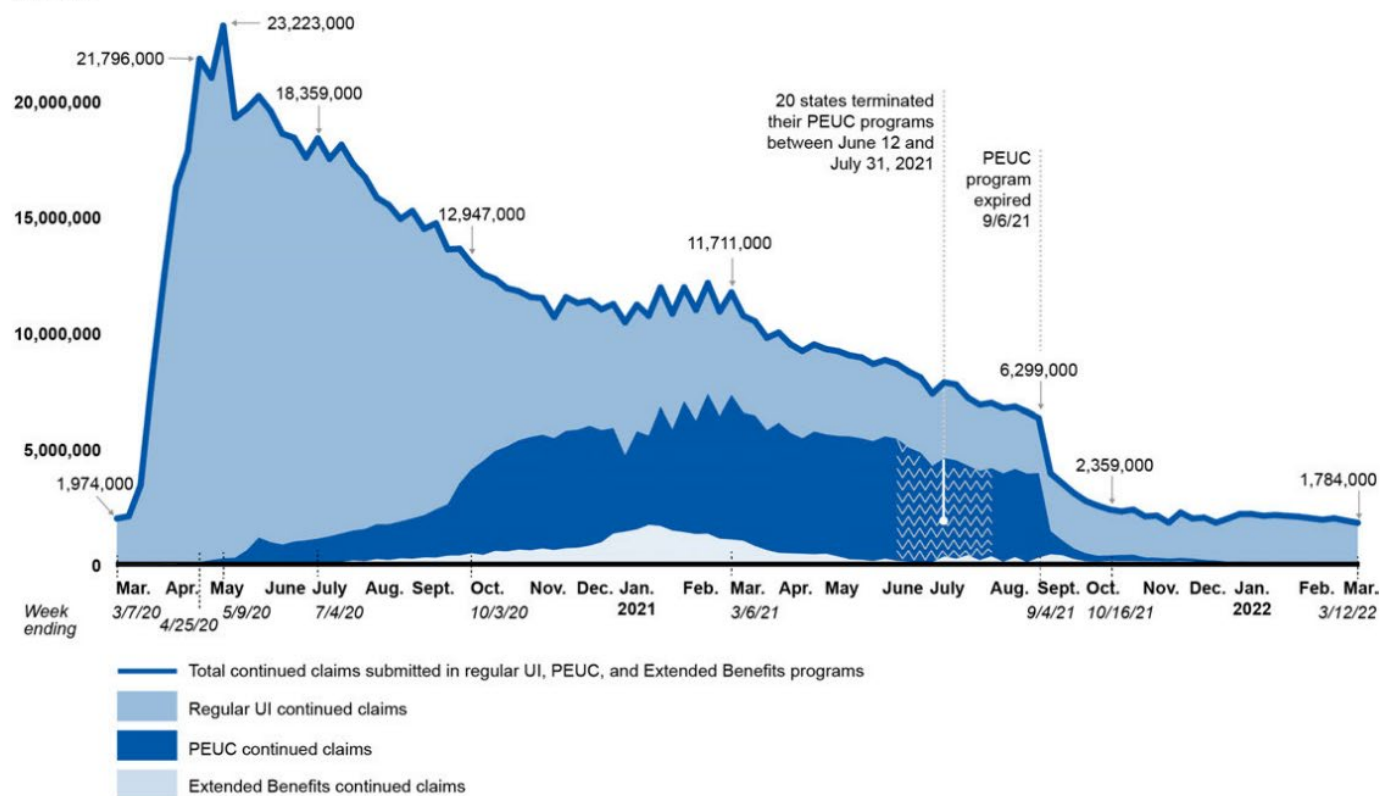
Overview of the UI System

Source: Lane Erickson/stock.adobe.com. | GAO 22-104251

Impact of the COVID-19 Pandemic

Weekly Continued Claims Submitted Nationwide for Regular UI, PEUC, and Extended Benefits, Mar. 1, 2020–Mar. 12, 2022
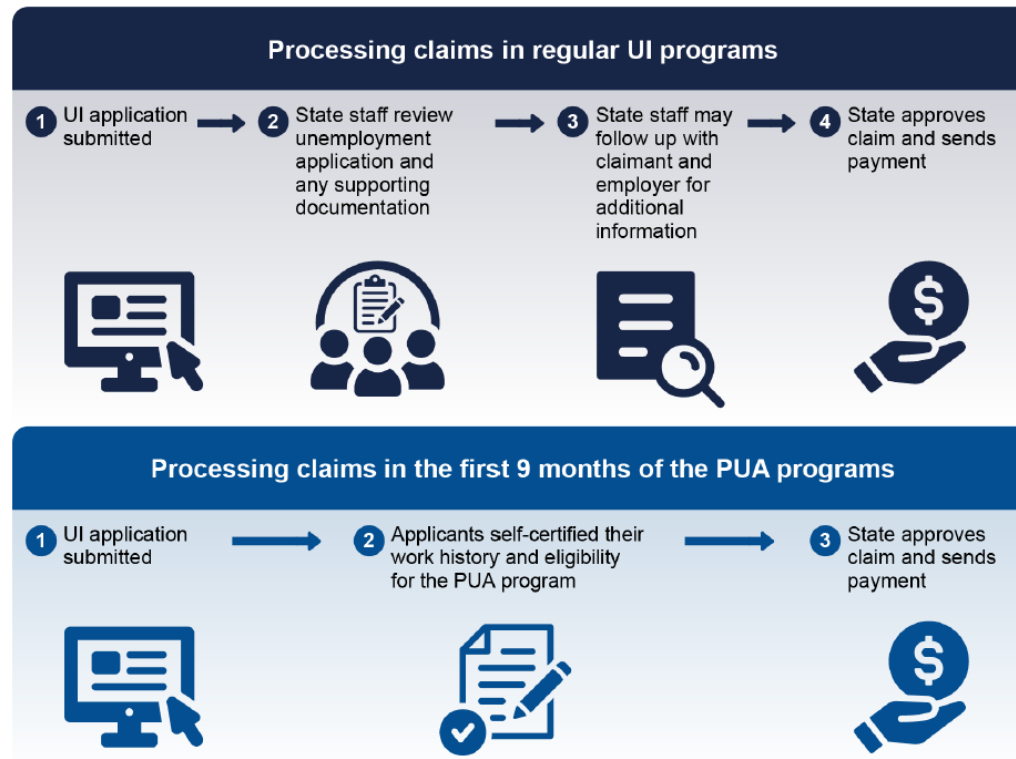

Source: GAO analysis of Department of Labor data on continued claims under the regular unemployment insurance (UI), Pandemic Emergency Unemployment Compensation (PEUC), and Extended Benefits programs. | GAO-22-105397

Key Challenges Facing the UI System

- **Improper payments**, including those due to fraud;

- **Program administration**, including inconsistent levels of support for workers across states, customer service issues, and declining administrative funding; and

- **Outdated IT systems** and challenges modernizing these systems.

Increased Fraud During the Pandemic

Figure 2: Comparison of Steps Used by States to Process Claims under the Regular Unemployment Insurance (UI) and the Pandemic Unemployment Assistance (PUA) Programs

Processing claims in regular UI programs

1. UI application submitted → 2. State staff review unemployment application and any supporting documentation → 3. State staff may follow up with claimant and employer for additional information → 4. State approves claim and sends payment

Processing claims in the first 9 months of the PUA programs

1. UI application submitted → 2. Applicants self-certified their work history and eligibility for the PUA program → 3. State approves claim and sends payment

Sources: Pandemic Response Accountability Committee; Icons-Studio/stock.adobe.com (icons). | GAO-24-107471

Notes: The process shown in this graphic changed with the Consolidated Appropriations Act of 2021, which required states to review documentation supporting an applicant's self-certification of prior employment or self-employment.

