OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

AUDITOR'S REPORT ON UNEMPLOYMENT INSURANCE FRAUD

MARCH 1, 2020 THROUGH FEBRUARY 28, 2021

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AUDITOR'S REPORT

Ohio Department of Job and Family Services
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We have performed audit procedures for the period March 1, 2020 through February 28, 2021 (the Period), related to the Ohio Department of Job and Family Services' (the Department or ODJFS) administration and fraud prevention and detection efforts pertaining to the Unemployment Insurance (UI) program, including the federal funding related to the COVID-19 pandemic unemployment, under the authority of Ohio Revised Code Section 117.11. We have also included limited information in this report that is outside the period identified above if we deemed that information of significance to the content of this report.

We have performed the procedures enumerated in this report to evaluate the Department's fraud prevention efforts related to UI for the audit period and provide recommendations to management and those charged with governance in the interest of the public.

The information that follows describes the procedures performed during our audit and the related results for those procedures. Our analysis was based on information provided by the Department directly, including processes, reports, and data obtained from a service organization related to the pandemic benefits, the completeness and accuracy of which we could not verify. The Department indicated they reviewed the information prior to providing it for audit. Unemployment Insurance (e.g., individual, employer or employing unit) information is confidential according to 20 CFR 603.4(b), and for that reason we have not included any names or other identifiers in our report results.

This engagement was not a financial or performance audit, the objectives of which would be vastly different. Therefore, it was not within the scope of this work to conduct a comprehensive and detailed examination of the UI activity, test for compliance with program requirements and other federal regulations for the purpose of issuing an opinion on compliance, or evaluate for efficiencies of the processes.

On October 12, 2021, we held an exit conference with the Department's management and discussed the contents of this report. A response was received on October 26, 2021 and was evaluated and included in our working papers.

Keith Faber
Auditor of State
Columbus, Ohio

October 22, 2021

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EXECUTIVE SUMMARY

The Department is responsible for administering the Unemployment Insurance program in Ohio for regular and pandemic claims. Unemployment Insurance is temporary income for eligible workers, individuals who lose their jobs through no fault of their own. Ordinarily, to collect benefits, individuals must be able to work and actively seek work while claiming benefits. However, the federal government allowed states to suspend the work search requirements and then, on March 16, 2020, the Governor signed an executive order waiving work search requirements for all unemployed workers. The General Assembly approved this waiver pursuant to Section 19 of H.B. 197. Additionally, the waiting week was waived in an effort to process claims more expediently. Work search requirements were reinstated by the Governor December 6, 2020 for new claimants and for all claimants on May 23, 2021; the waiting week was reinstated June 20, 2021. To qualify for benefits, individuals must have worked and earned enough wages in covered employment. In Ohio, employers pay tax contributions into the Unemployment Insurance Fund. The Department's Office of Unemployment Insurance Operations (OUIO) determines if an individual qualifies for benefits.

The COVID-19 Pandemic presented the Department with many challenges and obstacles including a sharp increase in the volume of unemployment claims as well as the expansion of regular unemployment benefits by the federal government. The Department did not have the man-power or technology resources to adequately deal with this drastic increase in claim activity and the addition of new federal unemployment funding. The Department's legacy unemployment System, Ohio Job Insurance (OJI), has been in place since 2004. Due to its age and functionality, it was unable to handle the increased volume of claimants brought on by the pandemic. Therefore, the Department contracted with a service organization for processing of pandemic unemployment benefits and maintaining key functions of the benefit claims processing, which were customized to fit Ohio's needs (effective May 14, 2020). This outside system, the Unemployment Framework for Automated Claim & Tax Services (uFACTS) System, was used for certain pandemic benefits only.

During this time-frame, the fraud imposters recognized the opportunity presented by the unprecedented increase in unemployment claim activity, the relaxed eligibility and employment/earnings verification requirements associated with the new expansion of benefits, and the stress being placed on the Department and its systems to get benefits processed and into the hands of unemployed Ohioans. The combination of high claim volume and the increase in imposter fraud negatively impacted the Department's ability to keep up, creating a backlog of claims pending adjudication.

In August 2020, the Department created a Fraud Dashboard to monitor and investigate fraudulent issues, trends, and potential overpayments, including fraudulent overpayments. In late January/early February 2021, the Governor initiated the Public-Private Partnership (P3) Project, a team of consultants/subject matter experts from 12 private sector companies with expertise in fraud, call center operations, and claims processing. The P3 Project worked with the Department and the service organization to strengthen fraud prevention, prioritize payment of claims to real Ohioans, segment fraudulent claims out of the adjudication backlog, and improve communication capabilities. In addition, the Department, in consultation with the service organization and the P3 Project, took steps to strengthen the ID verification processes for both the OJI and uFACTS systems starting in late March/early April 2021.

The Auditor of State's Office performed procedures for the period March 1, 2020 through February 28, 2021, related to the Department's fraud prevention and detection process for the Unemployment Insurance program. These procedures were performed under the authority of Ohio Revised Code Section 117.11. The following highlights were noted during the audit. All items relate to the audit period, unless otherwise indicated.

- The OJI system processed approximately $9.8 billion in regular unemployment benefits, including pandemic assistance for the Federal Pandemic Unemployment Compensation, Pandemic Emergency Unemployment Compensation, State Extended Benefits, and Lost Wage Supplemental Payment Assistance programs.

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- The uFACTS system processed approximately $8.1 billion in pandemic unemployment for the Pandemic Unemployment Assistance, Federal Pandemic Unemployment Compensation, and the Lost Wage Supplemental Payment Assistance programs.

- The Department contracted with a service organization to process the pandemic unemployment benefits and maintain key functions of the benefit claims process. The system used by the service organization was uFACTS. The Department did not establish procedures to determine whether the service organization had sufficient controls in place and if they were operating effectively, nor did the Department obtain a Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls (SOC 1 Type 2). During the fiscal year ended June 30, 2020 audit of the State of Ohio, we could not obtain reasonable assurance about the accuracy and completeness of the amounts included in the Business-Type Activities and Unemployment Compensation funds within the State's financial statements and we modified our opinions thereon.

- The Federal stimulus legislation that created the pandemic unemployment programs expired for Ohio on September 4, 2021. Individuals had until October 6, 2021 to file an unemployment claim to collect the pandemic assistance.

- Overpayments are benefits paid to an individual who is not legally entitled to receive these benefits. Losses through embezzlement or by theft, other than through the benefit payment process, are not counted as overpayments. Overpayments are reported to the U.S. Department of Labor (DOL) in the quarter in which they occur, which is once adjudication is complete. A fraud overpayment occurs when the material facts related to a determination or payment of a claim are found during the adjudication process to be knowingly misrepresented or concealed (i.e., willful misrepresentation) by the claimant in order to obtain benefits to which the individual is not legally entitled. A non-fraud overpayment occurs when the state agency determines, through adjudication, the overpayment is not due to willful misrepresentations. Non-fraud overpayments result from reversals, state agency errors, employer errors, and claimant errors. The Department reported approximately $477 million in fraudulent overpayments and $3.3 billion in non-fraudulent overpayments to the DOL between April 1, 2020 and June 30, 2021.

- Benefit payments were below $900 million for the three fiscal years prior to the pandemic; after the pandemic, benefits rose to $9.4 billion in 2020 and $14.2 billion in 2021. There was also a significant increase in both the fraud and non-fraud overpayments. Fraud overpayment were approximately 1.3% of benefits in the three prior years, but increased to 3.3% in 2021; non-fraud overpayments were approximately 2.2% in prior years, rising to 23.1% in state fiscal year (SFY) 2021. Although pandemic funding began in the last quarter of 2020, the adjudication process for these claims did not take place until fiscal year 2021. This, coupled with the increased volume in claims and fraud schemes, along with the additional cross-matches and other efforts implemented by the Department to identify overpayments contributed to these large increases.

- The Department will attempt to collect overpayments by sending an appealable overpayment determination to the claimant. If repayment is not received within 45 days after the payment is due, the amount will be certified to the Ohio Attorney General for collection pursuant to Ohio Rev. Code Section 131.02. At the beginning of SFY 21, the Department and the Ohio Attorney General's Office mutually agreed not to actively pursue collections of non-fraud debt that would be subject to a federally authorized waiver during the pandemic (i.e., state agency error and not the fault of the claimant) or debt suspected to be incurred due to identity theft, in an effort to project Ohio citizens. Furthermore, in the Unemployment Insurance Policy Letter (UIPL) 20-21, the federal government gave discretion to states to waive the need for a repayment of pandemic funding related to non-fraud overpayments. The claimant must request the waiver from the Department to avoid repayment. In an August 27, 2021 news release, the Department indicated ". . . to date, approximately 18% of those contacted have completed applications for waivers. Review of these applications will begin soon, once system programming is complete."

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- We obtained a data file of adjudicated fraudulent issues and potential fraudulent issues from the Department, which represented issues assigned to the Benefit Payment Control (BPC) Adjudicators for the period under review. These files contained 198,699 issues, totaling approximately $574 million, adjudicated as fraud and approximately 2.8 million issues, totaling approximately $390 million, identified as potential fraud which were pending evaluation by the Adjudicators for the period under review. The following factors contributed to significant spikes in the adjudicated claims:

  o In May 2020, OJI adjudicated fraudulent issues increased significantly and remained consistent through December 2020 due to an increased volume in unemployment claims received by the Department because of COVID-19.

  o In December 2020, uFACTS adjudicated fraudulent issues increased significantly due to a mass adjudication. The Department performed a mass adjudication for a large number of uFACTS claims in which the claimant did not respond to the Department's fact-finding requests for additional information. These claimants were deemed ineligible and the issues closed.

- We documented the Department's internal controls and performed testing over fraud prevention and detection for the unemployment insurance claims.

  o OJI claims:
  The fraud issues for adjudicated claims were not detected/flagged within 30 days from the benefit week ending date; the average was 120 days.

  The fact-finding questionnaire for the adjudicated claims was not sent within seven days of the issue determination date; the average was 128 days.

  The Notice of Determination was not issued within 21 days; the average was 112 days.

  o Both systems:
  Fact-finding date preceded the issue detection dates, as a result the Department did not send the fact-finding questionnaire and relied upon documentation received for a previous issue.

  o uFACTS claims:
  The fraud issues for adjudicated claims were not detected/flagged within 30 days from the initial application date; the average was 128 days.

  The Notice of Determination was not issued within 21 days; the average was 166 days.

- We documented the Department's internal controls and performed testing over the unemployment benefit claims paid through OJI and uFACTS.

  o OJI claims:
  The Department did not send a Request to Employer for Separation Information Form to the employer. At the beginning of the pandemic, when the Governor issued the stay at home order and businesses closed, the Department made a management decision to allow claimants to file using a special COVID-19 designated mass layoff number to expedite the claim filing process; the use of this number ended May 28, 2020. This resulted in the Department processing claims without obtaining the claimant's unemployment eligibility from the employer.

  The unemployment benefit claims payment was not made in a timely manner; the average was 61 days.

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- o <u>uFACTS claims</u>:
  The system was missing the required documentation to support the claimant's eligibility and benefit payment calculation (i.e., COVID-19 attestation questionnaire, wage information, identify verification).

- Fraud was discussed with Department officials several times during the 2020 financial audit, yet on May 27, 2020 and again on February 10, 2021, the now former Director testified in front of both the Ohio House of Representatives' Ways and Means Committee and Finance Committee, respectively, that she was aware of the unemployment fraud committed at the recipient level due to the spike in claims filed during the COVID-19 pandemic. This is contradictory to what was stated as part of the 2020 financial audit. However, in our interviews as part of this audit, Department officials indicated the 2020 audit responses were interpreted to only identifying internal/employee-related fraud within ODJFS at the county and state levels, not fraud committed by recipients.

- We requested various electronic data files from the Department; however, obtaining and validating this data proved to be very difficult. The volume of data, the need to coordinate with a third party vendor, the specificity of data elements required, and the lack of a viable secondary source to validate the data against all contributed to the difficulty in obtaining and validating the completeness and accuracy of the data.

  Using the data we obtained, we performed a series of 12 data analysis queries utilizing OJI and uFACTS benefit claims paid data Significant results included payments made to deceased individuals, and incarcerated individuals, SSNs associated with four or more bank accounts, unique bank account and routing number combinations associated with multiple individuals, and addresses associated with five or more individuals.

- From inception of the OJI and uFACTS systems, the Department had some processes in place to verify the identity of claimants prior to processing claims. To help combat the various fraud schemes encountered during the pandemic, ODJFS, in consultation with the service organization and the P3 consultants brought into the process by the Governor, took steps to strengthen the ID verification process in account registration process for both the OJI and uFACTS systems. Experian and LexisNexis ID Verification tools were implemented in OJI and uFACTS respectively.

  We performed a walkthrough and reviewed documentation for both the Experian and LexisNexis processes. Documentation related to the implementation of Experian and LexisNexis was also reviewed to ensure a formal change management process was followed to implement this functionality.

- We received numerous complaints from the public who were impacted by unemployment fraud that occurred during the COVID-19 pandemic, including one individual whose claim was outside our audit period. Therefore, we inquired with the Department to determine how the fraud occurred, if payments were issued to the individual, if the Department was aware of the fraud complaint, and if the Department had record of the individual self-reporting the fraud.

<u>Recommendations Summary</u>

This report includes 10 recommendations to the Department which we believe will help improve the operations related to Unemployment Insurance. We have summarized these recommendations below. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. In addition, these recommendations are limited to the results of procedures performed during this audit and may not reflect all deficiencies or weaknesses in the process. However, these comments reflect our continuing desire to assist the Department. Should management have any questions or concerns regarding these comments, please do not hesitate to contact us.

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Recommendation 1:

The Department should continue to strengthen current internal control procedures over the unemployment benefit claims paid through OJI and uFACTS and ensure that proper documentation is obtained from the claimant and/or employer prior to processing the benefit claims. This should include developing policies and procedures to specifically address situations beyond the physical and environmental disasters identified in their disaster recovery plan, such as the COVID-19 pandemic, which could impair their ability to effectively operate.

Recommendation 2:

The Department should re-evaluate the internal control procedures over the timing of the fact-finding questionnaires generated by the OJI and/or uFACTS systems once an issue has been created. The Department should develop a procedure to document and/or link the fact-finding information in both systems when it's obtained for a previously created issue and relied upon for current issue. In addition, the Department should implement and evaluate the cross-matches for both systems. The Department should periodically review the cross-match documentation to ensure the matches are being performed timely and as intended, and develop a report to monitor the aging of issues created by these cross-matches.

Recommendation 3:

The Department should amend the contract with the service organization to require an annual SOC 1 audit or similar independently performed procedures. Department management should perform a timely review of the SOC 1 report and other procedures, and implement appropriate procedures to monitor service organization activities and track any system changes or issues submitted to the service organization.

