



WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT **UNEMPLOYMENT INSURANCE**



2024 FRAUD REPORT TO THE UNEMPLOYMENT INSURANCE ADVISORY COUNCIL

✓ Integrity

✓ Customer Service

✓ Accountability

This report is presented to the Wisconsin Unemployment Insurance Advisory Council pursuant to Wis. Stat. § 108.14(19). The report contains information relating to the detection and prosecution of unemployment insurance fraud in the preceding year.

March 15, 2024

Dear Members of the Unemployment Insurance Advisory Council:

On behalf of the Department of Workforce Development (DWD), Unemployment Insurance Division Administrator Jim Chiolino and I are pleased to present the 2024 Unemployment Insurance (UI) Fraud Report, which outlines the division's activities related to education, prevention, detection, collection of overpayments, and prosecution of UI fraud in 2023.

In 2023, average initial unemployment claims and average weekly claims dropped to historic lows. Wisconsin's economy set numerous records, with a record low unemployment rate of 2.6% reached in February and March 2023, and a record high number of 3,021,800 nonfarm jobs in December. December's labor force participation rate reached 65.9%, which is 3.4% higher than the national rate.

In recent years, UI fraud issues have gained national attention as states, including Wisconsin, administered federal pandemic programs to support Americans in desperate need of immediate economic relief. The steps DWD took to counteract the risk of fraud inherent in processing the volume of payments made under new federal pandemic programs laid the groundwork for the increasingly sophisticated methods and technologies the department is deploying to secure the integrity of the UI program today. The numbers bear this out. In 2023, of the \$337.6 million UI payments, only 0.46% are known fraud overpayments. In 2022, of the \$344.5 million UI payments, only 0.72% are known fraud overpayments. In 2021, of the \$2.5 billion UI payments, only 1.1% are known fraud overpayments. In 2020, of the \$4.8 billion UI payments, only 0.77% are known fraud overpayments. Meanwhile, DWD went from hundreds of thousands of backlogged UI claims during the height of the pandemic to adjudicating over 90% of claims issues within 21 days in 2023, significantly above the 80% required by the U.S. Department of Labor (US DOL).

Wisconsin is leading other states in other areas as well. In 2023, US DOL highlighted two DWD overpayment prevention strategies as "promising practices" for other states to consider adopting. In addition, Wisconsin outperformed nine of 10 Midwest states in the US DOL region – including all neighboring states – in total overpayment recoveries during 2023. This underscores Wisconsin's deep commitment to UI program integrity.

Building on the department's multifaceted, modern approach to detecting and preventing fraud, DWD participates in the National Association of State Workforce Agencies' Integrity Data Hub, which provides states with crossmatching verification options for identifying potential unemployment fraud and improper payments. These modernized tools added to DWD's existing fraud prevention and detection technology. In addition, DWD's work to update the initial claim process is showing promising results to help prevent possible errors and improper payments.

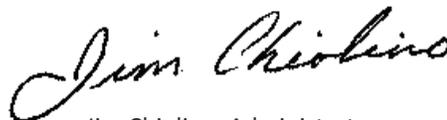
DWD takes integrity and accountability of the UI system very seriously and strives to deliver excellent customer service. The low percentage of fraud overpayments highlighted in this report illustrates the ongoing commitment of Gov. Tony Evers and DWD leadership to combatting UI fraud through prevention as well as detection and recovery. Meanwhile, the department remains steadfast in its commitment to ensuring that workers receive the benefits they are due in a timely way and employers are assessed the proper tax rate.

DWD would like to thank the Unemployment Insurance Advisory Council for supporting the division in its efforts to prevent and detect fraud and impose penalties to deter fraud. Penalties serve as a deterrent against claimants and organized fraudsters committing imposter/identity fraud. DWD looks forward to continuing work on the shared goal of reducing UI fraud to maintain integrity within the UI system for Wisconsin workers and employers.

Sincerely,



Amy Pechacek, Secretary-designee
Department of Workforce Development



Jim Chiolino, Administrator
Unemployment Insurance Division

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INTRODUCTION

What is Fraud?

Unemployment Insurance (UI) fraud occurs when someone knowingly provides false information or withholds facts to change a UI outcome. The department has implemented proactive measures to detect and prevent fraud.

Claimant Fraud

Claimants commit fraud by providing false information to the department when filing an unemployment benefit claim with the intent to obtain benefits. Examples of claimant fraud include a claimant returning to work but continuing to claim UI benefits, working part-time but not reporting those wages to the department on their weekly claim certification, or falsifying work search documents.

Employer Fraud

Employers commit fraud when they provide false information to the department with the intent to obtain a lower tax rating, intentionally misclassify an employee as an independent contractor to avoid paying UI tax, or when they help a claimant submit a false benefit claim (aiding and abetting). For example, employers commit tax fraud when they misclassify a worker to avoid paying UI tax for the work performed, or perform "State Unemployment Tax Act dumping" where an employer manipulates business transfers to obtain artificially low UI tax rates or a new business acquires an existing business for the primary purpose of obtaining a tax rate lower than the standard new employer rate. Employers commit benefit fraud when they bank hours a claimant has worked or conceal or report false information about a worker's claim to allow a claimant to fraudulently receive benefits.

Criminal Fraud

The rapid deployment of the federal COVID-19 pandemic programs served as a catalyst for an increase in organized crime schemes to attempt to defraud UI programs. States across the country saw unprecedented, organized efforts from international and domestic criminal groups to defraud UI systems. These efforts were due to the additional benefits paid by pandemic UI programs and new pandemic UI benefits for individuals not otherwise eligible. Fraud schemes included identity theft, fraudulent websites imitating unemployment websites, and fictitious employer schemes.

Identity fraud occurs when an individual's identity is stolen, and an imposter fraudulently applies for UI benefits on the victim's behalf.

Fraud Penalties

Claimants who conceal¹ information on their benefit claims are ineligible for future unemployment benefits. The amount of future benefits withheld (also known as a "benefit amount reduction") is two, four or eight times the weekly benefit rate, depending on whether the claimant has had one or more prior fraud determinations, for each act of concealment. Benefit amount reductions remain in effect for six years or until satisfied, whichever occurs first.

In addition, claimants must repay the benefits that they fraudulently obtained, and are assessed a penalty of 40% of the overpayment amount, which must be paid out-of-pocket.

Employers who engage in State Unemployment Tax Act dumping will be assigned the highest contribution rate for the year the violation or attempted violation occurs and the three succeeding years.²

Construction, painting, and drywall employers who misclassify employees may be subject to administrative and criminal penalties.³ Administrative penalties may be assessed by the department in the amount of \$500 for each employee misclassified up to \$7,500 per incident.⁴ Moreover, if an employer has been previously assessed an administrative penalty, the department may refer cases to the district attorneys or the Wisconsin Department of Justice (DOJ) for prosecution and the employer may be fined \$1,000 to \$25,000 for each violation.