IT Modernization Challenges for States

Eight States' Unemployment Insurance IT System Modernization Challenge Areas

Staffing	Contracting	Management	Financial	Technical
7 of 8	6 of 8	6 of 8	4 of 8	4 of 8
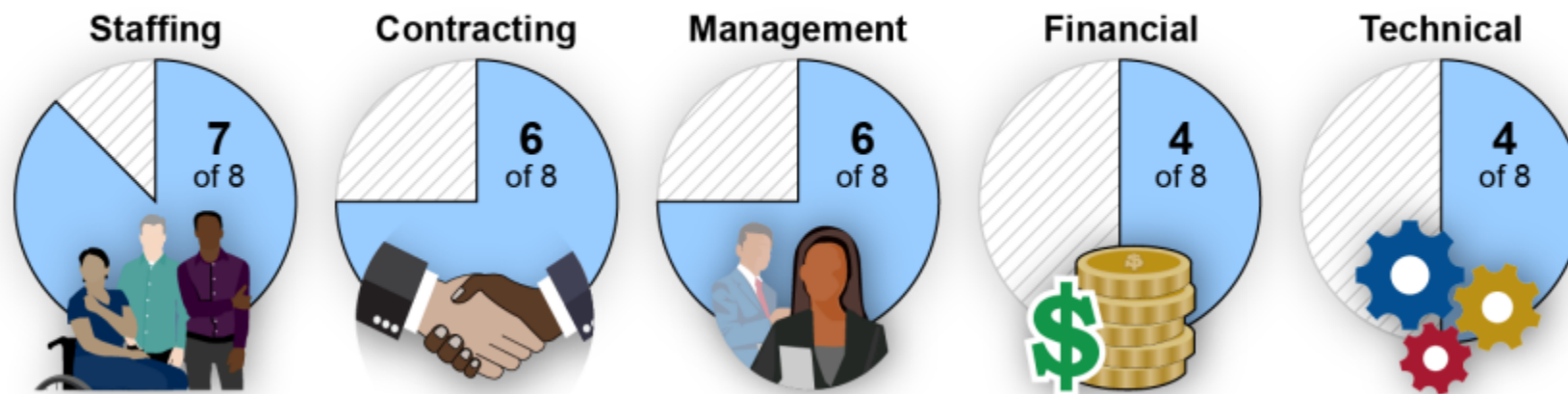
Source: GAO analysis of state information and interviews with state officials; images: Rogatnev/stock.adobe.com. | GAO-23-105478

Why We Put UI System on Our High-Risk List

Figure 13: High-Risk Criteria Essential to Addressing High-Risk Areas

LEADERSHIP COMMITMENT
Demonstrated strong commitment and top leadership support.

CAPACITY
Agency has the capacity (i.e., people and resources) to resolve the risk(s).

ACTION PLAN
A corrective action plan exists that defines the root cause and solutions and provides an approach for substantially completing corrective measures, including steps necessary to implement solutions we recommended.

MONITORING
A program has been instituted to monitor and independently validate the effectiveness and sustainability of corrective measures.

DEMONSTRATED PROGRESS
Ability to demonstrate progress in implementing corrective measures and in resolving the high-risk area.

Source: GAO. | GAO-25-107743

Progress Made on UI System Challenges

- Using American Rescue Plan Act funds, DOL provided states with about $800 million in grants for needed UI system improvements;

- Since we added the UI system to our High-Risk list in 2022, DOL has implemented 13 of our recommendations; and

- Many states have repaid federal loans they took during the pandemic.

GAO's Fraud Risk Management Framework

Figure 2: The Fraud Risk Management Framework

Source: GAO. | GAO-15-593SP

Next Steps for Minimizing IP and Fraud

DOL

- Track whether states have implemented expert recommendations

- Help states find long-term solution for identity verification

- Encourage states to fully use data cross-matching in UI Integrity Data Hub

States

- Continue to strengthen identity verification efforts

- Cross-match UI claimant data against multiple federal databases

- Continue to modernize UI IT systems to improve detection of improper payments and fraud

Next Steps for Addressing Other Challenges

DOL

- Further address capacity limitations for IT infrastructure

- Make additional progress on High-Risk criteria (capacity, monitoring, demonstrated progress)

- Address 14 open GAO recommendations

States

- Further address capacity limitations for IT infrastructure

- Implement expert recommendations and address priorities in UI transformation plan

- Bolster the solvency of state UI trust funds

Questions?

Source: Lane Erickson/stock.adobe.com. | GAO 22-104251

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