Recommendation 4:

The Department should coordinate with the service organization to develop and implement internal control procedures to provide assurance the ETA 902P reports are accurate, complete, and in compliance with federal requirements.

Recommendation 5:

The Department should identify internal and external fraud risks that could materially misstate the financial activity for the Department within the State of Ohio's financial statements. The Department should report any known fraud, both internal and external, to the auditors as soon as the fraud is identified.

Recommendation 6:

The Department should update the ODJFS Continuity of Operations Plan and the ODJFS Pandemic Plan to assess and define the actions and strategies necessary to maintain appropriate levels of human resources as well as data processing capabilities in the event of an emergency, such as the COVID-19 pandemic.

Recommendation 7:

The Department should continue its efforts to replace Ohio's OJI with a system more responsive to customer needs, expectations, and reduce maintenance and technology update costs. The Department should identify and understand the fraud prevention and detection functionality designed into the Insurance System Transformation (UIST) system and incorporate any additional fraud prevention/detection functionality deemed necessary into the design prior to finalization of the project and implementation into production. ID verification functionality similar to Experian and LexisNexis should be incorporated into any fraud detection/prevention toolset being considered.

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Recommendation 8:

The Department should take steps to investigate any known or potential fraud case where payments were made to identify the source of the fraud and recoup the funds.

Recommendation 9:

The Department should take steps to review edits programmed into the unemployment benefit systems related to entry of key personal and demographic information including but not limited to claimant name, address, and banking information to ensure information entered into these fields is consistently formatted.

Recommendation 10:

The Department should evaluate existing internal controls related to non-fraud overpayments, including employee training. The Department should also utilize the fraud dashboard and other available resources to identify potential issues that could result in non-fraud overpayments and take the necessary steps to evaluate them prior to payment in order to reduce the amount of non-fraud overpayments that require collection.

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BACKGROUND

GENERAL INFORMATION

The Ohio Department of Job and Family Services is the single state agency responsible for administering the Unemployment Insurance Program (UI) in Ohio. This program is designed to provide monetary support to individuals who are experiencing temporary unemployment. In 2020, as a result of the COVID-19 pandemic, the federal government expanded the regular unemployment benefits with the following new funding, collectively referred to as pandemic unemployment:

- Pandemic Unemployment Assistance (PUA)
- Pandemic Emergency Unemployment Compensation (PEUC)
- Federal Pandemic Unemployment Compensation (FPUC)
- Lost Wage Supplemental Payment Assistance (LWA)

Regular UI 1 Available for 26 weeks in the benefit year	PUA Available February 2, 2020 – December 26, 2020; extended through September 4, 2021	PEUC Available March 29, 2020 – December 31, 2020; extended through September 4, 2021	FPUC Available March 29, 2020 – July 25, 2020; extended through March 14, 2021; extended again through June 26, 2021	LWA Available August 1, 2020 – September 5, 2020
Unemployment Insurance is a program paid to individuals who lose their job through no fault of their own. To be eligible, the claimant must have worked in covered employment for a minimum of 20 weeks in the last 18 months, making an average weekly wage of at least $280.	PUA provided up to 39 weeks of benefits to many who did not historically qualify for unemployment benefits, such as self-employed workers, 1099 tax filers, part-time workers, and those who lacked sufficient work history. The program also provided individuals who exhausted all regular UI benefits and any federal and state extensions. Claimant may be eligible for 13 weeks of additional benefits with this program.	PEUC provided up to 13 weeks of emergency unemployment benefits to individuals who remain unemployed after they exhausted their maximum 26 weeks of regular unemployment. States were required to offer flexibility in meeting "actively seeking work" requirement if individuals were unable to search for work because of COVID – 19, including illness, quarantine, or movement restriction.	FPUC provided $600 per week in addition to other weekly benefit amount to individuals. Benefits were reduced to $300 per week from August 1, 2020 through March 14, 2021, and extended through June 26, 2021.	LWA provided up to $300 per week to those individuals who were made partially or fully unemployed by the pandemic. Claims had to be filed or in process prior to December 27, 2020.

During the period of March 1, 2020 through February 28, 2021, the Department reported approximately $17.830 billion in UI benefit payments ($4.698 billion Regular UI and $13.132 billion Pandemic UI) issued to 1,920,304 claimants (47,156 Regular UI and 1,873,148 Pandemic UI).

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1 Includes Unemployment Compensation for Federal Employees (UCFE), Unemployment Compensation for Ex- Service Members (UCX), and Trade Readjustment Allowances (TRA/TAA/RTAA)

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Claimants can choose between two primary methods of payment for unemployment benefits: EFT (electronic ACH) or debit card. In addition, paper warrants can be issued under certain circumstances. The table below identifies the unemployment benefit claims disbursed by the Department through the OJI and uFACTS systems during the period under review:

UI Funding Type	Payment Type	Amount Paid	Number of Transactions
Regular & Pandemic UI – OJI	Debit Cards	$1,462,252,977	4,036,455
	Electronic ACH	$8,242,485,850	21,350,543
	Paper Warrants	$55,946,648	156,119
	Subtotal OJI Regular & Pandemic UI	**$9,760,685,475**	
Pandemic UI - uFACTS	Debit Cards	$1,804,835,321	4,624,952
	Electronic ACH	$6,264,394,355	13,331,894
	Subtotal uFACTS Pandemic UI	**$8,069,229,676**	
	Total UI Benefits Paid:	**$17,829,915,151**	**43,499,963**

Note: Amounts included in this report have been rounded to the nearest dollar, unless otherwise indicated.

Regular unemployment and portions of the pandemic funding (i.e., FPUC, PEUC, State Extended Benefits, and LWA) benefits are processed through the OJI benefit system, a system the State of Ohio has utilized since 2004. OJI administers unemployment benefits including; accepting and processing unemployment claims, maintaining employer records, determining monetary and non-monetary eligibility, requesting separation information, issuing determinations, charging employers, charging the mutual account, processing appeals and issuing re-determinations. The OJI system includes automated controls to ensure benefits are not paid in excess of the maximum allowable amount or outside of the benefit year end.

However, the OJI system, due to its age and functionality, was not able to handle the increased volume of applicants brought on by the pandemic. Therefore, the Department contracted with a service organization, Deloitte, for processing of pandemic unemployment benefits and maintaining key functions of the benefit claims processing, which were customized to fit Ohio's needs (effective May 14, 2020). This outside system, the uFACTS System, was used for PUA/FPUC/LWA benefits only. As part of the service organization's agreement, Deloitte was responsible for; designing the system to comply with federal guidelines (with the Department's input), providing training and security, and hosting the software. Deloitte was also responsible for managing a call center, production of various system reporting, and responding to external requests. Deloitte, the primary service organization, contracted with a subservice organization to provide cloud services. However, as reported in the State of Ohio report for state fiscal year 2020, the Department did not establish procedures to determine whether the service organization had sufficient controls in place and if they were operating effectively, nor did the Department obtain a Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls (SOC 1 Type 2) in accordance with Attestation Standard AT-C 320 specific to the uFACTS system design and implementation, nor did the Department verify the service organization had implemented the complimentary user entity controls required by the subservice organization, to ensure pandemic unemployment benefits were paid to eligible claimants and processed completely and accurately (*see Recommendation 3*). During the fiscal year ended June 30, 2020 audit of the State of Ohio we could not obtain reasonable assurance about the accuracy and completeness of the amounts included in the Business-Type Activities and Unemployment Compensation funds within the State's financial statements and we modified our opinions thereon. We will evaluate and review procedures implemented by the Department to determine whether or not the service organization had sufficient controls in place and if they were operating effectively as part of the SFY 2021 State Single Audit. A recommendation will be made related to business continuity and pandemic/disaster preparedness (*see Recommendation 6*).

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UNEMPLOYMENT FRAUD AND NON-FRAUD OVERPAYMENTS REPORTING

Overpayments are benefits paid to an individual who is not legally entitled to receive these benefits. Losses through embezzlement or by theft, other than through the benefit payment process, are not counted as overpayments. Overpayments are reported to DOL in the quarter and/or month in which they occur, which is once adjudication is complete. A fraud overpayment occurs when the material facts related to a determination or payment of a claim are found during the adjudication process to be knowingly misrepresented or concealed (i.e., willful misrepresentation) by the claimant in order to obtain benefits to which the individual is not legally entitled. A non-fraud overpayment occurs when the state agency determines, through adjudication, the overpayment is not due to willful misrepresentations. Non-fraud overpayments result from reversals, state agency errors, employer errors, claimant errors, and other, as defined below.

- **Reversals:** Those overpayments that result from redeterminations or appeal decisions that reverse or overturn earlier determinations under which benefits were paid.

- **State Agency Errors:** State workforce agency actions or omissions that cause errors in computing the benefit amount, payment for a non-compensable waiting week, incorrect weekly payment for failure to consider deductible amount, payment beyond the expiration of the benefit year ending date or exhaustion of benefits, payment under incorrect program, payment during a period of disqualification, payment to the wrong claimant, etc.

- **Employer Errors:** Errors attributable to employers include noncompliance with notification and reporting requirements in a timely and/or accurate manner, and incorrect reporting of base period wages.

- **Claimant Errors:** Errors attributable to claimants include misrepresentation of the facts, failure to provide timely and/or accurate information to support a claim of benefits, or a general misunderstanding of obligations and benefit rights.

- **Other Errors:** All other non-fraud overpayments that were not included in previous categories. Examples include monetary redeterminations that cause an overpayment, a back payment of pension or SSA, or other deductible income that was not known to the claimant, agency, or employer at the time of filing the new claim or the weekly continued claim.

Overpayments are not a new concept for Unemployment; however, the amount of overpayments has increased significantly for the pandemic funding *(see Recommendation 10)*. The table below provides a historical perspective of overpayments in relation to benefits paid for the last five state fiscal years. Note, the amounts reported for our audit period within this report cover portions of two state fiscal years and, therefore, will not tie directly to the amounts shown in this table.

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	State Fiscal Year Ending June 30				
	2017	**2018**	**2019**	**2020**	**2021***
UI Benefits Paid	$ 879,235,704	$ 842,901,525	$ 758,511,144	$9,356,167,147	$14,192,816,505
Fraud Overpayments	$ 11,738,099	$ 9,554,804	$ 10,035,951	$ 8,991,970	$ 474,576,354
Fraud Claims	9,537	7,390	7,240	8,842	230,753
Percentage of Fraud Overpayments	**1.34%**	**1.13%**	**1.32%**	**0.10%**	**3.34%**
Non-Fraud Overpayments	$ 18,999,152	$ 18,599,147	$ 17,900,120	$ 108,122,449	$ 3,271,817,798
Non-Fraud Claims	32,258	32,179	31,378	165,541	2,546,696
Percentage of Non-Fraud Overpayments	**2.16%**	**2.21%**	**2.36%**	**1.16%**	**23.05%**
					*unaudited

As indicated above, there was a significant increase in both the fraud and non-fraud overpayments in state fiscal year 2021. Although pandemic funding began in the last quarter of 2020, the adjudication process for these claims did not take place until fiscal year 2021. This, coupled with the increased volume in claims and fraud schemes, along with the additional cross-matches and other efforts implemented by the Department to identify overpayments contributed to these large increases. The Department is required to report the overpayment data to the DOL in the following reports.

The Employment and Training Administration (ETA) 227 – Overpayment Detection and Recovery Activities report provides information on overpayments of intrastate and interstate claims under the regular state Unemployment Insurance program, and has been required by the federal government since December 1984. This report includes overpayment activities for claimant errors, controllable errors (wage/benefit cross-match, claims audits, national directories of new hires and state directories of new hires), employer errors, federal income tax offset, fictitious employer detection system, fraud overpayments, non-fraud overpayments, joint claims, multi-claimant schemes, etc. This report is due quarterly, the first day of the second month after the quarter to the DOL. Data for the ETA 227 report is obtained from OJI and the Department creates a spreadsheet containing the supporting documentation, which is maintained for audit purposes.

The ETA 902P – Pandemic Unemployment Assistance Activities report was created by the federal government as part of the pandemic funding and contains monthly data on PUA activities provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The report is due monthly to DOL through the end of the pandemic assistance period and until all payment and appeals activity is complete. This report includes the number of applications, number of claimants determined eligible, and overpayments related to fraud, identity theft, identity theft overpayments, and regular overpayments. Data for the ETA 902P is obtained from uFACTS and the appeals data from the Unemployment Compensation Review Commission. As of May 2020, the Department completed their initial testing of the uFACTS data elements for the ETA 902P report as part of the initial user acceptance testing of this new system. Any discrepancies noted were communicated to the service organization for correction. The Department could not verify the accuracy and completeness of the monthly uFACTS data reported since there were no system generated reports for the Department to monitor the potential overpayments, including fraud. Additionally, there were no output reports from the Unemployment Insurance Data Base since PUA was a new program and no comparative data existed, thereby increasing the Department's reliance on the data validation process prior to submission (*see Recommendation 4*). In addition, the federal government did not require the same level of detail regarding the categories of overpayments.

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Both of these reports are submitted by the Department's OUIO Finance Section to DOL via the Unemployment Insurance Data Base System (UIDB) operated by the SUN Enterprise Servers. The ETA 227 report is subject to DOL's Unemployment Insurance Data Validation (UIDV) program which is used to verify the accuracy of each report.

