

ANNUAL REPORT

FRAUD DETERRENCE AND DETECTION ACTIVITIES

A REPORT TO THE CALIFORNIA LEGISLATURE

TWENTY-SECOND REPORT

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EXECUTIVE SUMMARY

This report documents the Employment Development Department's (EDD) fraud deterrence and detection activities for Calendar Year (CY) 2015, as required by California Unemployment Insurance Code (CUIC) Section 2614.

The EDD's major program responsibilities include Unemployment Insurance (UI), Disability Insurance (DI), Employment Tax Collection, and Workforce Innovation and Opportunity Act Title I (WIOA) programs. During 2015, through the administration of its programs, EDD collected more than \$64.9 billion in employment taxes from over 1.3 million employers and issued benefit payments in excess of \$11.1 billion on over 3.8 million UI and DI claims.

To protect the integrity of its programs, EDD enforces the CUIC provisions and various other California codes affecting its programs. Doing so assures the integrity of all EDD programs and protects the interests of employers, claimants, and taxpayers. Research suggests that organizations can reduce the risk of fraud through a combination of prevention, detection, and deterrence measures. A strong emphasis on fraud prevention may reduce opportunities for fraud to take place while fraud deterrence could persuade individuals that they should not commit fraud because of the likelihood of detection and punishment.¹

The EDD takes a comprehensive approach to fraud prevention, detection, and deterrence. This approach involves EDD programs, EDD oversight entities, and business partners including federal, State, and local law enforcement agencies, and prosecutors. During CY 2015, EDD's comprehensive anti-fraud activities in the DI, UI, and Tax programs identified fraud (in dollars), as follows:

<u>Description</u>	<u>DI Program</u>	<u>UI Program</u>	<u>Tax Program</u>
Cases Under Investigation	\$15,673,875 113 cases	\$21,665,486 128 cases	\$99,915,619 187 cases
Criminal Complaints Filed	\$1,219,295 13 cases	\$7,439,245 19 cases	\$2,617,289 10 cases
Completed Criminal Prosecutions	\$1,046,475 13 cases	\$1,320,939 20 cases	\$56,650,246 51 cases
Fraud Overpayments (OP)	\$20,224,345	\$105,243,760	N/A
Established ²	3,427 OPs	111,879 OPs	
Fraudulent Benefits Prevented	\$671,991	\$2,184,502	N/A

The detection and deterrence of fraud in the WIOA program is accomplished through a variety of processes that EDD requires of the local administrative entities that provide employment training services. The program integrity components³ include: monitoring reviews; an incident reporting system; single audits; program oversight; and regulatory controls.

¹Management Antifraud Programs and Controls – Guidance to Help Prevent and Deter Fraud, American Institute of Certified Public Accountants, 2002, page 5.

²"Fraud Overpayments Established" includes overpayments established as a result of both criminal and administrative actions.

³ See WIOA program pages 27-29

The remainder of this report highlights fraud deterrence and detection activities by each EDD program and summarizes oversight activities across EDD. The final section of this report highlights enterprise-wide efforts in progress and under consideration to prevent, detect, and deter fraud.

BACKGROUND

The CUIA Section 2614 requires the Director of EDD to report to the Legislature by June 30 of each year on EDD's fraud deterrence and detection activities.

The EDD administers the UI, DI, and WIOA programs. Through its Employment Tax Collection program, EDD collects UI and Employment Training Tax, and DI and Personal Income Tax withholding for the State of California. In CY 2015, EDD collected more than \$64.9 billion in employment taxes and issued benefit payments in excess of \$11.1 billion to UI and DI claimants.

As with any program where large sums of money are involved, the temptation to defraud the system for personal gain is present. Employers may not fully pay their employment taxes as required by law; claimants may use the identities of others or claim benefits while working; physicians may certify disability inappropriately; and claimants or physicians may submit forged documents. Further, threats may be made to the security of EDD's systems or employees.

APPROACH

The EDD uses a multi-tiered, comprehensive approach to fraud deterrence and detection. This approach involves EDD programs, EDD independent oversight entities, and business partners including federal, State, and local law enforcement agencies, and prosecutors.

Each program area has established ongoing anti-fraud activities. In addition, independent oversight entities perform other activities including internal control reviews and audits, quality reviews to measure the accuracy and propriety of benefit payments, and information technology system reviews to detect system control deficiencies. Lastly, the Investigation Division (ID) identifies, investigates, and prosecutes fraud within EDD's various programs and internal operations.

Anti-fraud activities within EDD include up-front fraud prevention such as customer education, reviews of internal control systems, employer audits, internal systems audits and controls, fiscal monitoring activities, and ongoing or special fraud detection activities. Fraud detection activities include but are not limited to: analyzing client, employer, and medical provider demographic data; establishing internal program checks and balances; performing electronic cross-matches; participating in joint efforts with other agencies and business partners; operating a fraud reporting Hot Line; and conducting criminal investigations that include surveillance, undercover operations, computer forensic analysis and data mining, search warrants, witness and suspect interviews, evidence seizure and, in concert with other law enforcement agencies, arrest and prosecution of suspects.

FRAUD DETERRENCE AND DETECTION ACTIVITIES

STATE DISABILITY INSURANCE (SDI) PROGRAMS

The SDI programs consist of two benefits, DI and Paid Family Leave (PFL). The DI benefits provide partial wage replacement for eligible California workers who are unable to work due to illness, injury, or pregnancy. Workers covered under SDI are potentially eligible for PFL benefits when they are unable to work because of the need to care for a seriously ill child, parent, spouse, registered domestic partner, parent-in-law, grandparent, grandchild, sibling, or to bond with a new minor child within the first year of birth or placement by adoption or foster care into the family.

The EDD monitors, researches, and investigates new systems and activities in order to detect and prevent fraud and improve benefit payment accuracy in the SDI programs. During CY 2015, the DI program processed 696,438 claims and paid out over \$5 billion in benefits. The PFL program processed 237,864 claims and paid out over \$667 million in benefits.