Employers can be assessed administrative penalties ranging from \$500 to \$1,500 in cases where they aid and abet a claimant in committing an act of concealment or misrepresentation.⁵ In addition, improperly paid benefits remain charged to the employer found to have aided and abetted, even if the improperly paid benefits are recovered.

Any individual who makes false statements or representations to obtain benefits for any other person must pay additional administrative assessments equal to but not more than a penalty of 100% of the benefit overpayments a claimant received due to such fraud.⁶

Individuals may also face criminal penalties (such as fines ranging from \$100 to \$500 and/or imprisonment up to 90 days) for false statements or representations made to the department or by refusing or not keeping any records or reports in relation to any report or information required by the department.⁷

EDUCATION

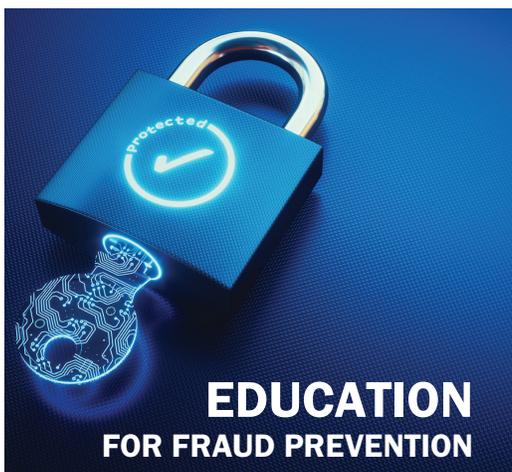
The department has taken a proactive approach to fraud prevention by educating employers and claimants on the consequences of committing fraud and providing multiple ways to report fraud. Claimants are informed of these consequences through the claimant handbook, mailed notices, informational postings on the department's website, prompts when filing claims online through the claimant portal, and in interactions with UI staff. Employers are alerted to the consequences through the employer handbook, in presentations to industry stakeholders, and informational postings on the department's website. With these education efforts, the department hopes to reduce the instances of fraud in the UI system.

During the past year, efforts to combat worker misclassification also took center stage. In October 2023, the department launched a campaign in multiple languages on worker misclassification that included marketing and collateral materials, a new webpage, digital displays, and social media ads to build awareness of and help combat worker misclassification. Among the campaign highlights:

- The new worker misclassification website, dwd.wi.gov/misclassification, drew more than 6,100 views and more than 4,900 unique visitors through the end of December 2023.
- More than 50% of the website traffic came from Spanish language ads.
- More than 50% of the website traffic came from the Milwaukee area.
- More than 400,000 social media impressions resulted from top performing Spanish language ads.

Other efforts to increase education and access to information about fraud include:

- Notices regarding fraud and potential consequences included on the online claimant portal;
- Claimant and Employer Handbooks available online containing written notice regarding fraud and potential consequences;
- Claimant and Employer web pages such as "Unemployment Fraud Frequently Asked Questions," "Top 10 Things You Should Know About the Unemployment Insurance System When Filing Your Claim," and "Avoid Unemployment Scams";
- Online toolkit for nonprofits and community partners who help people overcome barriers and access services;
- Labor Law Training presentations on detection, prevention, and impact of fraud;
- Employer newsletter mailed with annual rate notices (also available online);
- Rapid Response sessions for employees being laid off from their jobs;
- Personal interactions between department staff and customers;
- Text printed on all UI checks informs claimants that security features will detect any attempt to alter the check amount or payee;
- Discussions with employers about the importance of verifying employee identity and UI payment reports;
- Letters advising employers they cannot discourage employees from filing for UI;
- Letters advising claimants of proper wage reporting requirements when ongoing underreporting of wages occurs;
- Making claims processes and documents easier to understand through plain language initiatives, simplifying forms and notices, and updating work search tracking; and
- Improving access to reporting fraud through multiple fraud reporting tools including an online reporting form, separate fraud telephone hotline, and mailing address for fraud reports.⁸



Unemployment Insurance Guides



Claimant Handbook

<https://dwd.wisconsin.gov/uiben/handbook/>



Employer Handbook

<https://dwd.wisconsin.gov/ui201/>

DETECTION TOOLS & PREVENTION METHODS

The department uses many tools, in addition to claimant and employer education, to try to prevent fraud from happening and to detect fraud when it does happen. Detection tools and prevention methods implemented by the department also assist in identifying non-fraud overpayments. The department uses its talented staff, communicates with employers, performs various interagency crossmatches, embraces recommended prevention tactics, and employs several other methods to detect and prevent overpayments. The following provides additional details on these approaches.

Dedicated UI Investigators

The division's vigilant UI staff are among the department's best tools for fraud detection. The division has experienced investigators who handle the most complex and organized efforts to defraud the UI system. Benefit fraud investigators train other UI staff on methods for discovering and reporting fraud.

Wage Verification

For each week a claimant reports weekly wages, or the first week a claimant reports no wages, UI sends wage verification notices to their employer(s). These notices allow employers to report wages or other eligibility issues in a prompt manner. Employers can send these reports by mail, fax, or online through the UI State Information Data Exchange System (SIDES), a convenient electronic resource developed in collaboration with US DOL.

Crossmatches

The department conducts the following crossmatches to other governmental records as a tool in detecting UI fraud:

- **Quarterly Wage Crossmatch:** Compares an individual's benefit payment records with quarterly wage records submitted by Wisconsin employers. This match helps verify wages are properly reported on unemployment claims.
- **Interstate Wage Record Crossmatch:** Compares an individual's benefit payment records with quarterly wage records submitted by out-of-state employers. This match helps verify wages are properly reported on unemployment claims.
- **Wisconsin and National New Hire Crossmatch:** Employers must report basic information about newly hired or rehired employees and those who have returned to work after a separation from employment. Division staff crossmatch UI payment records with this new hire information, both within the state and nationally. In addition, division staff conduct a crossmatch with quarterly federal wage data from the National Directory of New Hires for claimants who are former federal government employees.
- **Inmate Crossmatch:** Incarcerated individuals may be ineligible for UI benefits. This tool consists of two crossmatch programs. One program compares benefit payment records to incarceration records for all Wisconsin county jails and prisons. The second program compares benefit payment records to incarceration records for facilities nationwide.
- **Vital Statistics (Death Records) Crossmatch:** The Wisconsin Department of Health Services provides a record of deaths in Wisconsin, and the information is crossmatched with UI data to ensure UI claims are not filed after a claimant is deceased.
- **Social Security Disability Insurance (SSDI) Crossmatch:** Compares individuals currently listed as receiving SSDI with claimants filing initial and weekly unemployment claims.
- **U.S. Citizenship and Immigration Services Verification:** Verifies work authorization with U.S. Citizenship and Immigration Services when a claimant is not a U.S. citizen.