In May 2021, the Department implemented data validation controls for the ETA 902P report which resulted in the Department amending the original ETA 902P reports submitted to the DOL. Data for the ETA 902P is obtained from uFACTS and the appeals data from the Unemployment Compensation Review Commission. The Department obtains the uFACTS data from the service organization and the appeals data from the Unemployment Compensation Review Commission. After the service organization delivers the report to UI Systems Support (UISS), the Department reviews the records at an aggregate level to determine if any information should be questioned due to extreme high or low counts. Afterwards, UISS reviews individual records by sampling and verifying the transactions are accurate. If any records are identified as materially incorrect, the defects are reported to the service organization for an explanation and resolution. Once UISS reviews the report, it is provided to the OUIO's Finance Reporting Section who completes a review to identify any concerns with the aggregate data. Finally, after their review OUIO's Finance Reporting Section uploads the report to the DOL website. We will evaluate and review these validation controls over the ETA 902P as part of the SFY 2021 State Single Audit.
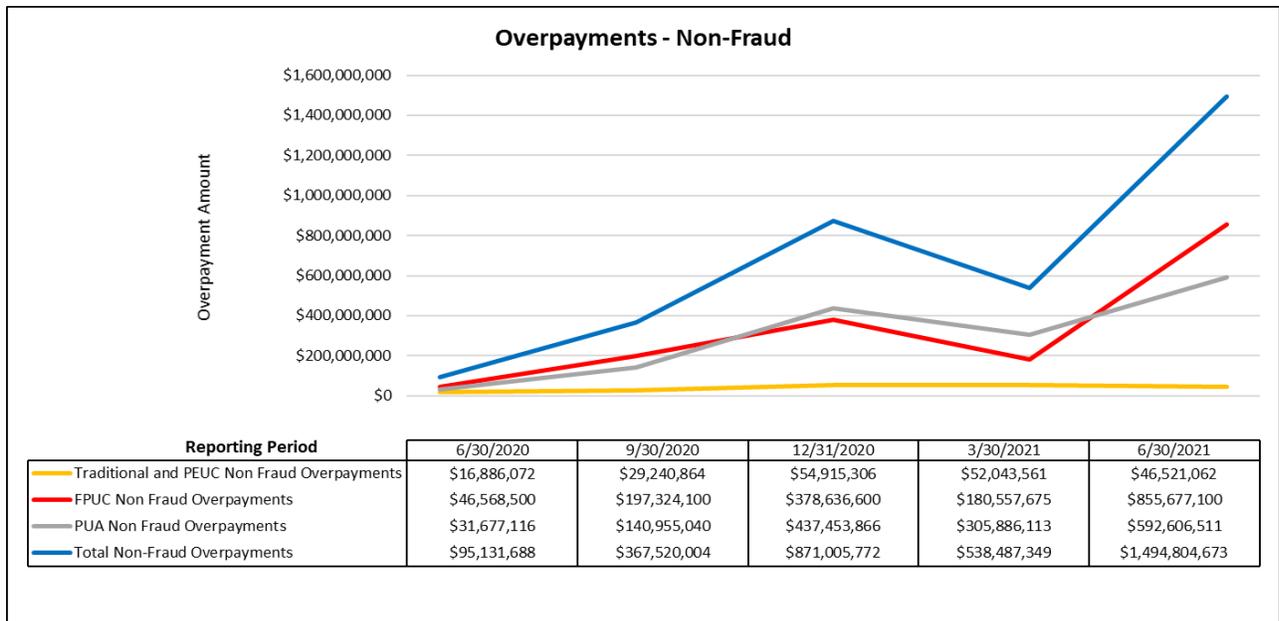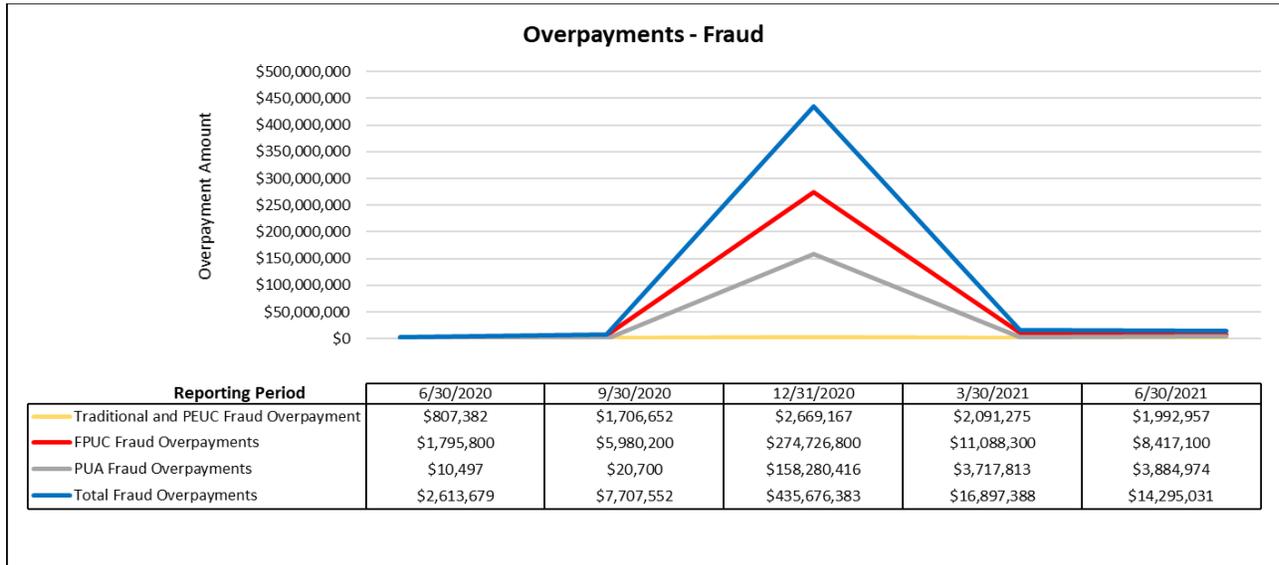
The Department updated and amended the ETA 227 and 902P reports to the DOL based on the overpayment amounts changing due to the following:

- Not all overpayments were being appropriately reported, the Department applied a logic fix to both reports, if applicable;
- In testing adjustments, the Department determined they were counting overpayments twice (i.e., when the monetary redeterminations occurred even though the overpayment had already been reported previously). The Department applied a logic fix to both the reports, if applicable;
- Ensuring the LWA was not included in the PFUC 227 report; and
- UIPL 16-20 Change 4 related to program extensions and the Id Theft section was incorporated into the report, as well as overpayment recoveries for the ETA 902P.

We compared the DOL data extracts for the ETA 227 and 902P reports from the March 31, 2021 submissions to the June 30, 2021 submissions and no significant variances were noted. Therefore, we utilized the June 30, 2021 data extracts to analysis the fraud and non-fraud overpayment trends identified below.

Overpayment Fraud and Non-Fraud Trend Analysis amounts in the graphs below were obtained from the updated data extracts on the DOL website for the ETA 227 and ETA 902P reports. The ETA 227 report and the ETA 902P reports are submitted on a quarterly and monthly basis, respectively; therefore, we summarized the ETA 902P monthly data to equate to each quarter. The graphs were utilized to identify the trends in overpayments and the identification and reporting of fraud. Since the data extracts are only available on a quarterly basis, we extended the review past the end of the Period to June 30, 2021 to provide a current analysis of the fraud vs. non-fraud overpayments. *Note: The FPUC amounts could tie to either OJI or the uFACTS systems as the additional compensation is set on the initial program determination (i.e., traditional or PUA).* To ensure the accuracy and completeness of the DOL data extracts, we performed substantive testing over the March 31, 2021 report for ETA 227 and 902P reports. Both reports were mathematically accurate and traced to the appropriate supporting documentation, including the DOL data extract amounts for March 31, 2021.

Overpayments 4/1/2020 thru 6/30/2021:	
Total Fraud Overpayments	$477,190,033
Total Non-Fraud Overpayments	$3,366,949,486
Grand Total	$3,844,139,519

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Overpayments - Fraud

Reporting Period	6/30/2020	9/30/2020	12/31/2020	3/30/2021	6/30/2021
Traditional and PEUC Fraud Overpayment	$807,382	$1,706,652	$2,669,167	$2,091,275	$1,992,957
FPUC Fraud Overpayments	$1,795,800	$5,980,200	$274,726,800	$11,088,300	$8,417,100
PUA Fraud Overpayments	$10,497	$20,700	$158,280,416	$3,717,813	$3,884,974
Total Fraud Overpayments	$2,613,679	$7,707,552	$435,676,383	$16,897,388	$14,295,031

Overpayments - Non-Fraud

Reporting Period	6/30/2020	9/30/2020	12/31/2020	3/30/2021	6/30/2021
Traditional and PEUC Non Fraud Overpayments	$16,886,072	$29,240,864	$54,915,306	$52,043,561	$46,521,062
FPUC Non Fraud Overpayments	$46,568,500	$197,324,100	$378,636,600	$180,557,675	$855,677,100
PUA Non Fraud Overpayments	$31,677,116	$140,955,040	$437,453,866	$305,886,113	$592,606,511
Total Non-Fraud Overpayments	$95,131,688	$367,520,004	$871,005,772	$538,487,349	$1,494,804,673

OVERPAYMENT RECOVERIES

Department policies indicate they will attempt to collect overpayments by sending an appealable overpayment determination to the claimant. If repayment is not received within 45 days, the amount is certified to the Ohio Attorney General for collection pursuant to Ohio Rev. Code Section 131.02. However, in UIPL 20-21, the federal government gave discretion to states to waive the need for a repayment of pandemic funding related to non-fraud overpayments. In these cases, the claimant must request the waiver from the Department to avoid repayment. In an August 27, 2021 news release, the Department indicated "Since July, ODJFS notified approximately 700,000 Ohioans with non-fraud overpayments that they may be eligible for a waiver if the overpayment was not their fault. More than 73,000 traditional unemployment claimants and 630,000 PUA claimants received emails and/or letters through U.S. mail. To date, approximately 18% of those contacted have completed applications for waivers. Review of these applications will begin soon, once system programming is complete."

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At the beginning of SFY 21, the Department and the Ohio Attorney General's Office (AGO) mutually agreed not to actively pursue collections of non-fraud debt that would be subject to a federally authorized waiver during the pandemic (i.e., state agency error and not the fault of the claimant) or debt suspected to be incurred due to identity theft, in an effort to project Ohio citizens. These types of overpayments are placed into quarantine because either the claim is in the waiver application/adjudication process and/or the Department is determining if the overpayment was due to identity theft. The quarantined overpayment amounts are fluid and may change from week to week. The Department and the Ohio Attorney General's Office are working together to identifying overpayments that are added to the quarantine, while others are removed from quarantine to an active collection status. This is all based on whether the claimant is eligible for a non-fraud overpayment waiver and/or whether the Department suspects identity theft.

The Department indicated the following amounts have been certified to the AGO, placed in quarantine (also included in the Activity Certified), and recovered by the AGO for the last three state fiscal years:

	Activity Certified to AGO (includes Quarantine Amounts)		Activity Certified to AGO Placed in Quarantine		AGO Recovery Amount
	# of Claims	Amount	# of Claims	Amount	
SFY 2019	24,369	$ 23,912,220	N/A	N/A	$11,121,685
SFY 2020	22,688	$ 20,324,149	467	$ 410,000	$10,248,692
SFY 2021	159,191	$199,521,608	81,069	$123,300,000	$17,387,638

FRAUD PREVENTION/DETECTION – PRE PANDEMIC IMPACT

Adjudication Process

Customer Service Representatives (CSR), located across the state's 11 processing centers, are responsible for determining the status of unemployment claims, including issues generated by OJI. Issues are set and routed to the CSRs when incomplete or additional verification is required on an application or a continuing claim. The CSR may resolve an issue by sending a Request for Separation to the most recent employer(s) who has 10 days to respond. If the reason for separation is other than lack of work (i.e., layoff), the CSR staff conducted fact-finding and adjudicated the separation issue. If the issue was for insufficient weeks and/or wages in the base period, the claimant was sent an affidavit to document any additional employment. Without the additional employment information, the unemployment claim would be denied. If any other eligibility issue exists (e.g., receiving severance pay, not able to work or unavailable for work, etc.), the CSR staff conducted fact-finding and adjudicated the week(s) affected by the issue. The Department established a 21-day time period to adjudicate OJI issues, based on guidelines from DOL. The volume of OJI issues pre-pandemic averaged 90 per week.

If an issue of fraud was suspected, the CSR routed the issue to the Department's Benefit Payment Control Section (BPC). BPC is responsible for adjudicating fraudulent and potential fraudulent issues and identifying and monitoring benefit overpayments. BPC is notified of potential fraud in several different ways, including various law enforcement entities, ID theft victims, employers, data analysis, or bank seizures. Benefit payments are not stopped or held while issues are being investigated by BPC. The BPC Adjudicators are assigned issues related to potential fraud detected by the call centers or processing centers, cancel benefit rights because the claimant failed to disclose qualifying separation, provided false dependency information, false statement to obtain benefits on the claim or fact-finding responses, and forged warrants . Also, the BPC utilized the following cross-matches to monitor fraud prior to the pandemic:

- Benefit Accuracy Management (BAM) Paid
- EFT Account
- Multi-Claimant/Single Address
- National Directory of New Hires
- Ohio Directory of New Hires
- Wage Record

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The BPC Adjudicator worked issues by sending a fact-finding questionnaires to the claimant and reviewed the information. The fact-finding questionnaires are tailored for each issue type, for instance, the questionnaire for 'Able or Available' may consist of the following questions:

   a) Please explain why you weren't available or able to work?
   b) Other than a COVID-19 related circumstance, are you physically able to work at this time?
   c) Other than a COVID-19 circumstance, are you available to work?

Fact-finding information is stored in the OJI Issues Summary screen and is viewable even if the issue has been adjudicated. Once the BPC Adjudicator reviews the fact-finding information and the claimant has been determined eligible or ineligible to receive unemployment, a Notice of Determination letter is sent to the claimant informing them that their benefits have been processed or denied.

Weekly, OJI generated a report of issues worked by the BPC Adjudicators and the BPC Chief utilized this report to monitor the Adjudicators progress, cases completed, and the types of issues worked. The weekly report contained the previous week's production and a formula was built into the spreadsheet to calculate the days in which an issue was completed. The OJI weekly report was generated during the pandemic; however, the BPC Chief and staff were not monitoring the report as other items required their attention and staff was reallocated to other areas within the Department (e.g., helped process initial claims and applications).

Adjudication Workflow
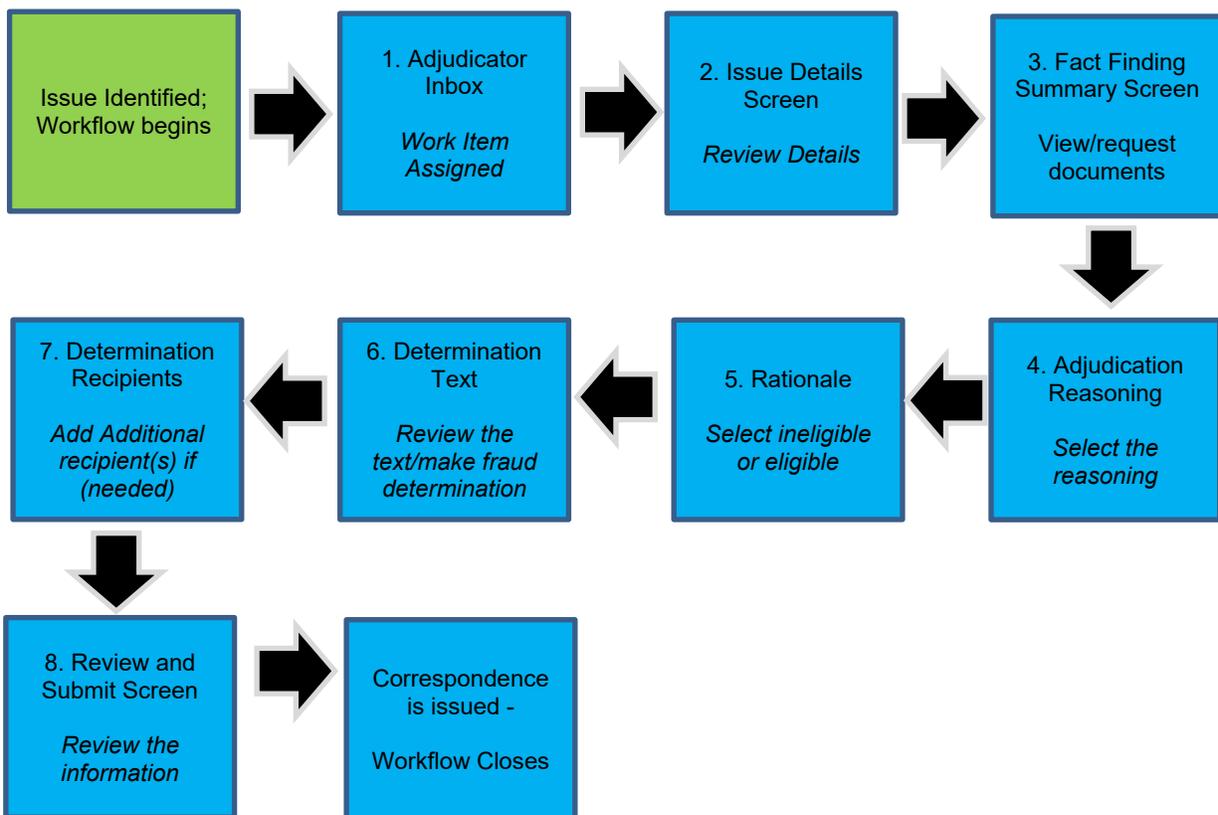
If the claimant appealed the initial decision, a redetermination decision was sent to all interested parties. If the claimant appealed the redetermination, an Unemployment Compensation (UC) Review Commission hearing would be scheduled and the hearing officer's decisions sent to all interested parties (21-day appeal period). If the interested party appealed the UC Review Commission's decision, the Common Pleas Court

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of Ohio hears the appeal and the resulting decision is sent to all the interested parties (30-day appeal period). And if the interested party appeals the Common Pleas Court's decision, further appeal may be filed with the Court of Appeals in Ohio, Supreme Court of Ohio, and the U.S. Supreme Court.