The EDD collects and analyzes data to support cases for prosecution and administrative action against those suspected of committing fraudulent acts. The SDI Program Integrity Unit (PIU) oversees, coordinates, and conducts various staff education efforts and investigative activities involving suspicious claims in the SDI offices. The PIU staff complete in-depth data analysis of various reports and develop procedures and forms to enhance program integrity efforts. The DI Branch staff work closely with ID's criminal investigators to combat fraud in the SDI programs.

Primary SDI fraud deterrence and detection tools include:

- **Claimant Notification** of the legal consequences for willfully making a false statement or knowingly concealing a material fact in order to obtain benefits. This notification is provided on the claim form declaration statement and is signed by the claimant when applying for benefits. This notification is also presented to be acknowledged by the claimant when applying for benefits through SDI Online.
- **Fraud Penalty Assessment** of 30 percent on overpayments resulting from claimant fraud.
- **Independent Medical Examinations** (IME) provide EDD with a second medical opinion regarding the claimant's ability to perform his/her regular or customary work when the period of disability allowed by the treating physician or practitioner exceeds the normal expected duration for that diagnosis. Photo identification is required to verify the identity of the claimant appearing for the examination.

The IMEs are used to validate the treating physician's diagnosis and prognosis, and as a means of controlling the duration of claims. The IMEs are also a useful tool in curtailing the loss of benefits in those cases where fraud or abuse is suspected. In CY 2015, of the 7,415 IME results received, 267 (3.6 percent) of the claimants scheduled for an IME failed to appear, and 2,569 (34.6 percent) were found able to work on the date of the IME examination.

- **Monthly Doctor Activity Report** provides a list of the top doctors certifying the highest total amount of benefits. This automated monthly report enables the PIU staff to identify significant changes in claims activity and/or filing patterns, which may be indicators of fraud.
- Interface to the **Department of Motor Vehicles (DMV)** records allows identity verification for SDI Online claimants and medical providers.
- **New Employee Registry (NER) Benefit Cross-Match** interface enables the DI Branch to use new hire information from California employers to identify claimants who improperly continue to receive benefits after they have returned to work. In CY 2015 as a result of the NER cross-match interface, DI staff established five overpayments in the amount of \$31,174 and PFL staff established five overpayments in the amount of \$8,324.
- The **Address Integrity** component of SDI Online ensures only the rightful owner of the claim makes a change of address to a claim. As a security and fraud detection measure, a letter is sent to the old address to notify the claimant when the SDI program receives a request for a change of address.
- Secure **Health Insurance Portability and Accountability Act Compliant Online Claim Filing** reduces the risk of confidential information lost in the mail and reduces exposure for misuse.
- **Identity Management Software** authenticates and authorizes external users (customers) who set up external user accounts. The system creates an online profile for each external user and will encrypt and store the user identification/password, profiles, and credentials in an enterprise Identity Management System. The system validates and authenticates external users' logon credentials and allows authenticated users to access system functionality and improve SDI staff's ability to detect fraud.
- **Automated Tolerance Indicators** (flags) that are associated with the certifying healthcare provider's license number assist staff to identify and track claims on which fraud or abuse is suspected or has previously been detected. They also alert staff to refer to special instructions created to assist in the adjudication and payment of claims on which a Tolerance Indicator has been attached.
- **UI/DI Overlap Flags** generate an automated stop pay on DI and PFL claims when a prior UI claim period overlaps the dates that DI benefits are claimed. When alerted by a stop payment flag DI and PFL staff block the overlapping period pending an eligibility determination, thereby helping in the prevention of potentially improper payments.
- **Decedent Cross-Match Reports** identify benefit payments issued after the date of death to SDI claimants. This report is generated by checking the Social Security Numbers (SSN) of all claimants against SSNs of individuals reported as deceased nationwide. The DI Branch has access to this information through EDD's Tax Branch interface with the Social Security Administration. This report enables the DI Branch to identify and recover benefits paid subsequent to the date of death that

may not otherwise have been discovered. When there is a material disparity between data provided on the owner of a particular SSN and that shown on EDD's Single Client Data Base for that SSN, DI Branch researches that SSN in the Social Security Administration's Death Index. In CY 2015, of the 1,325 Decedent Cross-Match Reports received, 848 (64 percent) required no further action, 467 (35 percent) required additional actions with potential overpayment of \$1,064,449 and 10 (0.7 percent) were submitted to the Investigation Division.

- The **Doctor Activity Tracking System** tracks the status of investigations involving potential doctor² or doctor impostor³ fraud cases. The system also provides a useful management tool to ensure appropriate follow up occurs, and to document and evaluate accomplishments.
- **Doctor License Reports** identify all SDI claims that are certified by a particular doctor. Analysis of the claims listed on the report can lead to discovery of fraudulent claims or program abuse.
- The **DI and PFL Quality Control Reviews** test a random, statistically valid sample of DI and PFL benefit payments annually for accuracy, completeness, and compliance with the CUIIC, Title 22 of the California Code of Regulations, and DI Branch policy.
- **Department of Consumer Affairs Notifications** identify medical practitioners whose licenses have been revoked or suspended. The information, provided by the following medical practitioner boards, helps ensure that claims are not certified by improperly licensed medical practitioners and alerts EDD to potential fraudulent situations:
 - Medical Board of California
 - Board of Chiropractic Examiners
 - Board of Optometry
 - Board of Podiatric Medicine
 - Board of Psychology
 - Board of Registered Nursing
 - Dental Board of California
 - Osteopathic Medical Board of California
 - Physician Assistant Board
- The **DI Personal Identification Number (PIN) System** provides telephone identification, authentication, and authorization services via EDD's Interactive Voice Response (IVR) system. The system enhances security of the IVR system and improves claimant privacy by preventing unauthorized access to confidential data.

Claimants are required to enter their SSN and PIN each time they request confidential payment information through DI Branch's IVR system. Claimants select their PIN the first time they use the IVR system to obtain payment information by matching personal identifying information. As an additional security and fraud

⁴ Doctors who knowingly certify claims for individuals who are not disabled.

⁵ Someone other than the doctor signs the doctor's name on DI and PFL claim forms.

detection measure, when a PIN is established or changed the claimant is sent a notice.