Behavioral Insight Updates to Claims Process

Through a US DOL Tiger Team project, the department worked with the Behavioral Insights team and the National Association of State Workforce Agencies (NASWA) to expand claim access, improve the claimant experience, and help claimants identify and correct potential errors when submitting claims. Results from user testing and recommendations from the Behavioral Insights team led to the department implementing changes in the claimant portal to initial claim and weekly claim filings.

Initial Claim

The department updated the initial claim process to avoid possible errors and improper payments. When a claimant reports no work for any other employers, a pop-up message is displayed stating "DWD has systems to detect unreported work. To avoid overpayments and penalties, report all employers you have worked for since XX/XX/XXXX." Early data shows 52% of claimants add an employer after receiving this pop-up message. (See pop-up 1).

Pop-up 1

Notification from DWD

DWD has systems to detect unreported work. To avoid overpayments and penalties, report all employers you have worked for since 01/27/2024.

[Add Another Employer](#) [Verify My Employers](#)

Weekly Claim

The department also updated the weekly claim process to avoid possible errors that could lead to fraud. The weekly claim updates were made for unreported work and verification of wages.

When a claimant indicates they did not work in the week, a pop-up message is displayed stating, "DWD has systems to detect unreported work. You could face penalties for failing to report all work you performed during the week." Early data shows 34% of claimants add work and wages after receiving this pop-up message. (See pop-up 2).

Pop-up 2

Notification from DWD

DWD has systems to detect unreported work. You could face penalties for failing to report all work you performed during the week.

[Change Answer](#) [Did Not Work](#)

Finally, in certain instances, a claimant may report being paid less than the minimum wage. When this happens, the portal now displays a pop-up message stating, "DWD verifies your answers with the employers listed. You have reported earning less than minimum wage. THIS IS VERY UNUSUAL. Be sure you report total wages, NOT your hourly rate of pay. If you are sure the amount is right, choose 'Go to the Next Page'." Early data shows 79% of claimants revise their wages after receiving this pop-up message. (See pop-up 3).

Pop-up 3

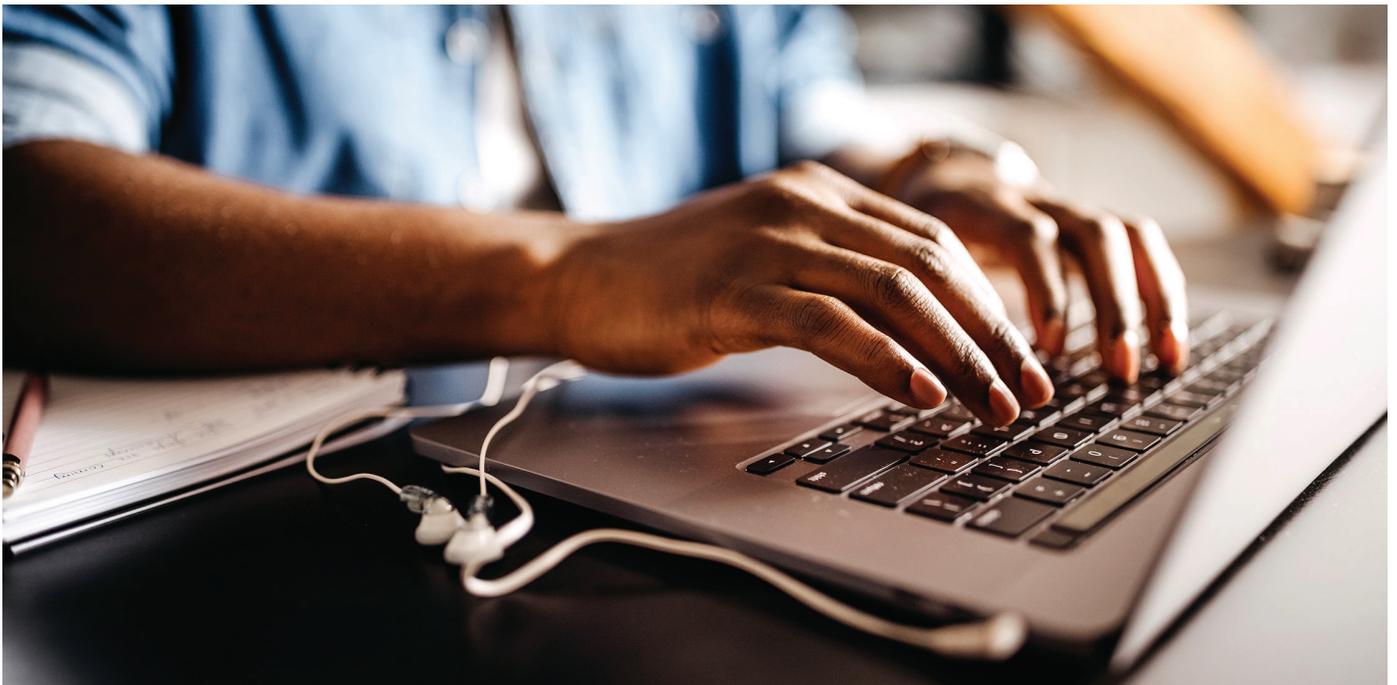
Notification from DWD

DWD verifies your answers with the employers listed.

You have reported earning less than minimum wage. THIS IS VERY UNUSUAL. Be sure you report total wages. NOT your hourly rate of pay. If you are sure the amount is right, choose "Go to Next Page".

[Change Answer](#) [Go to Next Page](#)

The department is encouraged by these initial results and will continue to track the impact of these changes in preventing potential overpayments.