Program Integrity & Overpayments

After an issue is adjudicated, the BPC staff is also responsible for determining if an overpayment occurred. In order to effectively comply with the overpayment provisions, states must ensure the program integrity of the UI program, which includes effective fraud prevention and detection procedures. These procedures should include:

- Initial and weekly continued claimant certifications confirming the claimant continues to meet the definition of unemployment;
- Participation in the Interstate Benefits System;
- Benefit Accuracy Measurement (BAM) program;
- Establishment of a BPC unit responsible for the prevention, detection, investigation, establishment, and recovery of overpayments; and
- Required BPC cross-matches including: National Directory of New Hires, Quarterly Wage Records, and Systematic Alien Verification for Entitlements (SAVE).

The Unemployment Insurance Benefit Accuracy Measurement (BAM) System is a federally mandated program and required to be organizationally independent of any unit subject to evaluation by the State. State BAM investigations are required to adhere to guidelines established by DOL in accordance with 20 CFR, Part 602. States are required to randomly select samples of UI payments and disqualifying ineligibility determinations, conduct in-depth investigations, and classify findings to provide the basis for diagnosing problems and taking corrective actions. DOL uses the data obtained from the BAM survey to estimate accuracy and improper rates for the populations of paid and denied claims. It is also used, in part, to produce the States improper payment rate statistics, reported in the Annual Report. BAM operations were suspended by the DOL at the beginning of March 2020 due to the pandemic but resumed July 1, 2020 for paid claims and July 1, 2021 for denied claims per ODJFS.

FRAUD PREVENTION/DETECTION – POST PANDEMIC IMPACT

OJI - Adjudication Process

CSR issues were assigned to the 11 processing centers for adjudication based on the claimant's last four digits of their Social Security Number (SSN). Staff adjudicated issues on a first in, first out basis. The volume of issues increased from approximately 90 to 6,000 issues per week during the pandemic. In January 2021, the CSR managers eliminated their individual tracking spreadsheets and moved to one statewide spreadsheet maintained on SharePoint to better monitor issues worked.

If an issue of fraud was suspected, the CSR routed the issue to the Department's BPC Section. These fraud referrals were a part of the claim adjudication process and sent to BPC by email. BPC is responsible for adjudicating fraudulent and potential fraudulent issues and identifying and monitoring benefit overpayments. The Department established a policy for the Adjudicators to review an issue within seven days and then adjudicate the claim within 21-days. However, due to the increased volume in potential fraud and fraud issues, the Adjudicators were adjudicating claims beyond the 21-day requirement. BPC staff were instructed to prioritize and work potential fraud cases that were in active pay status first in an effort to stop additional payments being issued at the time of adjudication. The following cross-matches were used by the Department to detect fraud:

- EFT Account Cross-Match
- Multi-Claimant/Single Address

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- National Directory of New Hires
- State Directory of New Hires
- Wage Record Cross-Match
- Incarceration Cross-Match – *New, effective February 2021*
- State Employee Cross-Match – *New, effective February 2021*
- Social Security Administration – *New, effective May 2021*
- Integrity Data Hub/ID Verification – *New, effective Nov. 2020*

OJI automatically generates cross-match reports, with the exception of the Benefits/Wage Record which have to be initiated by the Department and run on a daily and/or quarterly basis (e.g., Ohio New Cross-Match Output Records and Ohio New Cross-Match Wage Requests Issued). By implementing these cross-matches, claimants are flagged for additional fact-finding and adjudication to determine if an overpayment exists. However, BPC experienced delays in reviewing and initiating these investigations during the first months of the pandemic due to the high volume of issues.

The Department is required to make efforts to prevent, detect, and investigate fraudulent activity. The Department utilized the following to prevent and detect fraudulent unemployment benefit claims:

- Validation of claimants with any available external third party sources such as employers, state residency records, death master file, etc. via Social Security Administration cross-match;
- Cross system edits present between OJI and uFACTS to identify and/or prevent duplicate claims, *effective June 2020*;
- System edits to identify potential duplicate records, either matching or partial matching of key data such as SSN, address, name, etc.;
- Fraud referrals via claim adjudication process;
- Mass detection such as DOL or other external tips/fraud alerts including the BPC cross-matches noted above;
- Innovate Ohio/Tableau Data analytics including the Fraud Dashboard, Ohio Department of Health Death cross-match, Ohio Department of Rehabilitation and Correction Inmate cross-match, and OAKS State Employee cross-match;
- Employer and Individual Fraud Reporting Portals, *new effective Feb. 2021*;
- Refusal to Return Employer Portal, *effective April 2020*; and
- ID Theft Portals – Victims, *new effective Jan. 2021* & Employers, *new effective Feb. 2021.*

Note: The identify verification with Experian was not deployed until early April 2021 for OJI claimants.

uFACTS – Adjudication Process

An issue is set when the system cannot determine the impact on the benefit claim or an issue is created based off of cross-match. At this point, an Adjudicator must review the information, known as fact-finding, to make a determination on the benefit claim. When identified, the issue is stored in an issue queue until the issue can be worked by the Adjudicator. Workflow queues track the issue by type: Pre-Adjustments, PUA, Availability, Disaster, Earnings, Fraud, Identify Verification, Other Pay/Pension, etc. Eligibility verifications for uFACTS benefits was voluntarily through Lexis-Nexis until February 2021. If a claimant were to opt out of the ID check, the claim would be queued until the ID documentation could be verified. An initial identity verification was required through Lexis-Nexis and the continued claim self-attestations in order to verify that the claimant was still unemployed for a COVID-19 eligible reason. Wage verification for claimants receiving the minimum Weekly Benefit Amount (WBA) were not required until January 2021.

When a claimant has multiple issues on their account, the issue is auto-assigned to an individual Adjudicator so they must be addressed separately. For example, if one issue asks for identification, then it must be uploaded for fact-finding. Then a second issue for the same claimant asks for the same type of fact-finding, it must be uploaded to the second issue separately as documentation cannot be moved or added from the issue to issue by the Adjudicators.

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If the Adjudicator approved the issue, they select the "Eligibility - Able or Available" acknowledging the work that was refused was unsuitable due to COVID-19. If the issue was denied, the Adjudicator will select "Ineligible – Able or Available" acknowledging that the work refused was a refusal of suitable work and denied benefits for the current week. Fact-finding information is stored in the Issues Summary screen and is viewable even if the issue has been adjudicated.

When a claimant is adjudicated as "Eligible", a Notice of Determination of Benefits Letter is sent to the claimant notifying them of their eligibility status and their Weekly Benefit Amount. Once the claim is adjudicated and an overpayment is confirmed, the system automatically generates a Notice of Overpayment Form with details regarding penalty weeks and offsets against future benefit payments.

The claimant has the option to appeal the initial decision, a redetermination decision is sent to all interested parties. Then if the claimant appeals the redetermination, a UC Review Commission hearing is scheduled and resulting hearing officer's decisions are sent to all interested parties (21-day appeal period). If the interested party appeals the UC Review Commission's decision, the Common Pleas Court of Ohio hears the appeal and the resulting decision is sent to all the interested parties (30-day appeal period). And if the interested party appeals the Common Pleas Court's decision, further appeal may be filed with the Court of Appeals in Ohio, Supreme Court of Ohio, and the U.S. Supreme Court.

The Department is relying on queries to track the number of fraud flags and pending cases in order to monitor trends against the initial claims. Nightly, the service organization reviews the system queries and creating fraud flagged issues. These flagged issues are then routed to a specific Queue Management module depending on the type of issue. Daily, the Adjudicator receives queued items in their mailbox within uFACTS. The system is designed to only list one queued case at a time. PUA Adjudication Managers utilize the Queue Management modules to track the progress of issues and ensure all issues are adjudicated accurately and account for all available information. Additionally, there are several supervisor queues within uFACTS divided by issue type and assigned to a supervisor, team. Supervisors monitor the adjudication backlog reports and also complete quality review checks (legislative inquiries, customer calls etc.) in order to ensure issues are completed correctly, processed timely, and documented their review on a spreadsheet. Adjudication Supervisors will review a sample of completed claim adjudications completed during the month for completeness and accuracy. Monthly, Adjudication Supervisors monitor and ensure issues are completed accurately, as evidenced by the Monthly Performance Spreadsheet completed for each adjudicator. If any issues were found to be worked incorrectly, a discussion is had with the staff and the issue is corrected by the supervisor.

The UIPL 23-30 provided states with additional clarification regarding unemployment program integrity. The following BPC activities were mandatory for states to implement for the PUA program:

- National Directory of New Hires Cross-Match
- Quarterly Wage Records Cross-Match
- Systematic Alien Verification for Entitlement

DOL strongly recommended the following additional BPC activities:

- State Directory of New Hires Cross-Match
- Social Security Administration (SSA) Cross-Match
- Interstate Benefits Cross-Match
- State Identification Inquiry
- Identity Verification
- Incarceration Cross-Match
- UI Integrity Data Hub (IDH) tools

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The Department implemented the following cross-matches for uFACTS that were processed through an automated batch system.

- Duplicated SSN, Address, Name, Bank Account Numbers, effective late May 2020. Initially ran as ad-hoc queries, now part of the Fraud Dashboard;
- Innovate Ohio. Death, Inmate, Nursing Home and State Employee matches, effective beginning February 2021 and ran on a weekly basis;
- National Association of State Workforce Agencies. Integrity Data Hub (IDH)/Identify Verification Service (IDV), Out of State, effective late October 2020 and ran on a weekly basis;
- Employer/Individual Fraud Reporting Portals. Refusal to work employer reporting, effective August 2020, ID theft victims effective January 2021, and ID theft employers effective February 2021;
- Systematic Alien Verification for Entitlement (SAVE). *Note: this is not a cross-match, but a database check when required;*
- Prohibited Bank Routing Numbers. Created through OIG alerts received and data analysis by the Department. New Applicants are not allowed to utilize routing numbers from the list while claimants already in the system must prove identity to continue using them, *effective July 2020*; and
- Out of State addresses are not allowed, as well as, limits on multiple claimants sharing the same bank account information, effective July 2020.
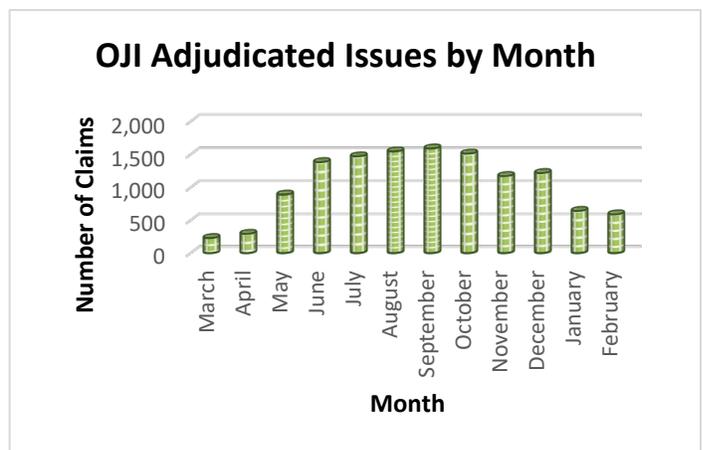
As reported in the June 30, 2020 State of Ohio Single Audit, the Department did not implement the BPC cross-matches for the PUA benefit payments in uFACTS as required by UIPL 23-30. Additionally, the uFACTS system did not include adequate output reports for the Department to monitor potential overpayments, including potential fraud. This resulted in noncompliance with the program requirements to promptly detect and recover fraudulent overpayments for PUA. The Department's corrective action plan indicated changes were in process.

Adjudicated Fraudulent Issues

We obtained a data file of adjudicated fraudulent issues from the Department, which represented issues assigned to the BPC Adjudicators. These 198,699 issues (12,543 for OJI and 186,156 for uFACTS) were adjudicated and determined to be fraud for the period under review.

OJI adjudicated fraudulent issues increased significantly from April to May 2020 and remained consistent through December 2020 due to an increased volume in unemployment claims received by the Department because of COVID-19.