- The **In-Office Eligibility Review Process** provided for in Title 22 of the California Code of Regulations permits EDD to require claimants suspected of fraud, who are currently receiving benefits, to submit to an in-person interview before a decision is made regarding their continued eligibility to receive benefits. The process provides the claimant with a fair and equitable opportunity to be heard in person and enables EDD to gather additional information before making its decision. The regulations provide precise time frames and procedures for conducting interviews to ensure that claimants' rights to due process are protected.
- An **EDD Toll-free Fraud Tip Hot Line**, (800) 229-6297, provides employers and individuals a designated telephone number to report alleged fraud directly to ID's Criminal Intelligence Unit (CIU). In addition, allegations can be reported via the EDD Website (www.edd.ca.gov). This reporting option provides the ability to report fraud and other sensitive information (SSNs, etc.) in a secure environment. The number of SDI program fraud allegations reported through the Hot Line and online are as follows: 1,982 allegations in CY 2013, 2,382 allegations in CY 2014, and 2,120 allegations in CY 2015.
- The **Truncation of Claimant SSNs** to only the last four digits on SDI forms is done to help deter identity theft and protect the confidentiality of information assets. The DI Branch continues to review forms where the SSN can be truncated or removed altogether.
- **Electronic Benefit Payment** provides an electronic payment system to disburse SDI benefit payments. The Electronic Benefit Payment provides claimants immediate access to their benefits and eliminates fraud associated with theft or loss of paper warrants.
- **Program Integrity Training** is provided to all new hires to heighten staff awareness and develop capacity to detect and deter fraud and abuse in the SDI programs. New hires are initially exposed to the concepts and tools during new employee orientation shortly after being hired and once again in greater detail during formalized training. In addition, designated field office staff receive specialized training to perform program integrity functions and work closely with the PIU staff. The PIU is also transitioning its training to online self-paced learning to allow greater access to program integrity training.
- **Automated Detection Reports** developed collaboratively with ID's CIU permit staff to detect unusual patterns of activity in the SDI benefit payment system involving addresses, issuance of multiple payments, and multiple claims filed by the same claimant within a specified period of time. The PIU developed reports which are available to ID through SDI Online to help detect and prevent fraud and abuse.
- **Address Patterns Ad Hoc Reports** to identify other DI claims having the same address as the claimant, medical practitioner, and/or employer. Analysis of the claims listed on the report may lead to discovery of fraudulent claims or program abuse.

- **Employer Pattern Ad Hoc Report** to identify other DI claims having the same employer. Analysis of the claims listed on the report may lead to discovery of fraudulent claims or program abuse.
- **User Pattern Ad Hoc Report** to identify SDI Online claims processed by a specific user or DI staff. Analysis of the claims listed on the report may lead to discovery of internal fraud.
- An **Educational Outreach Campaign** to the California medical community led by SDI's Education Outreach Unit enhances physicians'/practitioners' and employers' understanding of DI and PFL benefits and their role in the claim filing process. The educational programs are geared to the California medical community including both resident physicians/practitioners and physicians/practitioners in practice. This outreach effort enhances the integrity of the SDI program by improving the quality of medical information that EDD receives to process claims, thereby ensuring that the benefits paid are consistent with the claimant's inability to perform their regular or customary work due to a non-work related disability or need to care for a family member with a serious health condition. It also helps to minimize submission of medical certifications that extend the disability duration beyond normal expectancy.
- **Formal Identity Alert Procedures** were provided to staff for handling DI and PFL claims with an Identity Alert flag. The EDD places an automated "flag" on potentially compromised SSNs identified by employers/employer agents, ID, or UI Branch. When a claim with an Identity Alert flag is processed, PIU staff conducts an in-depth review to ensure that the claimant is the true wage earner.
- **Medical Training** provided to field office staff is a comprehensive online eLearning Adobe presentation of medical information and case study training intended to educate and enhance staff's knowledge of disabling medical conditions and medical terminology. This training allows the staff to communicate more effectively with physicians/practitioners when discussing and obtaining additional medical information regarding an SDI claim. The medical terminology training provides staff with a better understanding of a diagnosis. It assists them in determining the severity and expected length of a disability with more confidence, and taking appropriate action to control claim duration or potential abuse of the programs.
- A **Confidentiality Training Module** is used by the PIU to reinforce management of EDD's confidential and sensitive information and appropriately document potential fraudulent activity.
- **Impostor Fraud Training** is provided to staff in an effort to curtail fraud and abuse. Tools are provided to assist in identifying abusive or fraudulent activity and the appropriate referral process.

The PFL program uses the following special claim processing safeguards and automation techniques, in addition to the above fraud deterrence and detection tools:

- The requirement to submit a birth certificate, adoption or foster care certification on all bonding claims for which no medical evidence of a birth exists.

- The PFL automated system includes a scanning process that provides an online viewable copy of all claim documents. To assist in detecting possible forgeries, claims examiners are able to compare current signatures of claimants and physicians with documents submitted previously by the same claimants and/or physicians.
- The PFL automated system also includes a powerful tool for identifying patterns on suspicious claims by allowing claims examiners to retrieve all information about a claimant including all flags, images, and care recipients for current and past claims.

RESULTS/ACCOMPLISHMENTS DURING CY 2013 THROUGH 2015

The following table illustrates the SDI programs' dollar value and case number results for the last three years:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Cases Under Investigation	\$9,383,612 132 cases	\$13,610,080 130 cases	\$15,673,875 113 cases
Criminal Complaints Filed	\$407,701 19 cases	\$3,167,755 25 cases	\$1,219,295 13 cases
Completed Criminal Prosecutions	\$859,832 28 cases	\$1,298,304 29 cases	\$1,046,475 13 cases
Fraud OP Established	\$5,543,552 766 OPs	\$5,973,208 964 OPs	\$20,224,345 3,427 OPs
Fraudulent Benefits Prevented By ID	\$314,885	\$860,551	\$671,991

- During CY 2015, 113 cases potentially representing \$15,673,875 were investigated. These investigations focused on the following case types: impostor fraud/identity theft (24 cases representing \$7,518,652); altered or forged documents (30 cases representing \$849,934); and medical practitioner fraud (2 cases representing \$2,966,359), and working while certifying for benefits (49 cases representing \$1,537,856). The remaining eight cases, representing \$2,801,074, included fictitious employer registration to base claims, false injury certified by claimant, forgery, taking over the claim of another person, multiple social security numbers used by one person, self-employment, and miscellaneous violations.
- In CY 2015, ID filed 13 criminal complaints representing potential fraudulent benefits in the amount of \$1,219,295. The ID has continued its emphasis on the more complex fraud cases such as impostor/identity theft that take longer to investigate.
- During CY 2015, ID completed 13 criminal prosecutions representing fraudulent benefits in the amount of \$1,046,475. These completed prosecutions primarily involved altered and forged medical records, counterfeit checks, impostors, and working while certifying for benefits.
- In CY 2015, payment of approximately \$671,991 in fraudulent benefits was prevented through ID's ongoing investigations of identity theft, forgeries, and medical practitioner fraud.