Other Detection and Prevention Approaches

Additional detection and prevention approaches used by the department include:

- Employer audits, which resulted in \$1,215,462 additional employer assessments in 2023.
- Employer complaints and public tips on suspected fraudulent claims.
- Contact with local, state, and federal law enforcement officers about suspicious activities.
- Analyzing Form 1099 data provided by the Internal Revenue Service to identify and investigate employers who may be misclassifying employees as independent contractors.
- Sophisticated fraud monitoring tools provided by the department's financial institution, which allow the department to monitor, predict, and respond quickly to suspected fraudulent activity.
- Quarterly meetings with other state agencies to discuss fraud trends and cases of mutual interest. The information shared in these meetings helps to detect, investigate, and prevent fraud from occurring across agencies.
- Benefit Payment Notices sent to employers informing them of who is receiving UI benefits from their account.
- Review of employer tax and benefit charge information to detect potential fictitious employers.
- Cross-referencing the payee name and dollar amount on all UI checks presented for payment with the same information on the department's disbursement file. Any check that does not match is rejected and not honored by the department's financial institution.
- Blocking individuals from using the department's bank account number to initiate unauthorized electronic funds transfers.
- US DOL has named two of the department's strategies to improve the accuracy of claim decisions using technology as "promising practices." US DOL will encourage other states to consider adopting the following overpayment prevention strategies implemented by the department:
 - Claimants who have a fraud finding on an earlier UI claim will receive a fraud warning when filing a new claim. The warning reads, "The Department of Workforce Development determined that you concealed facts or provided false information in a past claim for unemployment insurance benefits. If the department determines that you concealed facts or provided false information on this claim, you face additional penalties including repayment of benefits, an increased forfeiture, and felony prosecution." The prompt reminds this targeted population that additional penalties, forfeiture, and/or prosecution could ensue if they provide false information on their new claim application. The claimant is prompted to acknowledge the warning before continuing to file their claim or return to the previous screen. This prompt is intended to deter fraudulent claims.
 - Unreported earnings are the leading cause of overpayments. When claimants report their earnings, they are asked, "During the week, did you work at all? Even if you weren't paid for the week, you need to answer yes." If a claimant answers "no", they receive a pop-up message, "By answering this question "No," you are confirming that you did not provide services to anyone for which you may be paid. For example, work with your regular job or any job, getting paid cash for any services, any tips, paid orientation, or training, being on-call, working in exchange for payment of bill, etc. If you do not report that you work in a week that you did, you may be paid more benefits than you are qualified for and could face penalties, including being charged with a crime." This prompt is intended to help claimants avoid misreporting that they did not work. This has led to over 2,500 additional employers being added by claimants on their initial application and over 4,400 instances of added wages after the pop-up appeared, from Oct. 8, 2023, to Dec. 31, 2023.

"This popup message is a simple, well-targeted strategy to encourage a key group of claimants to be honest and forthcoming in the initial claims process. This, in turn, helps prevent future overpayments from occurring."

US DOL

"While some percentage of claimants will inevitably misreport earnings intentionally, the messages above are simple and clear enough to meaningfully reduce the risk of accidental misreporting."

US DOL



WORKER CLASSIFICATION

Overview

Worker misclassification occurs when an employer treats individuals as independent contractors when they are employees. Under the law, workers are presumed to be employees unless the employer proves a worker meets the legal criteria to be an independent contractor. Employers who misclassify workers avoid UI taxes, state and federal income tax withholding, worker's compensation coverage, and Social Security and Medicare taxes. Employers who misclassify employees as independent contractors gain an unfair competitive advantage over other employers. Worker misclassification also denies workers, who are out of work through no fault of their own, access to the UI benefits they may have been eligible for had they been properly classified.



Dedicated UI Investigators

The division's worker classification investigators, many with backgrounds in law enforcement specializing in white collar and economic crimes, conduct worksite investigations.

In 2023, worker classification investigators conducted 717 worker classification field investigations. These investigations resulted in 187 audit referrals to the division's tax auditors. Those referrals resulted in the identification of 2,471 misclassified workers and the assessment of \$514,061 in UI taxes and \$65,779 in interest.

The division conducted 1,968 total audits, which identified 6,660 misclassified workers. As a result, employers were assessed a total of \$1,215,462 in unpaid UI taxes and \$166,780 in interest.

The department works towards voluntary compliance by employers. In some cases, employers refuse to comply with the UI law and continue to misclassify workers. In those cases, the department can issue administrative penalties for intentional misclassification of \$500 per worker, up to a maximum of \$7,500. In 2023, the department issued 15 penalties to employers for intentional misclassification totaling \$74,000.

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FRAUD OVERPAYMENTS

The department remains committed to ensuring the integrity of the UI program. Division analysts track different fraud data points throughout the year as point-in-time data. These data points are the result of detection efforts in 2023.

Most overpayments detected in 2023 reflect fraudulent activity that occurred in 2022, 2021, and 2020. Fraud, by its nature, is not discovered immediately for a variety of reasons, such as the time needed to complete fraud investigations, as well as the increase in complex fraud schemes against UI systems across the country during the pandemic. Some investigations to determine whether fraud has occurred involve the cooperation of multiple public and/or private entities, which can increase the time needed to complete a thorough investigation.

To reflect the rate of fraud detection more accurately, certain charts below present data by the year the fraud first occurred.

The department's reporting of different fraud data points complies with US DOL's definitions of "fraud overpayments" and "non-fraud overpayments". Fraudulent benefit overpayments reported below capture fraud committed by claimants. The below does not include other types of fraud, such as imposter/identity fraud or employer fraud, which are reported as non-fraud overpayments because those types of fraud are not committed by claimants, in compliance with US DOL definitions.

Fraud Overpayments Detected In 2023 – State and Federal Programs⁹

The data below provides point-in-time statistics about completed fraud detection efforts. Based on the nature of UI fraud, dollar amounts for fraud in past years will increase as future investigations are completed.

The chart below shows the breakdown of the \$12.4 million in fraud overpayments detected in 2023. It separates the data by the year fraud first occurred, the fraud overpayment amount, and the corresponding percent of the total \$12.4 million in fraud overpayments detected in 2023. Note that benefit payments may have continued over more than one calendar year.

| Fraud Overpayments Detected in 2023 – State and Federal Programs | | |
|--|--------------------------|--|
| Year Fraud First Occurred | Fraud Overpayment Amount | Percent of Total Fraud Overpayments Detected in 2023 |
| Prior to 2020 | \$160,540 | 1% |
| 2020 | \$5,647,618 | 46% |
| 2021 | \$3,575,729 | 29% |
| 2022 | \$1,470,177 | 12% |
| 2023 | \$1,547,699 | 12% |
| Total | \$12,401,763 | 100% |

To summarize: Of the \$12.4 million of fraud overpayments detected in 2023, \$1.5 million of fraud overpayments occurred in 2023, which accounted for 12% of the total fraud overpayments detected in 2023. Also, \$1.5 million of fraud overpayments occurred in 2022, which accounted for 12% of the total fraud overpayments detected in 2023; \$3.6 million of fraud overpayments occurred in 2021, which accounted for 29% of the total fraud overpayments detected in 2023; \$5.6 million of fraud overpayments occurred in 2020, which accounted for 46% of the total fraud overpayments detected in 2023; and \$160,540 of fraud overpayments occurred prior to 2020, which accounted for 1% of the total fraud overpayments detected in 2023.