OJI Adjudicated Issue by Type	Number of Issues
Earnings	5,073
Valid Claim – EB	4,136
No Longer Employed	1,896
Other Issue Types	1,438
Total	12,543

Issues with Overpayment:
$12,875,239   10,888

Issues without Overpayment:
$0   1,655
     Total   12,543

OJI Adjudicated Issues by Month

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uFACTS adjudicated fraudulent issues surged in December 2020 to approximately 159,500 issues due to a mass adjudication of a large number of claims in which there was no response to fact-finding. These claimants were deemed ineligible and the issues closed.

uFACTS Adjudicated Issue by Type	Number of Issues
Social Security Verification	185,594
Program Eligibility	232
Able/Available for PUA	115
Other	215
Total	**186,156**

Issues with Overpayments: $561,619,843	116,267
Issues without Overpayments: $0	69,889
Total	**186,156**

uFACTS Adjudicated Issues by Month
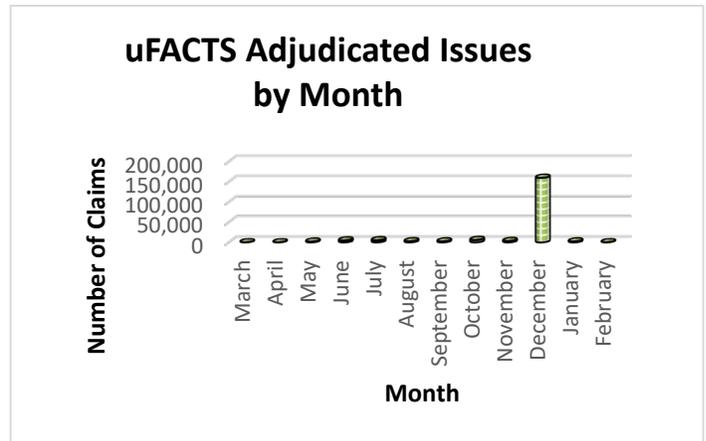
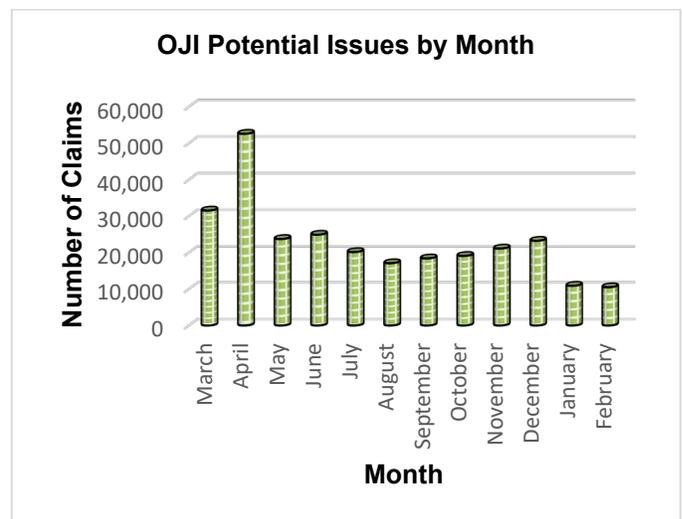
Potential Fraudulent Claims

We obtained a data file of potential fraudulent issues from the Department, which represented issues assigned to the BPC Adjudicators. These 2,815,944 issues (2,542,725 for uFACTS and 273,219 for OJI) may be fraud or non-fraud and haven't been processed by the Department for the period under review.

OJI potential fraudulent issues increased significantly from March to April 2020 and remained consistent from May through December 2020 due to an increased volume in unemployment claims received because of COVID-19 and the BPC staff being reassigned to other areas and unavailable to process the issues.

| OJI Potential Issue by Type	Number of Issues
No Longer Unemployed	69,088
BPC Specific Issue	42,070
Valid Claim - EB	30,497
Other	131,564
Total	**273,219**

Issues with Overpayments: $36,786,012	46,346
Issues without Overpayments: $0	226,873
Total	**273,219**

OJI Potential Issues by Month

uFACTS potential fraudulent issues surged in February 2021 to approximately 873,646 due to a significant increase in initial claims that were flagged as a result of multiple claimants with a single data point. Also, the Department placed temporary measures in place to prevent fraudulent payments from being paid that caused the additional flags (e.g., data analysis with the service organization and private section SMEs).

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uFACTS Potential Issue by Type	Number of Issues
Knowing Failure	1,253,574
Social Security Verification	1,289,151
Total	**2,542,725**

Issues with Overpayments:
$353,337,551   102,035

Issues without Overpayments:
$0   2,440,690
                    Total   **2,542,725**

uFACTS Potential Issues by Month

Number of Claims vs Month
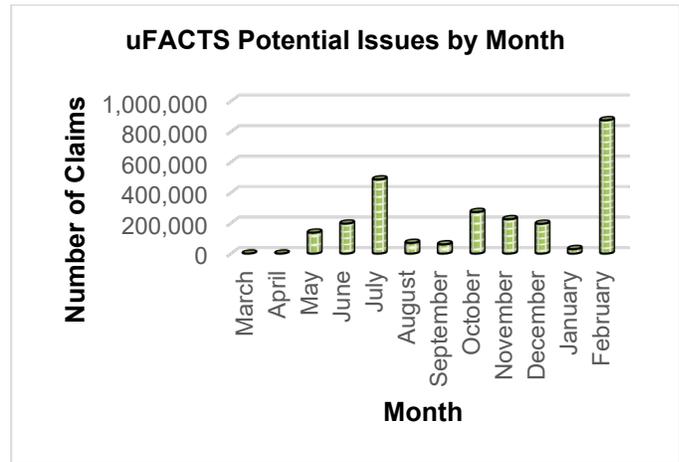
Due to the high volume of issues, if there was no response or no payments made, the Department employed BOTS to clear a specific type of issue without assigning an Adjudicator, referred to as a mass auto-adjudication. The mass auto-adjudication allowed the Department to reduce their backlog and clear approximately 1.8 million issues. As of April 2021, the Department had processed and cleared all issues that were generated in 2020.

Fraud Dashboard

In August 2020, the Department created a Fraud Dashboard to monitor and investigate fraudulent issues, fraudulent trends, and potential overpayments, including fraudulent overpayments. The Fraud Dashboard provides the Department with the ability to identify and detect multi-claimant single data points such as duplications in address, bank account, phone number or any other unique identifier. The Fraud Dashboard also provides the Department summary and claim level data to monitor potential fraud issues based on fraud patterns and trends, percentage of fraud flagged, an aging analysis, and an 8-day view of the adjudication activity. Additionally, BPC investigators utilize the Fraud Dashboard to retrieve information from NASWA's Integrity Data Hub (IDH) and ID Verification (IDV), data that is within the dashboard, to compile evidence for criminal prosecutions. Each unemployment system has their own Fraud Dashboard which is updated on a daily basis.

EVALUATION OF IT PROCESSES AND DATA

DATA ANALYTICS

We requested and the Department provided several data files from both OJI and uFACTS in order to perform our audit; however, we could not independently verify the completeness and accuracy of much of this information. In addition, we obtained a listing of deceased individuals from the Ohio Department of Health's website and obtained files of incarcerated individuals from the Ohio Department of Rehabilitation and Correction related to our audit period, which we utilized in our testing. We also inquired with the Department and the service organization regarding procedures used to process eligibility, payment transactions, and prevent/identify/follow up on fraud.

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The Auditor of State's Data and Information Technology Audit (DITA) group obtained the following data files from the Department:

- Adjudicated fraud claims from the OJI and uFACTS systems for the period March 1, 2020 through February 28, 2021.
- Potential fraud claims from the OJI and uACTS systems for the period March 1, 2020 through February 28, 2021.
- Unemployment claim payments from the OJI system for the period March 1, 2020 through February 28, 2021.
- Unemployment claim payments from the uFACTS system for the period March1, 2020 through February 28, 2021.

The specific parameters and data fields required for these files was unique to this engagement, and had not been created or utilized by the Department prior to these requests. Due to the volume of data and the need to create customized queries in each system to build the datasets, these files were time consuming to create, obtain, and define. We defined these data files using the Audit Command Language (ACL) audit software tool. However, there is no independent data source available to confirm the completeness and accuracy of the claim payment data from the OJI and uFACTS system. This must be taken into consideration when considering results of testing performed using these data files.

We also obtained the following data files from other sources:

- A file of incarcerated individuals from the Ohio Department of Rehabilitation and Correction (DRC).
- A file of deceased individuals from the Ohio Department of Health (DOH).

<table>
<tr><td colspan="2" align="center">QUERIES</td></tr>
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We performed a series of 12 data analysis queries against the OJI and uFACTS payment data. These queris are intended to provide information regarding relationships between data elements contained in the OJI and uFACTS payment data files as well as external data from the DOH and DRC. The results of the queries represent areas of potential risk and should not be considered true exceptions or fraud without extensive further review.

Query 1	Same name and SSN used at more than one address.
OJI	There were no records where the name and SSN were associate with more than one address (Variability in the format and content of data entered by claimants related to address information potentially skewed the results of this query and made it impossible to obtain reliable results). A recommendation will be made related to the format and content of personal information entered into the systems (*see Recommendation 9*).
uFACTS	There were no records where the name and SSN were associate with more than one address (Variability in the format and content of data entered by claimants related to address information potentially skewed the results of this query and made it impossible to obtain reliable results).

Query 2	SSN associated with more than one address.
OJI	There were no records where the SSN was associated with more than one address (Variability in the format and content of data entered by claimants related to address information potentially skewed the results of this query and made it impossible to obtain reliable results).
uFACTS	There were no records where the SSN was associated with more than one address (Variability in the format and content of data entered by claimants related to address information potentially skewed the results of this query and made it impossible to obtain reliable results).

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Query 3	Same address associated with more than one name.
OJI	66,738 total records where an address had more than one name associated with it. Of these, 147 had five or more people associated, with 13 addresses having 10 or more people associated, and one address having 1,404 names associated.
uFACTS	7,585 total records where an address had more than two names associated with it. Of these, 749 had five or more people associated, with 116 addresses having 10 or more people associated, and one address having 83 names associated.

Query 4	Same address associated with more than one SSN.
OJI	66,911 total records where an address had more than one SSN associated with it. Of these, 148 had five or more SSN associated, with 14 addresses having 10 or more SSN associated, and one address having 1,405 SSN associated.
uFACTS	7,700 total records where an address had more than one SSN associated with it. Of these, 778 had five or more SSN associated, with 87 addresses having 10 or more SSN associated, and one address having 83 SSN associated.

Query 5	Bank account associated with more than one SSN.
OJI	19,057 instances of unique bank account and routing number combo being used with more than one (two or more) SSN. Of these, 184 were used with five or more SSNs, including six combos with over 100 SSN.
uFACTS	141,771 instances of unique bank account and routing number combo being used with more than one (two or more) SSN. Of these, 17,899 were used with five or more SSN, including 4 combos with over 100 SSN.

Query 6	SSN associated with more than one bank account (A SSN might be associated with more than one bank account if the claimant changed banks)
OJI	154,496 SSN's associated with more than one bank account. Of that total 1,754 SSN were associated with four or more bank accounts, including nine associated with 10+ accounts.
uFACTS	210,568 SSN's associated with more than one bank account. 10,870 SSN's associated with five or more bank accounts, including 110 associated with 10+ accounts.

Query 7	Any claimant in the payment file also in the DOH death file.
OJI	129,758 instances where the date of death is before the week where benefits were requested.
uFACTS	11,859 records where the date of death is before the week where benefits were requested.

Query 8	Any claimant in the payment file also in the DRC incarceration file.
OJI	5,066 instances where the claimant received a warrant while incarcerated (DRC incarceration file may not always be properly updated for release date; this should be considered when evaluating these results).
uFACTS	80,878 instances where the claimant received a warrant while incarcerated (DRC incarceration file may not always be properly updated for release date; this should be considered when evaluating these results).

Query 9	High dollar transactions and more than 52 warrants.
OJI	129,827 SSN that received 53 or more payments. 5,519 individuals were paid more than $35,000. The highest amount was $119,000 (spot checks of the highest of these amounts appeared to be due to an anomaly in the data. The amount listed in the Payment Amount field for specific transactions did not match the payment amounts in the system. The Department could not determine how this occurred)
uFACTS	3,184 individuals were paid more than $35,000. Highest amount was approximately $47,000.

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Query 10	Scanned for abnormal names in the data.
OJI	Instances of single letters, A (186 instances) used for first name or last name, other odd names such as DUMMYSTEVEN (four instances), DEMON (26 instances), and GUESS (41 instances).
uFACTS	Instances of single letters, A (170 instances) used for first name or last name, other odd names such as ADIDAS (54 instances), DUMMY contained in either first or last name (150 instances).

Query 11	SSN receiving payments from both OJI and uFACTS.
OJI	10,548 SSNs that appear to have received payments from both the OJI and uFACTS systems for the same week.
uFACTS	10,548 SSNs that appear to have received payments from both the OJI and uFACTS systems for the same week.

Query 12	Payment amount greater than Eligibility Amount (this query was run due to the results of query 9 to attempt to identify anomalies on the data).
OJI	29,788 instances where the Paid Amount was greater than the Eligible Amount.
uFACTS	614 instances where the Paid Amount was greater than the Eligible Amount.

The results of the queries have been shared with the Department for review and informational purposes (*see Recommendation 8*). We also discussed potential mitigations related to the types of scenarios identified by our queries with the Department. These mitigations include:

- Limitations on the number of times that an address can be used.
- Limitation on the number of times bank account/routing number combinations can be used, and Prohibited use of banking accounts and routing numbers known to be fraudulent.
- Experian and LexisNexis ID verification functionality.
- Cross-matches with DOH and DRC.
- Use of the Fraud Dashboard for review of flagged claims.

BANKING AND PERSONAL INFORMATION CHANGES

Background/Pre-Pandemic

In late June – early July 2020, the number of unemployment claims began to rise exponentially. With that rise in volume there was also a rise in unemployment fraud as fraudsters began to seize on opportunities. Imposter fraud and the re-routing of payments appear to be two of the major types of fraud being perpetrated.

The Ohio Auditor of State's (AOS) team had several meetings with ODJFS and the uFACTS vendor to discuss this type of fraud and more specifically the process by which claimants register in both the OJI and uFACTS systems as well as the process by which banking and personal information can be updated in these UI systems. We requested information and documentation related to the registration and banking/personal information change process and performed the following evaluations:

- Document the account registration and personal/bank information change process.
- Identify and test any fraud prevention/detection protocols/controls implemented.
- Obtain data files of all changes to personal/banking information and analyze for anomalies.

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From inception of the OJI and uFACTS systems, the Department had some processes in place to verify the identity of claimants prior to processing claims.

OJI

The Department relied on a cross-match with the Social Security Administration (SSA) for ID verification of claimant who were US citizens. Claimant name, SSN, and Date of Birth (DOB) were matched against SSA data. If there were exceptions during this cross-match an eligibility issue flag would be placed on the account and Department staff would initiate fact finding requests from the claimant for ID verification documentation such as SSN card, birth certificate, etc. and perform the adjudication accordingly once items were received. If the claimant was not a US citizen, the system would automatically flag an eligibility issue and department staff would login to the Department of Homeland Security website to attempt to verify identity. These cross-matches remain in place for OJI currently.

uFACTS

Experian ID verification was in place for uFACTS. However, this particular version of Experian did not use One Time Passcode (OTP) dual factor authentication and was only in place during the initial claim filing process.

The claimant could choose to participate or not participate in the Experian ID verification process. If they chose to participate and information entered by the claimant surpassed the risk threshold set in Experian, knowledge based questions would be used to attempt to verify identity. If the claimant failed to answer the knowledge based questions correctly, an eligibility issue flag would be placed on the account and department staff would initiate fact finding requests from the claimant for ID verification documentation such as for SSN card, birth certificate, etc.. Staff would then perform the adjudication accordingly once items were received.