- In CY 2015, the DI and PFL staff established a cumulative total of 3,427 fraud overpayments in the amount of \$20,224,345.
 - The DI program established 1,766 fraud overpayments totaling \$10,493,796 on claims associated with claimants who were prosecuted.
 - The DI program established 1,624 fraud overpayments that were not attributed to prosecutions. These overpayments, totaling \$9,654,114 were the result of administrative actions applied by DI staff, such as false statement overpayments.
 - The PFL program established 18 fraud overpayments totaling \$36,189 on claims associated with claimants who were prosecuted.
 - The PFL program established 19 fraud overpayments that were not attributed to prosecuted claimants. These overpayments, totaling \$40,246 were the result of enforced administrative remedies available to the DI program, such as false statement overpayments.
- In CY 2015, departmental anti-fraud efforts stopped \$3,835,154 in fraudulent SDI benefits from being paid. Of this total, \$3,163,163 is attributable to the SDI programs' anti-fraud efforts such as IMEs, verification of SSN ownership with deletion of improper base period wages, and all referrals to ID resulting in convictions or administrative actions which prevented payment of further benefits. Payment of approximately \$671,991 in fraudulent benefits was prevented through ID's ongoing investigations of identity theft, forgeries, and medical practitioner fraud.
- In 2015, 85 doctors certified to a high volume of activity. A review concluded 39 doctors' certifications were justified and no fraud or abuse was detected. In the remaining 46 doctors' certifications, one doctor is under investigation by ID and has a tolerance indicator, two doctors were reviewed by the PIU staff and no fraud or abuse were detected, and 43 are pending further evaluation by the PIU staff.

FUTURE DI PROGRAM ENHANCEMENTS

As the SDI programs move to an electronic Web-based application for delivering SDI services to its clients, the need to maintain the security and integrity of the program is a high priority. The following describes fraud detection and prevention system enhancements to the SDI programs that are currently being developed:

- With the implementation of **SDI Online**, the DI Branch has the ability to manage fraud and abuse through automated programs and business logic. The DI Branch will continue to develop new reports and automated detection and prevention measures to combat fraud and abuse.
- The DI Branch is attempting to procure Pondera Solutions Fraud Detection as a service, to combat fraud in both the **SDI and PFL** programs, this tool will improve the ability to manage fraud and abuse in a more effective manner.
- The **SSN Verification** through Social Security Administration's records is being pursued by the DI Branch. If approved by the Social Security Administration, the

claimant's SSN will be verified during the claimant's identification process, to detect potential fraud prior to filing an SDI claim.

- The **Benefit Audit Review** matches wages reported quarterly by employers to DI benefits paid within the same period. Through this review, the SDI programs will be able to detect when claimants have been fraudulently collecting benefits while working. Overpayments and penalties will be established and collected as a result of this process, protecting the solvency of the DI Fund. These reviews will be performed quarterly.
- The **Name Change Process** is being re-evaluated to deter potential imposter fraud and/or pay benefits to the appropriate person.
- The reinstatement of the **Pending Investigation Flag** is being pursued by the PIU. The pending investigation flag will be attached to any claim pending criminal investigation and prevent DI staff from taking any actions that may potentially compromise an active investigation.

UNEMPLOYMENT INSURANCE (UI) PROGRAM

The EDD administers the UI program, which provides benefits to individuals who have lost their jobs through no fault of their own, are actively seeking work, are able to work, and willing to accept employment. During CY 2015, the UI program processed 2.9 million initial claims (this includes all new, transitional, additional regular and extensions claims, and work share claims), of which 1.4 million were new claims (this includes all new, transitional regular, and extension claims), and paid a total of \$5.5 billion in benefits. These figures include the regular UI program in addition to the four federal extended benefit programs: Emergency Unemployment Compensation (EUC) Tiers I, II, III, and IV, which respectively began July 2008, November 2008, and November 2009 (both Tiers III and IV); the Federal-State Extended Benefits program, which began February 2009; and the Federal Additional Compensation (also known as \$25 weekly Stimulus Payments), which began February 2009 and ended in 2010.⁴

In July 2013, EDD announced that California was no longer eligible for Tier IV benefits. California fell below the federal requirement of a three month unemployment rate average of 9 percent or higher in order to continue to file for Tier IV extensions. The last effective date claimants could file a Tier IV extension was August 11, 2013. On January 1, 2014, all other EUC federal extensions ended and Congress did not enact further legislation to continue the EUC program. The last payable week ending date for all EUC extensions was December 28, 2013. However, some EUC benefits were paid in CY 2015 retroactively for eligible claimants (for instance as a result of appeals, etc.).

The EDD is committed to maintaining the integrity of the UI program. The UI program utilizes a variety of processes, tools, and techniques to deter and detect fraud, which include:

- **Claimant Notification** provides notice to the claimant, by way of a Claimant Handbook, of claim eligibility requirements and legal consequences of willful misrepresentation⁵ or willful nondisclosure of facts.
- **30 Percent Fraud Penalty Assessment** on any overpayments resulting from claimant fraud.
- **Bi-weekly Claim Certification** by claimants of their continued eligibility for benefits. This process requires the claimants to certify the accuracy and truthfulness of the statements made and that they understand that the law provides penalties for making false statements to obtain benefits.
- The **UI Benefit Accuracy Measurement Program** (also known as UI Quality Control) is an independent review of a random sample of claims throughout the year to test the effectiveness of procedures for the prevention of improper UI payments. These reviews detect the nature and extent of improper payments, reveal operating weaknesses, and serve as a check on agency employee fraud or collusion. Claims that appear fraudulent are referred to ID for follow up. Beginning in January 2013,

⁴Although the provisions for the Federal Additional Compensation ended in 2010, residual payments were made in 2011 because some claims were found eligible through the appeal process.