Fraud Overpayments as a Percentage of Total UI Payments¹⁰

The department's efforts in 2023 detected 6,865 cases of fraud overpayments totaling \$12.4 million. Of that total, \$10.9 million (88%), were fraud overpayments detected in 2023 for fraud committed in years prior to 2023.

The chart below shows the total fraud overpayments, adjusted to reflect the amounts detected in 2023 and listed in the year fraud first occurred (not the year the fraud was detected).

| Fraud Overpayments as a Percentage of Total UI Payments | | | | |
|--|---------------|---------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 | 2020 |
| Total UI Payments Administered (State and Federal) | \$337,607,133 | \$344,545,768 | \$2,481,203,431 | \$4,839,149,601 |
| Adjusted Total Fraud Overpayments ¹¹ (by year fraud first occurred) | \$1,547,699 | \$2,497,860 | \$27,376,421 | \$37,423,222 |
| Percentage of Total Payments | 0.46% | 0.72% | 1.10% | 0.77% |

To summarize: In 2023, of the \$337.6 million UI payments, only 0.46% are known fraud overpayments. In 2022, of the \$344.5 million UI payments, only 0.72% are known fraud overpayments. In 2021, of the \$2.5 billion UI payments, only 1.1% are known fraud overpayments. In 2020, of the \$4.8 billion UI payments, only 0.77% are known fraud overpayments.

Fraud Overpayment Detection Amounts and Decisions by Source for 2020-2023

As outlined in the "Detection Tools and Prevention Methods" section of this report, the department uses various tools and methods to detect fraud overpayments. The chart below summarizes fraud overpayment amounts and total decisions resulting from each detection method. The total for each year reflects the total fraud overpayment amounts and decisions **detected** in that year (not the year fraud first occurred).

| Fraud Overpayment Detection Amounts and Decisions by Source for 2020-2023 | | | | | | | | |
|---|---------------------|--------------|---------------------|---------------|---------------------|---------------|--------------------|--------------|
| Detection Method | 2023 | | 2022 | | 2021 | | 2020 | |
| | Amount | Decisions | Amount | Decisions | Amount | Decisions | Amount | Decisions |
| Wage Record Crossmatch | \$3,708,565 | 1,593 | \$5,963,477 | 2,278 | \$2,859,563 | 1,008 | \$570,578 | 400 |
| Post Verification of Wages | \$134,236 | 99 | \$664,074 | 312 | \$488,962 | 219 | \$118,893 | 80 |
| Liabe Employer Protests Benefit Charges | \$539,615 | 372 | \$2,003,136 | 885 | \$3,903,589 | 1,546 | \$1,247,693 | 862 |
| Tips and Leads from Other than Liabe Employer | \$301,786 | 212 | \$1,133,813 | 580 | \$2,244,111 | 1,006 | \$191,023 | 161 |
| State New Hire Crossmatch | \$1,379,736 | 1,422 | \$1,347,630 | 1,057 | \$2,502,943 | 1,791 | \$613,868 | 774 |
| National New Hire Crossmatch | \$66,603 | 47 | \$111,303 | 52 | \$149,712 | 116 | \$40,566 | 26 |
| Quality Control | \$47,861 | 23 | \$35,519 | 18 | \$154,706 | 40 | \$47,432 | 25 |
| Reversals | \$1,098 | 3 | \$19,618 | 6 | \$0 | 0 | \$0 | 0 |
| Inmate Crossmatch | \$12,577 | 12 | \$4,335 | 5 | \$140,135 | 144 | \$5,324 | 6 |
| Appriss Inmate Crossmatch | \$39,967 | 98 | \$41,660 | 95 | \$243,228 | 535 | \$94,996 | 172 |
| Post Verification - No Wages Reported | \$479,873 | 474 | \$564,193 | 286 | \$983,876 | 451 | \$120,312 | 225 |
| SSDI Crossmatch | \$115,038 | 34 | \$244,908 | 55 | \$1,606,888 | 265 | \$102,419 | 46 |
| Audit of Work Search | \$11,318 | 10 | \$21,504 | 15 | \$30,614 | 12 | \$270 | 1 |
| Field Audit Discoveries | \$21,198 | 2 | \$64,127 | 44 | \$6,120 | 3 | \$0 | 0 |
| Interstate Crossmatch | \$24,790 | 10 | \$9,660 | 4 | \$89,073 | 19 | \$10,924 | 4 |
| Deceased Citizen Crossmatch | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$2,220 | 1 |
| Agency Detection - Not Covered by Other Codes | \$5,362,408 | 2,348 | \$14,548,886 | 5,277 | \$10,905,194 | 3,987 | \$1,238,941 | 702 |
| Fictitious Employer Cases | \$4,160 | 3 | \$18,820 | 3 | | | | |
| Claimant Initiated | \$150,934 | 103 | \$504,306 | 241 | \$863,259 | 332 | \$129,440 | 76 |
| Total | \$12,401,763 | 6,865 | \$27,300,969 | 11,213 | \$27,171,973 | 11,474 | \$4,534,899 | 3,561 |

In summary: In 2023, \$12.4 million fraud overpayments were detected in 6,865 cases. It is assumed most of these overpayments were for fraud that first occurred prior to 2023, due to the time required for investigation. In 2022, \$27.3 million fraud overpayments were detected in 11,213 cases; in 2021, \$27.2 million fraud overpayments were detected in 11,474 cases; in 2020, \$4.5 million fraud overpayments were detected in 3,561 cases. Generally, it is assumed fraud overpayments detected in a particular year reflect fraudulent activity that occurred in the years prior to detection.

Benefit Amount Reduction and Penalty Assessment 2020-2023

Current penalties for claimants who commit fraud include benefit amount reductions and penalties. The chart below shows benefit amount reductions and penalties assessed against claimants, listed in the year the reductions or penalties were made (not the year the fraud first occurred).

| Other Fraud-Related Activity | Benefit Amount Reduction and Penalty Assessment 2020-2023 | | | |
|--|---|--------------|--------------|-------------|
| | 2023 | 2022 | 2021 | 2020 |
| Benefit Amount Reduction ¹² | \$17,401,965 | \$23,871,069 | \$20,219,818 | \$8,384,948 |
| Penalties Assessed | \$4,869,553 | \$10,902,766 | \$10,048,170 | \$1,088,758 |

To summarize: In 2023, \$17.4 million in benefit amount reductions were made, and \$4.9 million in penalties were assessed. In 2022, \$23.9 million in benefit amount reductions were made, and \$10.9 million in penalties were assessed; in 2021, \$20.2 million in benefit amount reductions were made, and \$10 million in penalties were assessed; in 2020, \$8.4 million in benefit amount reductions were made, and \$1 million in penalties were assessed. For each instance, data points are listed in the year the reductions or penalties were made (not the year the fraud first occurred).