If the claimant chose not to participate in the Experian ID verification process, an eligibility issue flag would automatically be placed on the account and a fact finding and adjudication process similar to the one described above would occur.

ID Verification Improvements

To help combat the various fraud schemes, ODJFS, in consultation with the service organization and the Public-Private Partnership (P3) consultants, a project team of subject matter experts from 12 private sector companies with expertise in fraud, call center operations, and claims processing, brought into the process by the Governor to advise and collaborate with the Department regarding the Unemployment Insurance program, took steps to strengthen the ID verification process in account registration process for both the OJI and uFACTS systems, as described below.

OJI Account Registration - Experian

Experian ID Verification was implemented to strengthen the integrity of the OJI registration and personal information change process. Experian was implemented in three phases, as follows:

Experian Phase 1 (3/31/21)

This phase covered only new claimant registrations. The Experian Identity Verification process uses the information provided by the claimant during the registration process (SSN, name, address, DOB, identification information, etc.) to attempt to verify the identity of the claimant using information from the credit bureaus. A risk score is assigned based on the results of the verification. OJI also sets up knowledge based questions that will be used to validate the claimant during their first login attempt and password setup.

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Experian can flag eligibility if the claimant's identity cannot be verified or if their risk score dictates. Flagged claimants does not prevent the claimant account from being set up, but would require review by ODJFS before a claim could be processed.

After the application process is complete, email correspondence is then sent to the claimant containing their user ID and a temporary password. During the claimant's first login attempt, a form of two-factor authentication was added requiring the claimant to provide a pin or answer the OJI pin hint question(s) in order to authenticate themselves and update their password to one of their choosing. Experian Phase 1 did not incorporate two factor authentication for subsequent logins.

Experian Phase 2 (5/13/21)

Phase 2 leveraged the same ID verification functionality, two factor authentication, to returning UI claimants already established in the system who were attempting to log back into the system to enter a new claim.

Experian Phase 3 (6/22/21)

Prior to the April/May 2020 timeframe, self-service changes to banking information in OJI were only permitted once per year by the claimant during the new claim application process. The claimant would have to contact ODJFS to make changes to their bank account info any other time of the year. With the increase in claim activity due to the pandemic ODJFS staff could not keep up with the banking change requests. A program change was initiated to allow claimants to change/update banking info at any time without limits. As a result, Experian Identity Verification Phase 3 was implemented on June 22, 2021.

This most recent phase included the following functionality:

1. Staff can now view Experian Verification Status on the Personal Information screen. Staff may also update the Verification Status manually to Verified or Failed and add comments. In addition, staff can set the Verification Status from Refer to document verification or Failed Verification to Select One to allow the Claimant to go through Experian verification again.

2. Staff cannot resolve an Open BPC Specific Issue - SSN Verification Needed issue unless the Claimant has been through the Experian verification process or staff have updated the Verification Status manually to Verified or Failed.

3. The Claimant cannot make updates on the Personal Information or Payment Preference Details screens in Claimant View if an Open BPC Specific Issue - SSN Verification Needed issue exists or if their Experian Verification Status is Refer to document verification or Failed Verification.

4. If a Claimant wishes to update information on the Personal Information screen they must pass Experian verification for changes to be updated. If verification is not successful the changes are not updated, and the Personal Information screen is locked down.

5. If a Claimant wishes to update banking information on the Payment Preference Details screen they must pass Experian verification prior to making changes, even if previously verified. If subsequent verification is not successful the Payment Preference Details screen will continue to be locked down. While locked down only the last four digits of the bank account number are visible.

uFACTS Account Registration - LexisNexis

LexisNexis ID Verification was implemented to strengthen the integrity of the uFACTS registration and personal information change process. LexisNexis also uses credit reporting info for ID verification. Once the claimant has passed ID verification LexisNexis utilizes two factor authentication (one time passwords, or personalized knowledge based questions) during logins and when attempting to change

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personal/banking information. Any device that is used by a claimant must pass through the LexisNexis query process to become a trusted device; a series of questions must be answered before access can be granted using the device.

LexisNexis also followed a phased adoption:

- Phase 1 - Covered new claimant registrations – Deployed April 1, 2021
- Phase 2 - Covered returning or existing claimants – Deployed May 7, 2021

We performed a walkthrough and obtained documentation of both the Experian and LexisNexis processes. Documentation related to the implementation of Experian and LexisNexis were also reviewed to ensure a formal change management process was followed to implement this functionality. No exceptions were noted during the walkthrough or review of documentation or the change process.

REVIEW OF SPECIFIC FRAUD CASES

As a result of the increased fraud, specific instances of potential UI fraud related to imposter fraud were communicated to the AOS. One such issue related to an AOS employee who fell victim to this line of fraudulent activity. This individual received 28 separate pieces of UI mail at their home, all addressed to different individuals, during the period February 26, 2021 through April 4, 2021. Each of these envelopes contained a US Bank ReliaCard Unemployment debit card matching the name of the individual on each envelope.

We discussed this specific fraud scenario with ODJFS and requested information and documentation related to any account in the OJI or uFACTS systems utilizing the employee's address and evaluated the documentation to determine:

- The prevalence and timing of the potential fraud.
- The possible scenario(s) under which the fraud was perpetrated.
- Any benefits that were paid out as a result of the potential fraud.
- The timing and extent of any actions taken by ODJFS to identify and react to the attempted fraud.
- Any safeguards enacted to prevent or detect this type of fraud occurring in the future.

Results of Testing and Review

We obtained a listing of all unemployment cases relating to the AOS employee's address from ODJFS management. The listing provided by ODJFS contained all 28 names identified by the AOS employee, as well as 12 additional cases, for a total of 40 cases. Our review of the registration details related to these cases in the OJI and uFACTS systems indicated the following:

- 39 of the 40 (97.5%) cases were registered in the uFACTS system, and one of the 40 (2.5%) cases was registered in the OJI system.
- 34 of the 40 (85%) cases were registered between 2/12/21 and 2/16/21, six of the 40 (15%) cases were registered between 2/21/21 and 3/1/21.
- 36 of the 40 (90%) cases were registered with an alternate address and were subsequently updated to the AOS employee's address the same day of registration.
- Four of the 40 (10%) cases were originally registered with the AOS employee's address.

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Our review of the adjudication and payment details related to these cases in the OJI and uFACTS systems indicated the following:

- One of the 40 (2.5%) cases had benefit payments issued totaling $5,586 ($2,394 via paper check and $3,192 via debit card).
  - The claimant had selected direct deposit as their preferred payment method. However, the initial payments were sent via paper checks totaling $2,394 on 3/3/21 due to the debit card enrollment not being completed at the time of the initial claim submissions. These checks were returned due to a bad address and subsequently cancelled and not requested for reissue. Subsequent direct deposit payments were attempted on 3/8/21 but rejected by the bank. Due to the rejection of the direct deposit, the payment method was automatically updated to debit card and payments totaling $3,192 were disbursed via debit card.

    ODJFS confirmed these debit card funds were used. An issue was posted to this account on 3/28/21 because the claimant failed to schedule a reemployment assessment. As a result, future payments to this claimant were disallowed/halted at that time.

- 39 of the 40 (97.5%) cases had a hold placed on payments.
  - The majority of these cases were marked ineligible via mass adjudication on 6/28/21 (approximately four months after original registration) due to the system flagging them for either fraud or failing to submit reporting requirements. No payments were made related to any of these cases.

Discussions with ODJFS management and members of the ODJFS Unemployment Insurance Public-Private Partnership (P3) indicate fraudsters are using addresses of vacant homes or homes known to be on the real estate market to attempt to defraud the unemployment system. ODJFS indicated they have seen a high incidence of this type of fraud scheme. The use of one address across multiple cases, as well as the grouped timing of the filings/address changes, appears to be the result of a single fraudster attempting to use this address to potentially file fraudulent claims. The AOS employee's address used in these cases was, at one time, listed for sale and searchable online.

As of September 7, 2021, ODJFS had not taken steps to investigate the specific details related to the origination and source of the 40 cases reviewed above due to the workload still associated with processing unemployment and pandemic unemployment assistance. A recommendation will be made related to investigation and review of potential and known fraud cases (*see Recommendation 8*).

All these cases occurred prior to the implementation of the Experian and LexisNexis identification verification in late March and early April 2021 respectively.

Additionally, ODJFS is working to ensure fraud prevention and detection processes are built into the new system slated to replace OJI through the development of the Unemployment Insurance System Transformation (UIST) Project.

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EVALUATION OF CONTROLS

The following table summarizes the Department's internal control procedures Pre and Post Pandemic for Unemployment Insurance. As noted below, some controls were added as a result of the pandemic, while others which were in place prior to the pandemic were stopped or suspended.

Unemployment Fraud Prevention and Detection Processes	UI System	Pre-Pandemic	Post-Pandemic
Claimant and Employer documentation is obtained, approval of application	OJI	X	X
Determination of UI Benefits Letter sent to claimant	OJI	X	X
Customer Service Representatives verifies the claimant submitted the required Weekly Claims form	OJI	X	X
Maximum amount of benefits allowed is reported yearly by the Department and submitted to the UC Tech to have the new rates input into OJI for processing.	OJI	X	X
Maximum amount of benefits and maximum number of weeks is not exceeded.	OJI	X	X
Claims entered into OJI must have a social security number that is not already in the system with an active status claim.	OJI	X	X
Claims processed through OJI online are automatically processed nightly by the IBM Control M Mainframe Job Scheduler.	OJI	X	X
Only authorized personnel have access to the security roles that allow update access to the annually established maximum unemployment compensation rates.	OJI	X	X
BPC supervisors utilize FileNet to assign claims flagged for potential fraud	OJI	N/A	X
Fact-finding sent to determine if claimant is eligible to receive benefits	OJI	X	X
Notice of Determination of Eligibility for Unemployment Benefits sent to claim after issue had been worked	OJI	X	X
Weekly Report to monitor issues worked and issue backlog	OJI	X	Not used; replaced by dashboard

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Unemployment Fraud Prevention and Detection Processes	UI System	Pre-Pandemic	Post-Pandemic
Fraud Dashboard is reviewed and utilized to investigate potential overpayments, including potential fraud	OJI & uFACTS	N/A	X
BAM operations were suspended by the DOL at the beginning of March 2020 due to the pandemic.	OJI	X	Suspended; Resumed on July 1, 2020 for paid claims and July 1, 2021 for denied claims per ODJFS
Cross-matches were run against unemployment data	OJI	Partially	X
	uFACTS	N/A	X
Claims entered into uFACTS must have a social security number that is not already in the system with an active status claim.	uFACTS	N/A	X
The uFACTS system has controls in place to ensure the maximum amount of benefits and maximum number of weeks is not exceeded.	uFACTS	N/A	X
The uFACTS system has issue alerts in place and functions to automatically adjust future claims on cases with overpayments.	uFACTS	N/A	X
Fact-finding documents (if applicable) sent to the claimant and/or employer to obtain additional documentation to verify the claimant is eligible	uFACTS	N/A	X
Adjudicator sends a Determination of Notice to the claimant once the fact-finding documentation is reviewed to verify eligibility and calculation of benefits.	uFACTS	N/A	X
Adjudication Supervisors monitor the Monthly Performance Spreadsheet to ensure issues are worked timely	uFACTS	N/A	X
SOC-1 report or equivalent was not completed over the uFACTS system	uFACTS	N/A	*was not completed in FY 2020; alternate procedures anticipated in FY 2021 and will be tested in 2021 Single Audit*

OJI CONTROL RESULTS

Regular unemployment and portions of the pandemic funding (i.e., FPUC, PEUC, State Extended Benefits, and LWA) benefits are processed through the Department's OJI benefit system, see page 9 for additional information. We documented and evaluated the internal controls over the unemployment benefit claims processing and fraud detection and prevention for OJI. Due to the timing of when testing could be completed, we performed the observation testing outside of the audit period, unless otherwise stated. The results of this testing are detailed below:

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Unemployment Benefits Application:
OJI Control: Upon receipt, the Customer Service Representative reconciles the claimant and employer information received to ensure accuracy and completeness of the application, as evidenced by the Request to Employer for Separation Information Form in correspondence in the OJI system. **Results:** Fourteen of 45 (31.1%) claims tested, the Department did not send the employer a Request to Employer for Separation Information Form. There was no evidence of the form being sent in OJI. Upon further investigation, the Department utilized a mass layoff number in an effort to process a large volume of applications in a timely manner. The use of this number ended May 28, 2020. The Department relied upon the claimant's attestation in the application and failed to send the employer(s) the Request for Employer Separation Information letters *(see Recommendation 1)*.

Determination of Unemployment Compensation Benefits Letter:
OJI Control: Once the application has been approved, the applicant is notified of the weekly benefit amount and subsequent requirements (i.e. continued search for employment, weekly claim submissions, etc.), as evidenced by the Determination of Unemployment Compensation Benefits Letter in correspondence in the OJI system. **Results:** 45 claims were selected for testing to determine if the Determination of Unemployment Compensation Benefits Letter was issued. No exceptions were noted.

Weekly Claims Form:
OJI Control: Biweekly, the Customer Service Representative verifies the claimant submitted the required qualifying information for both benefit weeks to ensure the claimant is eligible for benefits, as evidenced by the Weekly Claim Form in OJI. **Results:** 45 claims were selected for testing to determine if the Weekly Claims Form had been submitted by the claimant. No exceptions were noted.

Monitoring of Issues:
OJI Control: Daily, the Benefit Payment Control supervisors utilizes File Net to assign claims flagged for potential fraud by an adjudicator and to monitor the status of the claims, as evidenced by the BPC Document Status within File Net. **Results:** We completed an observation of Benefit Payment Control's File Net system and no exceptions were noted.

Fraud Dashboard:
OJI Control: Daily, the Benefit Payment Control section staff and supervisors review and investigate potential overpayments, including potential fraud, within OJI by reviewing the data within the Fraud Dashboard and fact-finding documentation as evidenced by the Benefit Payment Control section staff's update to the claim within OJI once a determination is made. **Results:** We completed an observation over the Fraud Dashboard and no exceptions were noted.