⁵To willfully provide false information or withhold information that affects the payment of UI benefits.

the National Directory of New Hires was cross-matched with UI claimants in order to detect claimants who began working but did not report these wages while receiving unemployment benefits.

- The **Benefit Audit Process** matches wages reported quarterly by employers to UI benefits paid within the same period. Through this process, the UI program is able to detect when claimants have been fraudulently collecting benefits while working. Overpayments and penalties are established and collected as a result of this process, protecting the solvency of the UI Trust Fund. These matches are performed on a quarterly and annual basis. The EDD utilizes an employer compliance database to track benefit audit forms that have been mailed and returned by employers.
- The **NER Benefit Cross-Match** enables EDD to use new hire information from California employers to identify claimants who improperly continue to receive benefits after they have returned to work. This is accomplished by matching, on a daily basis, the new hire information with EDD's records of claimants currently collecting UI benefits. Through this process, EDD is able to detect fraud and other eligibility issues up to six months earlier than through EDD's benefit audit process.
- **Verification of a Claimant's Right to Work** enables EDD to identify claimants who do not have legal authorization to work in the United States, thus preventing payments to individuals who are not eligible for benefits. The Systematic Alien Verification for Entitlement process enables EDD to link with the database of the United States Citizenship and Immigration Services (formerly Immigration and Naturalization Service) to submit both initial and additional verification queries to obtain information necessary to reduce improper payments to individuals who do not have legal authorization to work in the United States.
- An **SSN Verification** provides real time (online) access to the Social Security Administration's records. The claimant's SSN is verified during the claimant's identification process, to detect potential fraud prior to filing a UI claim.
- The **DMV** provides real time (online) access to its database to verify a claimant's California driver's license or identification card number, prior to filing a UI claim. This part of the identity verification process is used to prevent identity theft fraud in the UI program.
- The **Last Employer Address Information** is obtained from EDD's internal database. The ability to cross-match employer addresses with this database rather than relying upon the client to provide EDD with this information ensures that proper payments are made to the appropriate individual.
- An **EDD Toll-free Fraud Tip Hot Line**, (800) 229-6297, provides employers and individuals a designated telephone number to report alleged fraud directly to ID's CIU. In addition, allegations can be reported via EDD's website (www.edd.ca.gov). This reporting option provides the ability to report fraud and other sensitive information (SSNs, etc.) in a secure environment. The number of UI program fraud allegations reported through the Hot Line and online are as follows: 4,792 allegations in CY 2013, 3,759 in CY 2014, and 3,164 in CY 2015.

- The **Identity Management System** is an automated system that allows claimants to select a PIN in order to obtain personal claim information through the IVR telephone system, which is available 24-hours a day, seven days a week. The Identity Management System was established to protect claimants' confidential information. Without a PIN, claimants are unable to access their personal and confidential claim information through the IVR system.
- **Unemployment Insurance Impostor Fraud Prevention** was enhanced with the implementation of EDD's Identity Alert Process. The Identity Alert Process was designed to protect the worker and employer from ongoing fraud and to ensure proper payments of UI benefits.

When a claim is initiated into the Identity Alert Process, no payments are issued until EDD obtains the information needed to validate the identity of the individual filing the UI claim. The UI Identity Regulations, pursuant to the California Code of Regulations, Title 22, Sections 1251-1 and 1326-2, allow EDD to require a claimant to provide identity verification documentation upon request.

For every Personnel Year dedicated to this function, there is an estimated corresponding savings to the UI Trust Fund of more than \$4.3 million.

The tools utilized by EDD to prevent UI impostor fraud include:

- Stopping benefit payments on active UI claims that are associated with compromised SSNs until the identity of the claimant is confirmed.
- Implementing enhanced screening procedures during the claim filing process to better authenticate the identity of claimants (e.g., SSN and DMV verifications) and to ensure only the true owner of the identity will receive UI benefits.
- Utilizing a variety of communication methods to provide information to all California employers on how to protect and properly destroy confidential personnel information and assist EDD in preventing UI fraud. This includes information in the California Employer's Guide (DE 44-Tax publication).
- Accessing EDD's website (www.edd.ca.gov) for information on UI impostor fraud and identity theft to assist both employers and employees. The brochures "**How You Can Prevent Unemployment Insurance Impostor Fraud**" (designed for employers) and "**Protect Your Identity and Stop Unemployment Insurance Impostor Fraud**" (designed for employees) can be viewed as well as downloaded and printed from EDD's website.
- Partnering with other states that have also experienced increases in UI impostor fraud. The EDD has worked closely with other states to identify common patterns and trends, share anti-fraud processes, and resolve fraud cases where the parties have a connection to multiple states.
- Developing a toolkit for employers, as part of an ongoing **public education campaign** that includes information on how they can prevent and detect UI

fraud. Success in preventing, detecting, and deterring UI fraud is dependent upon a strong partnership with the employer community.

- In December 2012, EDD began generating daily reports to detect internal fraudulent activities by EDD employees. These reports identify instances when an Integrity and Accounting Division employee updates a claimant's base wage file when there is no current claim on the Single Client Data Base. A re-computation manager is responsible for performing a full review of each item listed on the report to determine if the update to the base wage file was for a valid and necessary reason.