NON-FRAUD OVERPAYMENTS

Sometimes claimants make unintentional errors. In compliance with US DOL definitions, these instances are tracked separately from fraud overpayments and are referred to as "non-fraud overpayments" since, by definition, fraud is intentional. In addition to fraud being intentional, fraud is tied to claimants; therefore, any other cases are classified as "non-fraud overpayments," including imposter/identity fraud, employer fraud, and organized fraud. As is the case with fraud overpayments, the division's systems seek to prevent and detect these errors and collect these overpayments for deposit into the UI Trust Fund. The below data points are the result of detection efforts in 2023.

Non-Fraud Overpayment Detection Amounts and Decisions by Source for 2020-2023

Details on the various tools and methods the department uses to identify and prevent non-fraud overpayments can be found in the "Detection Tools and Prevention Methods" section of this report. The chart below summarizes non-fraud overpayment amounts and total decisions resulting from each detection method. The total for each year included reflects the total non-fraud overpayment amounts or decisions detected in that year (not the year the overpayment first occurred).

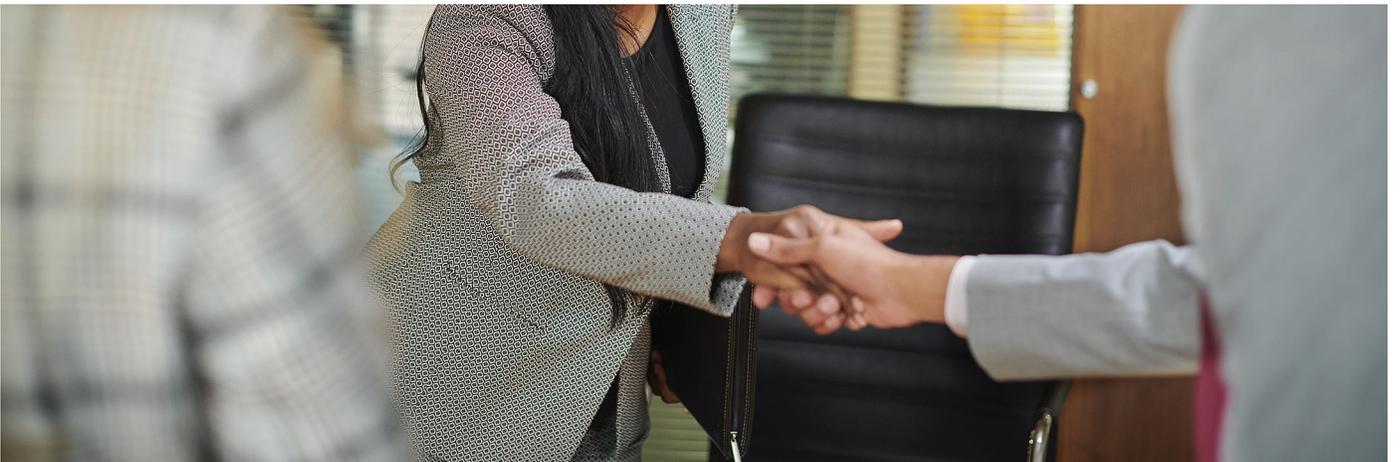
| Non-Fraud Overpayment Detection Amounts and Decisions by Source for 2020-2023 | | | | | | | | |
|---|---------------------|---------------|---------------------|---------------|----------------------|----------------|---------------------|----------------|
| Detection Method | 2023 | | 2022 | | 2021 | | 2020 | |
| | Amount | Decisions | Amount | Decisions | Amount | Decisions | Amount | Decisions |
| Wage Record Crossmatch | \$756,902 | 850 | \$2,621,680 | 2,836 | \$2,186,765 | 1,164 | \$133,361 | 187 |
| Post Verification of Wages | \$1,100,769 | 15,485 | \$2,279,358 | 19,467 | \$10,511,369 | 81,268 | \$21,863,820 | 154,103 |
| Liabe Employer Protests Benefit Charges | \$1,204,135 | 1,635 | \$6,480,124 | 3,638 | \$29,721,863 | 13,350 | \$14,912,942 | 8,450 |
| Tips and Leads from Other than Liabe Employer | \$361,304 | 485 | \$1,713,459 | 1,022 | \$8,220,656 | 4,027 | \$2,568,632 | 1,633 |
| State New Hire Crossmatch | \$197,264 | 523 | \$535,517 | 1,055 | \$2,273,867 | 5,376 | \$111,835 | 327 |
| National New Hire Crossmatch | \$4,736 | 13 | \$26,599 | 44 | \$100,918 | 140 | \$26,872 | 13 |
| Quality Control | \$88,909 | 126 | \$160,864 | 158 | \$260,338 | 156 | \$123,753 | 78 |
| Reversals | \$316,989 | 175 | \$1,820,001 | 611 | \$3,535,079 | 948 | \$636,844 | 208 |
| Inmate Crossmatch | \$2,968 | 4 | \$5,982 | 7 | \$84,718 | 136 | \$2,182 | 7 |
| Appriss Inmate Crossmatch | \$37,610 | 84 | \$30,425 | 53 | \$644,118 | 1,069 | \$89,783 | 191 |
| Post Verification - No Wages Reported | \$135,837 | 362 | \$330,634 | 601 | \$2,628,174 | 3,025 | \$136,365 | 282 |
| SSDI Crossmatch | \$9,024 | 8 | \$48,013 | 20 | \$1,453,315 | 393 | \$55,614 | 55 |
| Integrity Data Hub | \$460 | 2 | | | | | | |
| Audit of Work Search | \$2,615,942 | 4,524 | \$3,674,005 | 6,682 | \$821,573 | 1,180 | \$56,227 | 110 |
| Field Audit Discoveries | \$763 | 3 | \$54,637 | 30 | \$47,672 | 37 | \$16,977 | 6 |
| SSA Pension Check | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$510 | 1 |
| SAVE (Alien Verification) | \$9,825 | 6 | \$17,445 | 5 | \$31,399 | 9 | \$5,887 | 5 |
| Interstate Crossmatch | \$0 | 0 | \$7,732 | 8 | \$77,807 | 38 | \$830 | 2 |
| Deceased Citizen Crossmatch | \$0 | 0 | \$624 | 1 | \$2,680 | 2 | \$0 | 0 |
| Agency Detection - Not Covered by Other Codes | \$4,493,880 | 3,614 | \$30,433,004 | 17,451 | \$78,914,336 | 40,709 | \$15,578,277 | 13,302 |
| State Payroll Crossmatch | \$0 | 0 | \$27,804 | 3 | \$10,927 | 3 | \$0 | 0 |
| Claimant Initiated | \$700,287 | 1,652 | \$2,757,897 | 2,301 | \$14,361,237 | 9,893 | \$5,554,272 | 13,065 |
| Total | \$12,037,604 | 29,551 | \$53,025,804 | 55,993 | \$155,888,811 | 162,923 | \$61,874,983 | 192,025 |

In summary: In 2023, \$12 million non-fraud overpayments were detected in 29,551 cases. It is assumed most of these overpayments first occurred prior to 2023. In 2022, \$53 million non-fraud overpayments were detected in 55,993 cases; in 2021, \$155.9 million non-fraud overpayments were detected in 162,923 cases; in 2020, \$61.9 million non-fraud overpayments were detected in 192,025 cases. Generally, it is assumed overpayments detected in a particular year reflect overpayments received in the years prior to detection.