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Adjudicated or Potential Unemployment Fraudulent Benefit Claims:
OJI Control: The Benefit Payment Control Adjudicator attempts to obtain information from the claimant to ensure the claimant is eligible and receiving the correct benefit amount as evidenced by the fact-finding correspondence sent to the claimant. **Results (Adjudicated Claims):** One of 45 (2.2%) adjudicated fraudulent claims tested, the Department had not issued the fact-finding questionnaire to the claimant. *(see Recommendation 2)* **Results (Potential Claims):** Seven of 45 (15.6%) potential fraudulent claims tested, the Department had not issued the fact-finding questionnaire to the claimant. *(see Recommendation 2)*
Adjudicated Unemployment Fraudulent Benefit Claims:
OJI Control: The Benefit Payment Control Adjudicator adjudicates the issues within OJI and notifies the claimant of the determination, as evidenced by the completion of the Notice of Determination of Eligibility for Unemployment Benefits in OJI. **Results (Adjudicated Claims):** One of 45 (2.2%) adjudicated fraudulent claims tested, the Department failed to complete and issue the Notice of Determination of Eligibility for Unemployment Benefits in OJI*. (see Recommendation 2)*

uFACTS CONTROL RESULTS

Pandemic unemployment (i.e., PUA, FPUC, LWA) benefits are processed through the Department's uFACTS benefit system, see page 9 for additional information. We documented and evaluated the internal controls over the unemployment benefit claims processing and fraud detection and prevention for uFACTS. Due to the timing of when testing could be completed, we performed the observation testing outside of the audit period, unless otherwise stated. The results of this testing are detailed below:

Adjudicated Unemployment Fraudulent Benefit Claims:
uFACTS Control: As fraud flags are set, the initial application and/or continued claim form, applicable documentation, and completed fact-finding documents (if applicable) are reviewed by the Adjudicator ensuring the claimant is eligible and the benefit is calculated correctly as evidenced by the fact-finding and benefit determination correspondence sent to the claimant. **Results:** 45 adjudicated fraudulent issues were selected for testing and no exceptions were noted.
Potential Unemployment Fraudulent Benefit Claims:
uFACTS Control: As potentially fraudulent issues are set, the Adjudicator attempts to gain information from the claimant to ensure the claimant is eligible and the benefit is calculated correctly as evidenced by the fact-finding correspondence sent to the claimant. **Results:** 45 potential fraudulent issues were selected for testing and no exceptions were noted.

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Adjudication Queue:
uFACTS Control:
Monthly, Adjudication Supervisors monitor and ensure issues are completed accurately, as evidenced by the Monthly Performance Spreadsheet completed for each adjudicator.
Results:
We completed an observation of the Monthly Performance Spreadsheet and no exceptions were noted.
Fraud Dashboard:
uFACTS Control:
Daily, the Benefit Payment Control section staff and supervisors review and investigate potential overpayments, including potential fraud, within uFACTS by reviewing the data within the Fraud Dashboard and fact-finding documentation as evidenced by the Benefit Payment Control section staff's update to the claim within uFACTS once a determination is made.
Results:
We completed an observation over the Fraud Dashboard and no exceptions were noted.

TESTING OF CASES

AOS utilized the OJI and uFACTS claims paid data files prepared by the Department to determine populations for the unemployment benefit claims, adjudicated fraudulent claims and potential fraudulent claims substantive testing of transactions which occurred during the period. The results below represent the status of the claim/activities as of the date of our testing.

OJI Unemployment Benefits Claims:
The Department processed approximately 25.5 million benefit claims in traditional unemployment insurance, totaling $9.76 billion during the period of March 1, 2020 through February 28, 2021. These unemployment benefits were paid by electronic ACH (21.3 million payments), debit cards (4 million payments), and paper warrants (156,000 payments). We selected 45 claims for testing to determine if the claimant was eligible to receive unemployment benefits, if the benefit payments were allowable/in accordance with federal laws and regulations, and if the payment was made timely (14 days from the date filed, per auditor's judgment). We noted the following exceptions:
Eight of 45 (17.8%) unemployment claims, the benefit payment was not made timely. Days late ranged from 3 to 227, for an average of 61 days *(see Recommendation 1)*.
OJI Unemployment Adjudicated Fraudulent Claims:
The Department processed 12,543 adjudicated fraudulent claims for OJI during the period of March 1, 2020 through February 28, 2021. There were 14 issue types and we stratified the items selected for testing by selecting 45 issues from the six highest issue types (e.g., earnings, valid claims – EB, and no longer employed issue types represented 88.54% of the population). We performed the procedures below to identify and evaluate the Department's timeframe for detecting/flagging issues, sending the fact-finding questionnaire, and working the issues within 21-days. We noted the following:
32 of 45 (71.1%) adjudicated fraud issues were not detected/flagged within 30 days (auditor's judgement) from the benefit week ending date. Days between the benefit week ending date and the date of issue ranged from 1 to 309, for an average of 120 days.

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OJI Unemployment Adjudicated Fraudulent Claims (continued):

- 14 of 45 (31.1%) adjudicated fraud issues, the fact-finding was not sent within seven days (auditor's judgement) of the issue determination date. Days between the issue determination date and fact-finding ranged from 4 to 305, for an average of 128 days.

- 10 of 45 (22.2%) adjudicated fraud issues, the fact-finding date preceded the issue detection date, as a result of the Department not sending the fact-finding and relying upon documentation received for a previously resolved issue.

- 1 of 45 (2.2%) adjudicated fraud issues, there was no evidence in OJI that the fact finding was sent to the claimant.

- 31 of 44 (77.5%) adjudicated fraud issues, the Determination Notice was not issued within 21 days (Dept. policy based on DOL guidance). Days between the issue determination date and the Determination Notice ranged from 4 to 320 days, for an average of 112 days.

(see Recommendation 2)

OJI Unemployment Potential Fraudulent Claims:

The Department flagged 273,219 potential fraudulent claims within OJI during the period of March 1, 2020 through February 28, 2021. Of the 57 issue types, we stratified the items selected for testing and selected 45 issues from the 17 highest issue types (e.g., no longer employed, BPC specific issue, valid claim – EB, and earnings issue types represented 61.96% of the population). We performed the procedures below to identify and evaluate the Department's timeframe for detecting/flagging issues, sending the fact-finding questionnaire, and if applicable, working the issue within 21-days. From the time the potential fraudulent claims data file was created by the Department, the BPC Adjudicators may have worked, closed the issue. We noted the following:

- 17 of 45 (37.8%) potential fraudulent claims were not identified/flagged within 30 days (auditor's judgement) of the benefits week ending date of the initial fraudulent payment. Days between the benefits week ending date and the issue determination date ranged from 2 to 303, for an average of 86 days.

- 6 of 45 (13.3%) potential fraudulent claims, the fact-finding was not sent within seven days (auditor's judgement) of the issue determination date. Days between the issue determination date and the fact-finding ranged from 2 to 20, for an average of 9 days.

- 7 of 45 (15.6%) potential fraudulent claims, there was no evidence in OJI that the fact-finding was sent to the claimant.

- 1 of 45 (2.2%) potential fraudulent claims, the fact-finding date preceded the issue determination date, as a result of the Department not sending the fact-finding and relying upon documentation received for a previously resolved issue.

- 15 of 30 (50%) potential fraudulent claims did not have a Determination Notice sent within 21-days (Dept. policy based on DOL guidance) of the issue determination date. Days between the issue determination date and the Determination Notice letter ranged from 4 to 276, for an average of 76 days.

(see Recommendation 2)

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uFACTS Unemployment Benefits Claims:
The Department processed approximately 17.9 million benefit payments for pandemic unemployment through uFACTS, totaling $8.07 billion during the period of March 1, 2020 through February 28, 2021. The unemployment benefits were paid by an electronic ACH payment (13.3 million) and debit cards (4.6 million). We selected 45 claims for testing to determine if the claimant was eligible to receive unemployment benefits and if the benefit payments were allowable and in accordance with federal laws and regulations. We noted the following exceptions: • One of 45 (2.2%) claimant payment's dependency class designation did not agree with the information provided on the application and the benefit amount was not accurately calculated. The WBA was incorrectly calculated as $480 when the claimant was only eligible for a WBA of $189, and the claimant was overpaid $1,164 in benefits. • 16 of 45 (35.6%) claimant payments did not have the required documentation (i.e. COVID-19 attestation questionnaire, wage information, identity verification) within uFACTS to support that they were eligible, the benefit payment was properly calculated or that the payment was proper. *(see Recommendation 1)*

uFACTS Unemployment Adjudicated Fraudulent Claims:
The Department processed approximately 186,156 in unemployment adjudicated fraudulent claims for uFACTS during the period of March 1, 2020 through February 28, 2021. Of the 12 issue types, we stratified the items selected for testing and selected 45 issues from nine of the highest issue types (e.g., social security verification issue type represented 99.7% of the population). We performed the procedures below to identify and evaluate the Department's timeframe for detecting/flagging issues, sending the fact-finding questionnaire, and working the issues within 21-days. We noted the following: • 36 of 45 (80%) adjudicated fraud issues were not detected within 30 days (auditor's judgement) from the initial application date. Days between the initial application and the detection date of the issue ranged from 32 to 309 days, for an average of 128 days. • 33 of 45 (73.3%) adjudicated fraud issues, the fact-finding was not sent within seven days (auditor's judgement) of the issue detection date. Days between the issue detection date and the fact-finding ranged from -194 to -28 days, for an average of -118 days. Upon further investigation, the fact-finding date preceded the issue detection date because the Department relied upon the fact-finding information obtained for another issue. • 12 of 45 (26.7%) adjudicate fraud issues, the issuance of the Determination Notice was not issued within 21-days (Dept. policy based on DOL guidance. Days between the issue detection date and the Determination Notice ranged from 53 to 276 days, for an average of 166 days. *(see Recommendation 2)*

uFACTS Unemployment Potential Fraudulent Claims:
The Department flagged approximately 2.5 million in unemployment potential fraudulent claims for uFACTS during the period of March 1, 2020 through February 28, 2021. Of the two issue types, Knowing Failure and SSN Verification for Identity, we selected 45 items from the SSN Verification for Identity since these claims had a potential to be an overpayment. We performed the procedures below to identify and evaluate the Department's timeframe for detecting/flagging issues, sending the fact-finding questionnaire, and if applicable, working the issue within 21-days. From the time the potential fraudulent claims data file was created by the Department, the BPC Adjudicators may have worked, closed the issue.

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uFACTS Unemployment Potential Fraudulent Claims (continued):

We noted the following:

- 27 of 45 (60%) potential fraudulent claims were not identified/flagged within 30 days (auditor's judgement) of the initial application date. Days between the initial application and the date of the potential issue ranged from 48 to 246 days, for an average of 119 days.

- 1 of 45 (2.2%) potential fraudulent claims, the issue detection date preceded the claimant's application date.

- 6 of 45 (13.1%) potential fraudulent claims did not have their fact-finding sent within seven days (auditor's judgement) of the issue detection date. Days between the potential issue detection date and the fact-finding ranged from 7 to 180 days, for an average of 46 days.

- 14 of 45 (31.1%) potential fraudulent claims, the fact-finding date preceded the issue detection date, as a result, of the Department not sending the fact-finding and relying upon documentation received for a previous issue.

- 25 of 45 (55.6%) potentially fraudulent payments did not have a determination of benefits/notification of benefits sent within 21-days (Dept. policy based on DOL guidance) of the issue detection date. Days between the initial application and the date of the determination of benefits/notification of benefits letter ranged from 5 to 335 days, for an average of 159 days.

(see Recommendation 2)

OTHER MATTERS

FRAUD INQUIRES

During the course of the financial audit, several required steps are completed regarding fraud risks. The following individuals were asked whether they were aware of any fraud or had any fraud concerns related to the state fiscal year 2020 audit and all noted no concerns: now former Chief Legal Counsel on July 29, 2020, Chief Operating Officer on August 10, 2020, and Bureau Chief-Audit, Control, and Claim Support on August 11, 2020. Additionally, as part of the wrap-up of the audit, the Chief Financial Officer and now former Director signed a representation letter dated February 22, 2021, which noted they were unaware of any fraud or suspected fraud. Finally, an addendum to the representation letter was signed by the Interim Director on March 16, 2021 indicating potential fraud was identified that could materially impact the state financial statements in fiscal year 2021.

Fraud was discussed with officials several times during the financial audit, yet on May 27, 2020 and again on February 10, 2021, the now former Director testified in front of both the Ohio House of Representatives' Ways and Means Committee and Finance Committee, respectively, that she was aware of the unemployment fraud committed at the recipient level due to the spike in claims filed during the COVID-19 pandemic. This is contradictory to what was stated above as part of the financial audit. However, interviews conducted in September 2021 with the now former Chief Legal Counsel, Chief Operating Officer, Bureau Chief-Audit, Control, and Claim Support, and Chief Financial Officer indicated that the questionnaires and representation letter were addressed with the interpretation of only identifying internal/employee-related fraud within ODJFS at the county and state levels, not fraud committed by recipients *(see Recommendation 5)*.

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INDIVIDUALS IMPACTED BY UNEMPLOYMENT FRAUD

The AOS received numerous complaints from individuals, employers, and elected officials regarding individuals who were impacted by the unemployment fraud during the COVID-19 pandemic, including one individual whose claim was outside our audit period. We inquired with the Department to determine how the fraud occurred, if payments were issued to these individuals, if the Department was aware of the fraud complaint through an internal process (system flag/what was the fraud issue) or did the individual or employer self-report the fraud to the Department.

The complaints to the AOS included 53 individuals related to 112 claims or unique social security numbers who attempted to file an unemployment benefit claim. We noted the following based on our inquiry with the Department:

Unemployment Systems:
- 106 of 112 claims were processed through OJI;
- 4 of 112 claims were processed through uFACTS; and,
- 2 of 112 claims were not located in either system.

Unemployment Benefit Payments:
- 13 individuals reported that their unemployment benefits were disrupted as a result of changes to their banking information. For instance the unemployment benefits were routed to a different bank that was not associated with the individual or the payment method was changed from a direct deposit to a debit card.
    - For these 13 individuals, approximately 49 claims were associated with their names and 31 of these claims had payments issued through OJI, 14 claims in which the payment was not issued, 2 claims were currently pending payment at the time of our inquiry, and 2 individuals/claims could not be located in either system.
- 40 individuals reported that their identity had been compromised and someone had applied for and/or received unemployment benefits in their name.
    - For these 40 individuals, approximately 63 claims were associated with their names and 45 of these claims had payments issued through OJI, 11 claims in which the payment was not issued, and 7 claims were either incomplete or could not be located in either system.

Unemployment Fraud Flagged by the Department:
- 45 of 112 claims, the Department's unemployment system flagged the claim and created a fraud issue within system. A majority of these fraud issues were for SSN Verification – Identity Theft.
- 55 of 112 claims, the Department's unemployment system did not flag the claim or create a fraud issue within the system.
- 12 of 112 claims, a fraud issue was not created since the individual in question was not listed as a claimant in either unemployment system and/or the application was incomplete and the claimant was determined ineligible. .

The Department was unable to provide explanations on how the fraud may have occurred because it required knowing how the individual's identity was compromised.

(see Recommendation 8)

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ONGOING CHANGES

UNEMPLOYMENT INSURANCE REPLACEMENT SYSTEM

ODJFS recognizes the strategic need to replace Ohio's OJI with a system more responsive to customer needs, expectations, and reduce maintenance and technology update costs. The Department is working with an outside vendor to create a customized system to replace OJI. This project, Unemployment Insurance System Transformation (UIST), will implement a modernized, cloud-hosted solution based on a web application subscription model.