RESULTS/ACCOMPLISHMENTS DURING CY 2013 THROUGH 2015

The following table illustrates the UI program's results for the last three years:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Cases Under Investigation	\$27,371,876 158 cases	\$15,248,982 188 cases	\$21,665,486 128 cases
Criminal Complaints Filed	\$9,615,995 41 cases	\$792,466 18 cases	\$7,439,245 19 cases
Completed Criminal Prosecutions	\$9,202,643 27 cases	\$6,828,042 51 cases	\$1,320,939 20 cases
Fraud OP Established	\$188,678,548 163,196 OPs	\$133,977,771 124,192 OPs	\$105,243,760 111,879 OPs
Fraudulent Benefits Prevented By ID	\$2,833,268	\$34,513	\$2,184,502

- During CY 2015, ID investigated a total of 128 ongoing and new UI fraud cases representing potential fraudulent benefit payments in the amount of \$21,665,486. These investigations focused on the following case types: impostor fraud/identity theft (12 cases representing \$4,022,532); working while certifying for benefits (70 cases representing \$1,467,694); forgery – taking over another's claim (16 cases representing \$375,917); and fictitious employer registrations (17 cases representing \$15,519,236). The remaining 13 cases, representing \$280,107, included multiple SSNs used by one person, self-employment, and miscellaneous violations.
- In CY 2015, ID filed 19 criminal complaints representing potential fraudulent benefits in the amount of \$7,439,245. During 2015, ID gave priority to investigating complex fraud cases involving the most egregious violations and the highest overpayments.
- In CY 2015, ID completed 20 criminal prosecutions representing fraudulent benefits in the amount of \$1,320,939. These cases are very large and complex both in terms of volume of claims and dollar value. Consequently, these investigations and prosecutions span several years.
- In CY 2015, ID identified \$2,184,502 in fraudulent benefits that were referred to the UI Branch for assessment of administrative penalties and collection of overpayments due to fraud. Statistics that were previously reported are omitted once suspects are convicted in criminal court. Suspect claims with amounts remaining unpaid are referred to the UI Branch for cancellation and assessment of administrative penalties, and collection of overpayment amounts for restitution not included in the court orders.

- Other violations on separate cases were referred to the UI Branch for assessment of administrative penalties and collection of overpayments. These violations were determined to be unsuitable for prosecution based on the amount of overpayment, number of weeks of violation, unavailability of witnesses and records, and other mitigating factors identified by prosecuting authorities. These violations included individual suspects who failed to report work earnings while certifying for benefits, filed claims with a stolen identity, colluded with employers, and altered or forged documents.
- During CY 2015, UI program staff established a total of 111,879 fraud overpayments totaling \$105,243,760.
 - A total of 66,348 fraud overpayments totaling \$50,968,288 were established as a result of the benefit audit cross-match system and the NER cross-match process. The benefit audit process protects the integrity of the UI Trust Fund, and detects UI fraud. Of the 66,348 fraud overpayments, 45,742 overpayments were established as a result of the benefit audit process, totaling \$37,149,175, and 20,606 overpayments were established from the NER cross-match, totaling \$13,819,113. Because the NER cross-match allows EDD to detect fraud and other eligibility issues up to six months earlier than through the benefit audit process, the average amount of overpayment is \$671 compared to \$812 for a benefit audit overpayment, a variance of \$141. This is an average savings, or benefit overpayment avoidance, of \$2.9 million annually. Based on findings through the Benefit Accuracy Measurement system, the top two leading causes of fraud overpayments are unreported work and earnings during the bi-weekly benefit certification and misreported separation information at the claim filing point.
 - Unemployment Insurance program staff established fraud overpayments on 163 cases of identity theft totaling \$704,255.
 - A total of 45,368 fraud overpayments were established that were not attributed to the Benefit Audit or NER cross-match system or identity theft. These overpayments, totaling \$53,571,217, were established for a variety of reasons including retroactive disqualifications of miscellaneous eligibility issues and unreported work and earnings that were not discovered through the Benefit Audit cross-match system.
- In compliance with California regulations, UI program staff imposed disqualifications and overpayments on 1,098 cases totaling an additional \$3,341,882 in non-fraud overpayments when claimants failed to comply with EDD's request for identity verification information and there was insufficient information to determine the real owner's identity.
- The UI Modernization Project was created to enhance service delivery, increase fraud detection and prevention, improve program integrity, and build a more flexible and responsive infrastructure to operate the UI program. This automation project also enhances EDD's anti-fraud components to ensure that benefits are paid properly and that employers' reserve accounts are charged appropriately.

The UI Modernization project is comprised of two sub-projects, the Call Center Network Platform and Application Upgrade (CCNPAU) and Continued Claims Redesign (CCR) Project.

- The CCNPAU Project, completed in June 2011, replaced EDD's outdated call center system with a more updated enterprise call center system infrastructure. This new system has a management information system that reports call activity, enabling EDD to capture call history and call data for fraud detection and prevention. Additionally, the CCNPAU project implemented new self-service IVR features, including the ability to certify for continued claims by phone via EDD's telephone certification system known as Tele-CertSM.
- The Continued Claims Redesign (CCR) Project redesigned the UI benefit payment system, deployed a new enhanced internet certification channel, and increased the number of online self-service options claimants can access.
 - The EDD released the first phase of the CCR Project for internal EDD staff use on September 3, 2013. The new payment system was designed to help UI staff manage the continued claims process by utilizing modern technology. This allows the EDD to redirect staff to focus on other service areas and to process benefits and determinations more timely. This project also provided a new client database and new tools for fraud detection.
 - The second phase of the CCR Project was successfully implemented on April 25, 2015. The second phase of the CCR Project provides new UI Online services for claimants to certify for continued benefits, reopen existing claims, obtain payment information, and manage their UI claim account information online. The expanded self-service functions were assigned to assist EDD in meeting federal performance guidelines for benefit payment timeliness as more claimants use the online self-services.
 - The EDD also successfully launched UI Online Mobile on April 25, 2015. This technology makes the new system more compatible with mobile devices such as smart phones or tablets. Customers are able to view appointments, receive notifications, and view their claim summary from their mobile device. Many claimants are also able to certify for UI benefits using their mobile device, but there are some limitations.
- The EDD's web certification system known as Web-CertSM was decommissioned in September 2015 with the successful launch of UI Online. The limitations on EDD Web-CertSM related to the inability to certify for weeks when claimants have address changes or work and wage changes. As a result of UI online, the number of claimants who can certify online by validating claimant responses has increased, eliminating rework and the need to reissue forms, as well as asking more clarifying questions to determine if eligibility issues exist.
- On April 27, 2015, the EDD began mailing claimants an assigned 10-digit EDD Customer Account Number (EDDCAN) for claimants to use when registering for the newly released UI Online services. Claimants are also able to use the EDDCAN as

an identification reference in place of their SSN, and the EDDCANs are printed on some EDD-issued documents.