WORK SEARCH

The department has a well-established work search auditing program. UI claimants who are required to search for work must report their work search actions when filing weekly claims. These certifications are subject to random or targeted audits for program integrity purposes. These audits can uncover mistakes made by claimants or instances of fraud. They also provide an opportunity to educate claimants on what constitutes a valid work search action and what information the department needs to verify work searches. In 2023, benefit fraud investigators completed 15,488 work search audits. The audits identified 6,087 adverse decisions with benefits denied, including cases where claimants failed to conduct the required number of valid work search actions.

An additional 24,313 claims were not paid for failure to answer the work search question or failure to provide required information on the weekly claim.

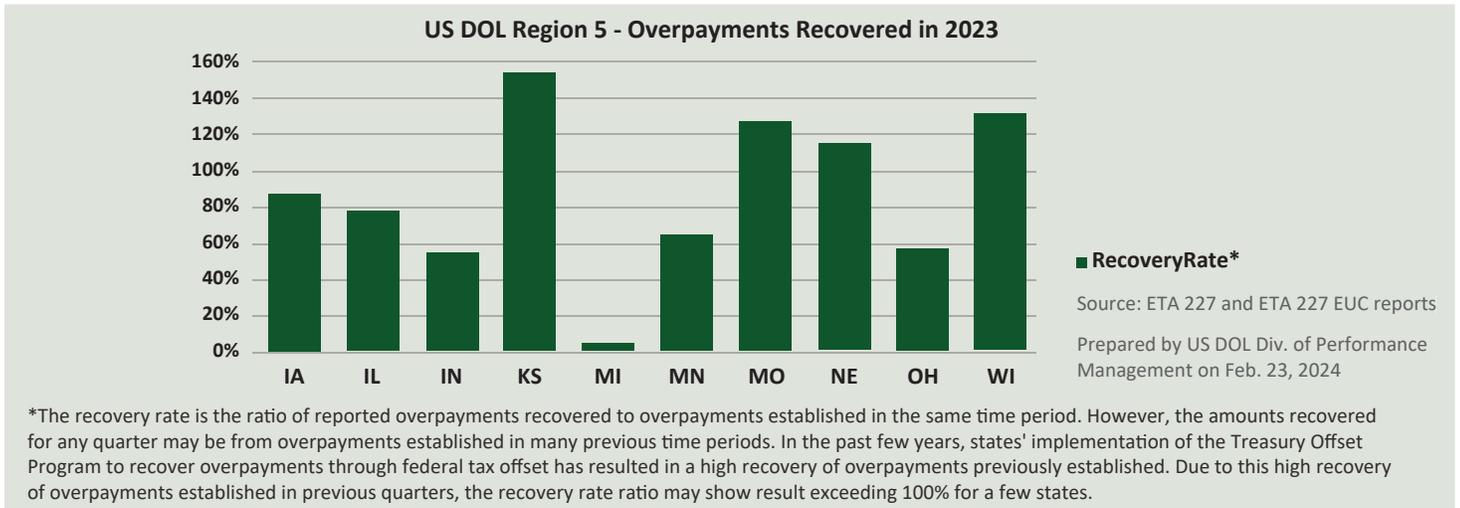


COMPLIANCE TOOLS

The department successfully recovers overpayments when they do occur. Historical information shows that typically the department collects 82.5% of fraud overpayments and 82.1% of non-fraud overpayments. In 2023, the department recovered \$32.8 million in state and federal fraud and non-fraud overpayments, including \$3.3 million in debts older than five years.

| Year Identified | Overpayment Recoveries in 2023 by Year of the Decision | | |
|--------------------------------|--|---------------------|---------------------|
| | Fraud | Non-Fraud | Total |
| 2023 | 867,812 | 4,617,172 | 5,484,984 |
| 2022 | 3,657,006 | 5,629,690 | 9,286,696 |
| 2021 | 2,447,456 | 9,333,082 | 11,780,538 |
| 2020 | 245,102 | 2,119,913 | 2,365,015 |
| 2019 | 227,731 | 79,367 | 307,098 |
| 2018 | 177,941 | 80,511 | 258,452 |
| Older Than Five Years | 2,525,505 | 800,038 | 3,325,543 |
| Total Collected in 2023 | \$10,148,553 | \$22,659,773 | \$32,808,326 |

The department has seen successful overpayment recoveries historically and such success continued in 2023 when compared to its neighboring states. In calendar year 2023, Wisconsin ranks second out of 10 states in its US DOL region (Region 5 - Chicago) for total overpayment recoveries (fraud and non-fraud overpayments). The below graph depicts the total overpayment recovery rate for calendar year 2023, calculated by US DOL, for each of the 10 US DOL Region 5 states:



Such high recovery rates are achieved through the various mechanisms outlined below:

- **Tax Refund Intercept:** The department can intercept a claimant's state and federal tax refunds. Over \$3.8 million was collected from state tax refunds by the Wisconsin Department of Revenue's State Tax Offset program in 2023. Collections from federal tax refunds are made by utilizing the tools available through the Treasury Offset Program (TOP). Through TOP, over \$7 million in overpayments, penalties, and collection costs were recovered in 2023.
- **Benefit Offset:** When an individual has received an overpayment, their current UI benefit payments may be applied directly to reduce the amount due. Once the overpayment has been repaid, the individual may then receive UI benefit payments.
- **Out-of-State Offset:** When an individual receives an overpayment in Wisconsin, UI can request that their current out-of-state UI benefit payments be applied directly to reduce the Wisconsin overpayment.
- **Bankruptcy:** Fraud overpayments are not automatically discharged in bankruptcy. Division attorneys may petition the bankruptcy court to dispute discharge of the debt or file a claim against the assets of the debtor to ensure repayment.
- **Warrants:** The division may file a lien against an individual's personal property to secure collection of an overpayment.
- **Levy Against Wages and Bank Accounts:** The division may issue a levy against wages, bank accounts, or any property belonging to the individual who received an overpayment.
- **Financial Record Matching Program:** Division debt collectors use a financial record matching program to identify the bank accounts of individuals who received an overpayment.