The goal of the UIST project is to produce a cloud-based application that provides the functionality required to administer the State of Ohio's Unemployment Insurance program, including Tax, Benefits, and Appeals. ODJFS contracted with Sagitech to develop and customize Sagitec's Unemployment Insurance Product Solution, Neosurance™, to help meet the needs and requirements of ODJFS' Unemployment Insurance program. The UIST project is using an iterative software development methodology where tasks and milestones are broken down into iterations or feature sets. Quality aspects are threaded throughout project phases not only by the Project Management methodology itself but also by utilization of proven Software Engineering processes aligned to industry standards of various iterative Software Development Methodologies.

As of late August 2021, ODJFS was still in the process of developing the UIST system with their vendor Sagitec. Due to lessons learned over the last year related to the unemployment program and the increase in fraud related to the pandemic, ODJFS is evaluating the original UIST system design to identify any fraud prevention or detection functionality built into the system "out of the box". Once they identify and understand the "as-is" state of the system in regard to fraud detection and prevention they can then assess and begin to formulate recommendations and change requests to incorporate additional fraud prevention/detection functionality they deem necessary into the design prior to finalization of the project and implementation into production. This process of evaluating the current UIST design is being incorporated into iteration B08. Examples of the use cases and workflow specifications to be reviewed are detailed below.

Use Cases

Wage Detail Crossmatch	Identifies claimants who have a minimum number of compensable week(s) of UI benefit payments, with a minimum benefit amount paid, and minimum wages, for the entire duration of a given calendar quarter and were also listed as employee(s) on quarterly wage report filed by the employers for the same calendar quarter. This internal crossmatch will be used by staff to analyze and create non-monetary issues, if necessary.
Tips and Leads	Allows a provider to navigate to the 'Unemployment Insurance Landing Page' and select the 'Report Fraud' button, providing ODJFS with information relating to either claimant or employer fraud, creating a 'Review Claimant Fraud Reported' notification for ODJFS staff to review.
Program Integrity	Cross-matching the following in order to specifically assist in the identification of fraudulent account situations, collection of fraudulent overpayments, and internal fraud investigations: ○ Fictitious Employer Crossmatch. ○ Incarceration Crossmatch – detects individuals receiving UI while in jail or prison. ○ Railroad Retirement Board Crossmatch. ○ Bureau of Workers Compensation (BWC) Payment Crossmatch – detects potential overpayments for individuals receiving workers compensation.

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	o OAKS Benefits Payment Crossmatch – detects overpayments for state agency employees.
Other State Crossmatch	Cross-matching other state's UI directories via the Interstate Connection Network (ICON) for claimant earnings in order to detect non-monetary issues relating to claimant earnings requirements.
New Hire Crossmatch	Cross-matching state and national new hire directories for claimant earnings in order to detect non-monetary issues relating to claimant earnings requirements.

Workflow Specifications

Review Additional Proof of Identity	Once claimants provide a response to a claim that is flagged as needing additional proof of identity, staff has the opportunity to approve or deny additional supporting documentation provided by the claimant when additional proof is needed, ensuring that the claimant provides sufficient information to verify their identity – if support is deemed insufficient the account will be flagged as fraudulent, locked, and payments will be held.
Review Claimant Reported Fraud	Allows staff the opportunity to review provider-submitted tips and leads relating to claimant fraud – if staff determines there is sufficient information to pursue the tip/lead staff will manually create the appropriate issue.
Review Employer Reported Fraud	Allows staff the opportunity to review provider-submitted tips and leads relating to employer fraud – if staff determines there is sufficient information to pursue the tip/lead staff will manually create an investigation case.
Review Potential Fictitious Employer	Allows staff the opportunity to review claimants flagged by the system as having a potential fictitious employer – if the staff determines the employer is fictitious claimants attached to the fictitious employer are marked as 'Under Potential Fraudulent Investigation'.
Review Potential Fraud Investigation	Once claimants provide a response to a claim that is flagged as potentially fraudulent, staff has the opportunity to review the additional supporting documentation provided by the claimant – if the supporting documentation is deemed insufficient, the claimant is flagged as 'Under Potential Fraudulent Investigation', the system will create an Action Item for the claimant to provide additional proof of identity.

In addition to the cross-matches and workflow specifications incorporated into Iteration B08, ODJFS also plans to evaluate Sagitech's Neofraud solution as part of iteration B12.

Sagitec's Neofraud approach combines the best attributes of data analytics, continuous monitoring, and predictive analytics to help UI agencies reduce improper payments and detect fraud. Sagitec's Neofraud solution is a comprehensive, browser-based software solution designed to improve the agency's ability to detect fraud and identify overpayments. Neofraud is designed to detect and manage the propensity for fraud by evaluating employer and claimant attributes, which are fully configurable.

Neofraud functionality includes the following capabilities:

- **Improve Agency Performance:** An integrated fraud dashboard measures potential fraud in terms of benefit amount, overpayment amount, and fraudulent amount. The model also provides operational, demographic, and behavioral analytics.
- **Reduce Overpayments:** A comprehensive, predictive fraud model identifies fraud trends and anomalies before they occur and produces a cross-match of data sources to identify potential fraud cases.

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- **Enhance Fiduciary Responsibility:** Neofraud improves benefit accuracy and fiduciary responsibility. Enhanced functionality allows the agency to proactively create cases for further investigation, collection, and/or prosecution.
- **Gain Flexibility:** Powerful neural modeling/machine learning enables the agency to configure the application to predict fraud without complex software programming.
- **Improve Fraud Detection Before It Occurs:** Predicts the propensity for fraud during the initial and continued claims process. Claimants and employers can be flagged for follow-up using several behavioral parameters. Fraud can be detected early on, before payments are made.
- **Utilize Advanced Technology to Detect Fraud:** Offers machine learning technology on a neural network. The neural network model is custom designed based on agency requirements. The model continually evolves and trains itself based on the actual data the model is evaluating. The model is adaptive and can be changed or trained/retrained based on changing behavior or fraud trends. The solution also allows the agency to build multiple models, based on requirements, and choose the one that is most effective.

Neofraud provides a full suite of tools and features to enhance fraud detection and management abilities, including:

- **Behavioral Analytics:** Analyze unemployment insurance fraud data in terms of payment week and repeat offenders. View results as pie and bar charts.
- **Identify Fictitious Employers:** Identifies fictitious employers through behavioral analysis and data anomalies. Identifies fictitious employers based on the model's behavioral and data parameters, and then flags them for follow-up. The results of the model can be integrated with field audit for employers requiring further review.
- **Demographic Analytics:** Provides analysis of unemployment insurance fraud data in terms of zip code, incidence size, industry code, occupation code, education, age, gender, and race. View results in the form of Google maps, pie, and bar charts.
- **Operational Analytics:** Analyze unemployment insurance fraud data in terms of program type and source.
- **Export to Excel:** The power of data analysis is present with ad hoc reporting capability. Retrieve custom data sets and export them to Microsoft Excel.
- **Intuitive Graphical User Interface (GUI):** Reduces the learning curve for new users with an intuitive design and rewards experienced staff with faster processing.
- **Integration with UI Tax and Benefits Systems:** Automatically create issues in your UI Tax and Benefits System to manage potential fraud cases.
- **Integrated Case Management and Workflow:** Manages potential fraud cases efficiently throughout the case lifecycle using Neofraud's case management module.
- **Non-Deterministic Modeling Approach.** Models are created without writing deterministic code (if-else logic). Models are created online by business users and the created models do not have predefined logic that determines the outcome. The models are created based on the learning and factors associated with the data input attributes, thereby resulting in unbiased results.

A recommendation will be made related to the development of the new UIST system and related fraud prevention/detection protocols *(see Recommendation 7)*.

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RECOMMENDATIONS

Recommendation 1:

We recommend the Department continue to strengthen current internal control procedures over the unemployment benefit claims paid through OJI and uFACTS. The Department should ensure proper documentation is obtained from the claimant and/or employer prior to processing the benefit claims through implementation of consistent management monitoring of reports and process procedures. The Department should continue to develop policies and procedures to specifically address situations beyond the physical and environmental disasters identified in their disaster recovery plan, such as the COVID-19 pandemic, which could impair their ability to effectively operate. For instance, when processing claims associated with a mass layoff code, the Department should implement alternative procedures to confirm the claimant's employment status prior to paying the claim.

The Department should ensure claimants have submitted the required documentation with their application prior to processing a claim.   In addition, the Department should continue to evaluate and seek reimbursement/repayment, or offset future benefits for all benefits that were paid to ineligible claimants (e.g., WBA incorrectly calculated).

Recommendation 2:

We recommend the Department re-evaluate the internal control procedures over the timing of the fact-finding questionnaires generated by the OJI and/or uFACTS systems once an issue has been created. If fact-finding is not automatically generated and sent to the claimant or employer, the Department should document a reason for the delay in the corresponding system.
We noted several instances in which the fact-finding questionnaire was sent prior to the issue detection date and we had to rely on the Department to identify the previously worked issue that corresponded to the current issue under review. We recommend the Department develop a procedure to document and/or link the fact-finding information in both systems when it's obtained for a previously created issue and relied upon for current issue.

As the Department continues to implement and evaluate the cross-matches for both systems, management should periodically review the cross-match documentation to ensure the matches are being performed timely and as intended. The Department should develop a report to monitor the aging of issues created by these cross-matches. This aging report could assign a priority designation or flag issues that have not been processed within 21-days. The Department could use this type of report to prioritize issues, monitor the issue backlog, ensure issues are being addressed timely, and the Notice of Determinations are completed and issued in a timely manner.

Recommendation 3:

We recommend the Department strengthen current internal control procedures over the UI program and the uFACTS system which should include, but not be limited to:

- Amending the contract with the service organization to require an annual SOC 1 audit or similar independently performed procedures to ensure the service organization has control procedures in place and operating effectively and that any Ohio-specific requirements are operating as intended.
- Requiring appropriate Department management perform a timely review of the SOC 1 report and other procedures to identify any weaknesses, issues, or required complimentary user entity controls (CUECs), and ensuring the Department implements sufficient controls to address these items.

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Recommendation 3 (continued):

- Implementing appropriate control procedures to monitor service organization activities to ensure benefits are processed accurately and are paid to eligible claimants. This includes maintaining documentation in an orderly fashion to be provided to external parties for additional review.
- Implementing monitoring procedures to coordinate and track any system changes or issues submitted to the service organization. Specifically, the Department should perform procedures to identify and correct system errors to prevent duplicate benefit payments within the uFACTS and OJI systems.
- Requiring management continually monitor these procedures of both the service organization and Department to ensure the compliance requirements of the program management's objectives are being met. If not, management should implement additional procedures or revise the requirements of the service organization contract agreement or Department policies and procedures, as necessary. Management should periodically monitor and update internal procedures to ensure management's objectives are being met.

Recommendation 4:

We recommend the Department coordinate with the service organization to develop and implement internal control procedures to provide assurance the ETA 902P reports are accurate, complete, and in compliance with federal requirements. At a minimum, these procedures should include a management review of the report and verification of all of the amounts prior to submitting the report to the DOL.

Recommendation 5:

Auditing Standard AU-C Section 240.17 requires the auditor to make inquiries of management regarding management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent, and frequency of such assessments. Section 240.18 requires the auditor to make inquiries of management, and others within the entity as appropriate, to determine whether they have knowledge of any actual, suspected, or alleged fraud affecting the entity.

We recommend the Department identify internal and external fraud risks that could materially misstate the financial activity for the Department within the State of Ohio's financial statements. We also recommend that the Department report any known fraud, both internal and external, to the auditors as soon as the fraud is identified.

Recommendation 6:

We recommend the Department update the ODJFS Continuity of Operations Plan and the ODJFS Pandemic Plan to assess and define the actions and strategies necessary to maintain appropriate levels of human resources as well as data processing capabilities in the event of an emergency, such as the COVID-19 pandemic. Disruptions in processing capabilities or a surge in claim activity may place undue strain on the Departments human and/or technological resources and capabilities. The Continuity of Operations Plan and the Pandemic Plan must contain specific steps and strategies to be implemented in the event of these types of emergencies including, but not limited to:

- Additional data processing throughput.
- Additional personnel needs.
- Computer software and hardware needs
- A means to Identify and assess potential risks associated with the event or disaster.

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Recommendation 7:

We recommend the Department continue their efforts to replace Ohio's OJI with a system more responsive to customer needs, expectations, and reduce maintenance and technology update costs. We further recommend the Department follow through with their efforts to evaluate the original UIST system design to identify and assess any fraud prevention or detection functionality built into the system. Once they identify and understand the fraud prevention and detection functionality designed into the UIST system, they should incorporate any additional fraud prevention/detection functionality deemed necessary into the design prior to finalization of the project and implementation into production. ID verification functionality similar to Experian and LexisNexis should be incorporated into any fraud detection/prevention toolset being considered.

Recommendation 8:

The sheer volume of fraud and overpayments encountered during the pandemic resulted in an overwhelming number of cases. This overload of cases created unforeseen challenges for the Department to investigate and determine the source of potential and adjudicated fraud. During DITA's data analysis of claims paid data from the OJI and uFACTS systems we noted several areas of potential risk related to relationships between data elements contained in the OJI and uFACTS payment data files as well as external data from the DOH and DRC. In addition, during DITA's review of specific fraud cases, we noted one case where potential imposter fraud occurred and fraudulent payments totaling $3,192 were made to an individual via debit card. We recommend the Department take steps to analyze the data analysis results to mitigate the potential risk associated. We also recommend the Department investigate the aforementioned case of potential imposter fraud, as well as any other known or potential fraud case where payments were made to identify the source of the fraud and recoup any funds that went out.

Recommendation 9:

Claimants register in the OJI and uFACTS system through a self-service portal and are required to enter personal and demographic information such as name and address. During our analysis of claims paid files from the OJI and uFACTS systems we noted a high degree of variability in the format of how address information can be entered in to the system (use of abbreviations, commas, etc.). We recommend the Department take steps to review edits programmed into the unemployment benefit systems related to entry of key personal and demographic information including but not limited to claimant name, address, and banking information to ensure information entered into these fields is consistently formatted.

Recommendation 10:

The Department should evaluate existing internal controls related to non-fraud overpayments, including employee training, to mitigate the risk of errors and/or non-fraud overpayments (i.e., unintentional state agency, employer, and claimant errors). The Department should also utilize the fraud dashboard and other available resources to identify potential issues that could result in non-fraud overpayments and take the necessary steps to evaluate them prior to payment in order to reduce the amount of non-fraud overpayments that require collection. These controls and procedures should be formally documented and communicated to all employees involved in processing, approving, and adjudicating Unemployment claims.

OHIO AUDITOR OF STATE
KEITH FABER

**OHIO DEPARTMENT OF JOB AND FAMILY SERVICES
AUDITOR'S REPORT ON UNEMPLOYMENT INSURANCE FRAUD**

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 10/28/2021