How CDLE Fights Fraud

Strategies and Innovations in Unemployment Insurance Fraud Prevention

September 16, 2025

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Background
Modernization, Fraud, and Call to Action

- Colorado was due to go-live with a modernized UI Benefits System in April, 2020
- The pandemic made it necessary to postpone that launch and focus on using a module of the new platform to administer the Pandemic Unemployment Assistance program (PUA)
- PUA rules were vague and did not require any type of verification of wage or identity to obtain the minimum weekly benefit amount outlined by the program guidelines
- It became apparent immediately that fraudulent claims were being filed on a massive scale, with over four million claims filed
- The UI Division instituted basic fraud protections and through trial and error came to develop tools and approaches to combat the existing fraud and prevent it in the future

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Introduction to UI Fraud Prevention

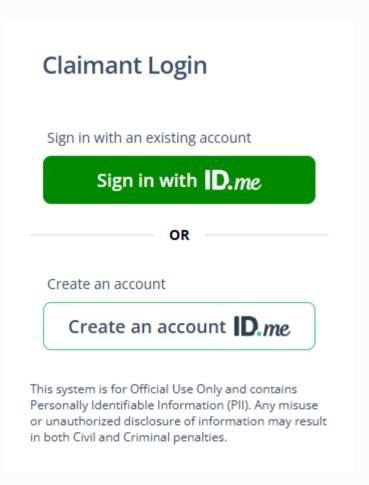## The Multi-Faceted Approach to Combating UI Fraud

- Robust Identity Verification
- Work with other states and NASWA Resources to Cross-Match data
- Proactive Payment Prevention
- Continuous Monitoring for Fraud Trends and Constant Refinement
- Dedicated staff resources
- Innovation and modernized technology
- Looking at the Artificial Intelligence impact from both the Division and Fraudster perspectives

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Identity Verification
Verifying Claimant Identity with ID.me

- Key Points:
  - Single sign-on vendor for claimant identity verification.
  - Verifies identity before claimants enter the system.
  - Significantly reduces identity verification issues for staff.
  - **Example**: 95% decrease in ID issues from Dec 2023 (before ID.me) to Aug 2025 (post-ID.me).

Claimant Login

Sign in with an existing account

Sign in with **ID.**me

OR

Create an account

Create an account **ID.**me

This system is for Official Use Only and contains Personally Identifiable Information (PII). Any misuse or unauthorized disclosure of information may result in both Civil and Criminal penalties.

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Utilizing NASWA Resources

- Key Points:
  - Each submitted bank account is checked for potentially fraudulent actors.
  - Claimants are prevented from adding identified fraudulent accounts.
  - Prior vs. Post-BAV: Dramatic reduction in bank account issues (6539 in 2023 vs. 34 in 2024).
  - Vendor: Early Warning and Cross-Match with US Treasury
- Integrity Data Hub
  - Allows states to submit and report fraudulent data as a cross-match resource
  - Regular meetings between all states to share information on trends and to refine IDH tools
  - IDH modules available to all states at no cost

Program Integrity Issues
Proactive Payment Prevention

- Key Points:
    - Issues are set when a fraud trigger occurs on a claim.
    - Prevents payment to minimize losses and allows for investigation.
    - Fraud triggers were developed after analysis of pandemic fraud trends in cooperation with consultants from our vendor and our various fraud teams within the UI Division over time.
    - Triggers are loaded into an analytics engine developed off of the Google Improper payments engine utilizing machine learning to scan all system data for high risk claims
    - Each trigger has an associated risk score and once a certain risk threshold is met, the program integrity issue is added to the claim

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Fraud Trend Analysis and Tools

Data-Driven Fraud Detection: Dashboards for Investigators

- Key Points:
  - Investigators use dashboards to spot potential fraud before benefit payouts.
  - Investigator dashboard allows staff to do a deep dive into potential fraud for each claim
  - Trend dashboard identifies new and recurring fraud patterns.
  - Allows for quick identification of bad actors and adjustment of fraud indicators.
  - Result: Quicker identification of fraud trends before a claim ever pays out instead of identifying a trend as part of the investigations process.
  - Vendor: Egen

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Dedicated Resources
Develop and Maintain a Fraud Investigations Team

- Key Point:
  - 15 full-time staff members.
  - Ability to pivot 10 additional staff from special projects as needed.
  - Investigators are trained on techniques to interview claimants, request and review additional documentation, and recognize potential fraud
  - Continuous training on emerging trends
  - Funded initially utilizing grant funding
  - Now a permanent ongoing need for the Division

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UI Fraud and AI

- Key Message: Commitment to exploring AI's role in fraud investigations and identifying fraudsters' use of AI.
  - Fraudsters have used Artificial Intelligence in a number of ways including document fabrication, ID spoofing, and social engineering
  - Machine learning and artificial intelligence are critical components of our fraud analytics systems
  - In order to combat the AI used by fraudsters, we continue to explore AI tools we can use to mitigate those attempts, including investment in tools to detect AI-produced documentation, and the ability to identify AI-generated calls
  - Challenge is in ongoing funding

Questions?

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