CRIMINAL PROSECUTION FOR UI FRAUD

The department seeks criminal prosecution in cases of egregious or repeated fraud, and works cooperatively with county district attorneys, the DOJ, and federal prosecutors.

The department's worker classification investigators also investigate complex criminal benefit fraud cases. Criminal investigations completed by these investigators are referred to the appropriate prosecuting agency, either on state charges to DOJ or a county district attorney, or on federal charges to the U.S. Attorneys.

The department works collaboratively with state and federal prosecutors and county district attorneys to determine which cases should be referred for prosecution. Ultimately, it is DOJ and the district attorneys who have the discretion to file criminal charges. For example, DOJ evaluates several factors to decide whether it will take a case to prosecution:

- Whether evidence exists to prove intent to defraud;
- An individual's criminal history/history of defrauding government programs; and
- In cases involving employers, the employer's enforcement and compliance history.

The division also works with the Federal Bureau of Investigation (FBI) and US DOL's Office of Inspector General on complex fraud cases and cases which have a federal nexus, including federal pandemic benefit fraud.

In 2023, worker classification investigators made three referrals to county district attorneys that resulted in criminal charges. Two referrals to county district attorneys are awaiting the issuance of criminal charges.

Additionally, worker classification investigators worked with the Internal Revenue Service (IRS) on a criminal case involving a construction contractor who engaged in income tax evasion. The case resulted in a conviction and prison time for the contractor.

In 2023, the department assisted the FBI and US DOL's Office of Inspector General on 103 federal benefit fraud cases. As of the end of 2023, 29 individuals have been indicted, 14 are pending indictment, and 60 remain under investigation.



COMMITMENT TO FRAUD PREVENTION

The department remains committed to preventing fraud in the UI program and in 2023 the department innovated and adapted to the ever-changing fraud threats. In 2024, the department looks forward to continuing or expanding work to prevent and detect fraud through upcoming projects, such as:

- **Modernization:** Continue the comprehensive modernization of the UI system, which ensures program integrity and fraud prevention measures are built into the new and adaptable system.
- **Quarterly Wage Crossmatch:** Update processes and refine audits to better target proven fraudulent behavior.
- **Worker's Compensation Crossmatch:** Compare individuals currently receiving worker's compensation benefits with claimants filing unemployment claims.
- **MyWisconsin ID:** Incorporate certain UI accounts with Wisconsin's new single sign-on account platform.
- **LexisNexis Data Assessment:** Analyze available data to verify identities for UI records.
- **Banking and Address Change:** Alert claimants when banking or address changes are made to their UI accounts.
- **ReliaCard Fraud Prevention:** Expand fraud prevention measures for claimants who use the program's Visa Pre-Paid Debit Card.
- **Integrity Data Hub Enhancement:** Expand the program's collaboration with NASWA's Integrity Data Hub to report and better detect suspicious actors.
- **Internal System Access Audit and Analysis:** Confirm only necessary division staff have access to sensitive information and re-evaluate users with access to sensitive information.
- **Fictitious Employer Database:** Create a central database to detect instances where a group or individual uses fictitious or non-existent employer to receive UI benefits.
- **New Fraud Scans:** Expand the department's fraud scans based on best practices, especially related to criminal fraud.

Identity Fraud Detection, Consolidation, and Visualization

In response to the rise in organized fraud attempts tied to the federal pandemic programs, the department began working on a comprehensive update to its identity fraud reporting processes that, when fully complete, will result in the launch of an internal dashboard allowing staff to flag and follow up on instances of potential identity fraud more quickly than ever before.

The current identity fraud detection process evaluates a large amount of data by many methods and includes numerous reports. The department's in-house modernization project includes automating and integrating previously used data scans, consolidating duplicative results, and providing detailed information on why claims are flagged for potential identity fraud. The internal UI identity fraud dashboard, which is currently in development, will house a comprehensive repository of the identity fraud scan investigation results and adapt to newly identified trends in identity fraud schemes.

CONCLUSION

The department's work to educate claimants and employers; detect, prevent, and collect overpayments; investigate UI fraud; and assess penalties for fraud all play an important role in its comprehensive approach to support the integrity of the UI system. Public outreach and targeted messaging have been put in place to deter fraud and to reduce mistaken overpayments. These outreach efforts also provide claimants and employers several reminders about the consequences of committing fraud and allow for multiple ways to report fraud. The department uses a variety of tools and methods to try to prevent fraud from occurring and to detect fraud when it does happen. When fraud does occur, the department successfully recovers overpayments, and seeks criminal prosecution in cases of egregious or repeated fraud. The collaboration between the department and other governmental agencies on fraud cases increase the likelihood of successful criminal convictions.

Preventing fraud is key in supporting the integrity of the UI system. In the coming year, the department will continue to modernize and enhance program integrity activities. When coupling innovative solutions for prevention, education, and limited access with consistent efforts to detect, collect overpayments, and seek prosecution of fraud in partnership with other governmental agencies, the department demonstrates its commitment to a comprehensive approach to fraud.

NOTES

¹ As defined under Wis. Stat. §108.04(11)(g)1, conceal means "to intentionally mislead the department by withholding or hiding information or making a false statement or representation."

² Wis. Stat. §108.16(8)(m)1

³ Wis. Stat. §108.24(2m)

⁴ Wis. Stat. §108.221

⁵ Wis. Stat. §108.04(11)(c)

⁶ Wis. Stat. §108.04(11)(cm)

⁷ Wis. Stat. §108.24(2)

⁸ Information on reporting fraud to the department can be found on this webpage: <https://dwd.wisconsin.gov/ui/fraud/report.htm>

⁹ As noted in the prior Fraud Report, these numbers are adjusted each year and, as such, amounts reflected herein will differ from previously reported information.

¹⁰ As noted in the prior Fraud Report, these numbers are adjusted each year and, as such, amounts reflected herein will differ from previously reported information.

¹¹ The 2023 Fraud Report was published with an inadvertent under-counting of fraud that first occurred in 2020 and earlier, and an inadvertent over-counting of fraud that first occurred in 2021 and 2022. Accordingly, figures in this table cannot be compared to those in the 2023 Fraud Report.

¹² DWD identified six instances of mis-keying by staff in reports used to generate the Benefit Amount Reduction (BAR) in the 2023 Fraud Report (pg. 5). This caused the BAR reported for 2022 and 2021 to be overstated by \$99,999 and \$499,995, respectively. DWD will continue to review for mis-keying monthly.

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