- EDD is now in its second year of the Treasury Offset Program administered by the Bureau of Fiscal Service in the United States Department of Treasury. The Treasury Offset Program allows states to collect delinquent UI benefits overpayment liabilities from claimants by offsetting their federal income tax refunds. In CY 2015, EDD collected approximately \$183.4 million in overpayment liabilities. This total includes approximately \$91.6 million in basic overpayments, \$36.4 million in interest, \$39.2 million in penalties, and \$16.2 million in court costs.
- The EDD began inserting fraud prevention materials with claimants' Continued Claim Certification forms in September 2014 and will continue to do so for one month each calendar quarter. The materials are intended to remind claimants that failure to report work and wages will result in disqualifications, overpayments that must be repaid, and penalties. In addition, these notices advise claimants that EDD collects employment data from employers on newly hired and rehired employees to reduce fraud, as well as information on child support collection for the Department of Child Support Services for the location of parents who are delinquent on child support obligations.
- The **UI Separation Information Data Exchange System (UI SIDES)** created a nationally-standardized web-based system for multi-state employers and/or third party administrators (TPA) to access and complete requests for UI information. The UI SIDES reduces the amount of time it takes for employers to complete requests, such as the Notice of Initial Claim Filed (DE 1101CZ) which is currently being mailed to employers, thus providing EDD with information to detect fraudulent activity earlier in the claim filing process. The UI SIDES is being implemented in a phased approach as follows:
 - The initial implementation of UI SIDES occurred in June 2015, beginning with one chosen employer and one TPA.
 - The second phase of UI SIDES was implemented in the Fall of 2015 in monthly stages. By the end of 2015, EDD had three TPAs (working with over 2,300 employers) subscribe to UI SIDES Web Service and three employers participating in UI SIDES E-Response.
 - The EDD developed a user-friendly single sign-on and self-registration process for California employers to use UI SIDES E-Response. The pilot of the self-service registration to UI SIDES E-Response was successfully released on December 15, 2015.
- EDD successfully launched UI SIDES to all employers and Third Party Administrators (TPAs) on April 19, 2016. The UI SIDES program creates a nationally-standardized web-based system for California and multi-state employers and/or TPAs to access and complete requests for UI information at the initial claim filing point. The EDD believes its strong partnership with employers and TPAs, accompanied by the implementation of a user-friendly self-service registration

process, will result in a high adoption rate of the SIDES system by California employers. The goal of implementing the SIDES program is to reduce the amount of time it takes for employers to complete requests thereby providing an incentive to employers to respond on eligibility issues, which can assist the EDD in reducing claimant fraud and overpayments. Additionally, with the elimination of the mail time to deliver and respond to employer notices, employers who use SIDES may help to allow for more timely determinations which contribute to timely payments.

In September 2014, EDD was awarded a \$750,000 federal grant from the United States Department of Labor (DOL) to fund an aggressive and multi-pronged educational and outreach program targeting both UI claimants and employers to inform them of the top causes of improper UI benefit payments and UI fraud, the consequences of committing fraud in the UI program, and how to avoid them. In March 2015, this Integrity Marketing Campaign began by mailing educational materials, including fact sheets and cover letters, to claimants with their Continued Claim Certification forms. Employers also received these educational materials in various UI notices. In addition to the mailings, EDD has updated its website to include information about UI fraud, posted social media messages on both its Facebook and Twitter feeds, and published an informational article about fraud and associated penalties in the fourth quarter edition of the California Employer newsletter. The Integrity Marketing Campaign ended in February 2016 when the grant funds were exhausted.

FUTURE UI PROGRAM ENHANCEMENTS

The EDD continues to monitor, research, and investigate systems and activities in order to detect and prevent fraud within the UI program. As the EDD increasingly moves toward electronic online systems, to deliver UI services to its clients, the need to maintain the security and integrity of the program is a high priority. California has taken a lead role in developing system enhancements for the detection and prevention of fraud within the UI program. The following fraud detection and prevention system enhancements to the UI program are currently being developed:

- **Fraudulent Claim Profiles** are being established to institute ongoing system checks for identification of claims that fit fraud patterns.
- In October 2015, EDD formed a **Fictitious Employer Task Force** comprised of management from Tax Branch, UI Branch, and Policy, Accountability and Compliance Branch's (PACB) ID to focus on identifying potential Fictitious Employer (FE) schemes. The workgroup meets on a bi-weekly basis (or more often, if necessary) to continue the strong collaborative effort for fine-tuning the enterprise strategy. The FE detection process is being mapped to include all partner responsibilities across the three branches and delineate the role each branch plays in detecting and following up on any suspected FE activity. While the goal is to eventually eliminate FE activity, the interim goal is to minimize the cost FE activity has to EDD programs.

EMPLOYMENT TAX PROGRAMS

The EDD is one of the largest tax collection agencies in the United States, collecting UI, DI, Employment Training Tax, and State Personal Income Tax withholdings. Only the Internal Revenue Service (IRS) collects more payroll tax dollars than the EDD. In 2015, the EDD collected \$64.9 billion in California employment taxes, penalties, and interest from over 1.3 million employers.

The EDD Tax Branch's mission is to work with employers to collect state employment taxes and data to support the employment security, child support, and Personal Income Tax programs. The EDD is committed to reducing unfair business competition and protecting the rights of workers by coordinating the joint enforcement of tax, labor, and licensing law; detecting and deterring employment tax violations in the underground economy; and educating customers to increase compliance with tax laws. The EDD has field presence throughout the State and also conducts out-of-state audits to provide enforcement, education, and assistance. The Tax Branch takes a blended approach to combating the underground economy through the following:

- **Outreach and Education** – The Tax Branch has a variety of methods for outreach and education targeted and accessible to employers, employees, tax professionals, and the general public. The outreach and education is tailored towards encouraging and maximizing voluntary compliance and deterring businesses from operating in the underground economy.
- **Administrative** – The Tax Branch has administrative methods of enforcing the employment tax laws: the Tax Audit Program issues assessments for payroll taxes due and any applicable penalties and interest to employers located in the State and to out-of-state employers, with California workers. When appropriate, penalties for intent to evade and/or fraud may be applied. The Tax Branch performs follow-up audits to confirm continued compliance. The Tax Branch continually works on identifying new and different methods to promote and verify prospective compliance.
- **Criminal** – The Investigation Division (ID) has a specialized law enforcement unit that investigates criminal violations of the California Unemployment Insurance Code (CUIC), the California Penal Code, and the United States Code for federal prosecution. They conduct criminal investigations involving employer collusion in the underground economy, employer failure to register and report wages paid to employees, and collaborate on Workers' Compensation Insurance investigations related to state payroll tax violations. They conduct surveillance, perform undercover operations, interview witnesses, initiate search warrants, and submit completed investigations to prosecutors to convict individuals who commit employment tax fraud. The EDD determines if the convicted party made restitution, is still on active probation, and obeys all laws with respect to the future filing of returns and payments. The conviction itself and the collection of the tax liabilities play an integral part in deterring the underground economy. The Tax Branch and ID leverage resources, share best practices, and work together to combat the underground economy.

The following are some Tax Branch specific efforts in combating the underground economy:

- In 2015, the **Tax Audit Program** conducted 7,209 audits and investigations, resulting in assessments totaling \$201,620,977, and identified 96,039 unreported employees. The EDD has the authority to issue assessments that are **immediately** delinquent and collectable if it is determined that the collection of the assessment is jeopardized by delay. The Tax Audit Program, Collection Division, and Legal Office work together to properly establish and collect on these types of assessments.
- The **Interagency Tax Collection Committee** is an alliance with the EDD, Franchise Tax Board (FTB), Board of Equalization (BOE), IRS, Attorney General, State Controller and various county recorders. It provides a forum to share common collection practices in order to increase compliance and resolve collection issues. It also allows the agencies to meet and share information about their collection programs, focusing on common, competing and overlapping functions including bankruptcy, lien, and levy issues. It is intended to foster communications and allow collection staff to meet their counterparts, establish working relationships, and encourage cooperation on common tax collection issues.
- The **Joint Enforcement Strike Force (JESF)** was established in October 1993, by Executive Order W-66-93 to combat the underground economy by pooling resources and sharing data among the State agencies charged with enforcing licensing, labor, and payroll tax laws. On January 1, 1995, Section 329 was added to the CUIIC, which placed the provisions of the Executive Order into law. The EDD is the lead agency for the JESF. The JESF is responsible for enhancing the development and sharing of information necessary to combat the underground economy, to improve the coordination of enforcement activities, and to develop methods to pool, focus, and target enforcement resources.

The JESF is empowered and authorized to form joint enforcement teams when appropriate to utilize the collective investigative and enforcement capabilities of the JESF partners. The partners include, but are not limited to the: EDD; Department of Industrial Relations (DIR); Department of Consumer Affairs - Contractors State License Board (CSLB), Bureau of Automotive Repair, and Bureau of Security Investigative Services; California Department of Insurance; Department of Justice; FTB; BOE; Department of Labor (DOL); Alcoholic Beverage Control (ABC); IRS; district attorneys throughout California; and local law enforcement. The EDD's enforcement efforts undertaken by the JESF to combat the underground economy include:

- Conducting unannounced site inspections to identify employers operating in the underground economy by interviewing owners, managers, and workers. The goal is to identify and bring into compliance individuals and businesses in the underground economy that are in violation of payroll tax, labor, and licensing laws.
- Utilizing various databases, income tax return analysis, along with informant information to conduct in-depth desk investigations of employers suspected of operating in the underground economy. When noncompliance is detected, the case is referred to the Tax Audit Program.

- Collaborating efforts between the EDD and IRS to allow for an exchange of case information regarding unreported wages and/or misclassified workers. This multiagency compliance approach presents a united effort to taxpayers and their representatives that both the federal and State agencies work together to enforce tax laws.
- Targeting of industries known for high levels of noncompliance with licensing, labor, and payroll tax laws.
- Pursuing administrative actions to address employer noncompliance detected via the JESF efforts, or for cases warranting criminal investigation, ID's Criminal Tax Enforcement Program works with law enforcement agencies and the JESF partner agencies to identify and prosecute those responsible for the criminal activities.
- The **Labor Enforcement Task Force (LETF)** was initially formed in 2005 as the Economic and Employment Enforcement Coalition and began operating as the Labor Enforcement Task Force in January of 2012. The LETF is responsible for ensuring that California workers receive proper payment of wages and are provided a safe work environment; ensuring that California receives all employment taxes, fees, and penalties due from employers; eliminating unfair business competition by leveling the playing field; and making efficient use of State and federal resources in carrying out its mission. The DIR leads this multi-agency coalition. The LETF partners include the: DIR; EDD; Department of Consumer Affairs – Contractors State License Board and Bureau of Automotive Repair; BOE; California Department of Insurance; and State Attorney General and district attorneys throughout California.
- The **FedState Tax Partnership** is an ongoing alliance between the FTB, EDD, BOE, and IRS. The mission of the FedState Tax Partnership is to develop and maintain a partnership that increases tax compliance and provides greater convenience to taxpayers. The FedState Tax Partnership goals include: enhancing taxpayer access to information and services; reducing taxpayers' burden; increasing voluntary compliance; increasing the sharing of taxpayer data among the partner agencies to enhance compliance activities; enhancing communication among the tax partner agencies regarding current and long-range agency specific projects; and identifying opportunities to leverage resources among the partner agencies.
- The **Compliance Development Operations (CDO)** within the Tax Branch identifies and makes assessments of UI rate differences when reserve accounts are transferred by employers attempting to unlawfully attain lower UI tax rates through rate manipulation schemes. The CDO screens and provides lead development for out of state, in-state, industry specific, and other forms of allegations. In addition, CDO also captures allegations of non-compliance submitted through the Underground Economy Fraud Hotline, correspondence, and electronic mail, which are screened and referred for audit. The CDO serves as the primary lead development organization for the Tax Audit Program and includes a number of programs that are described in the next section of this report.

COMPLIANCE DEVELOPMENT OPERATIONS AND RELATED AUDIT AND INVESTIGATION RESULTS DURING CY 2013 THROUGH 2015

The following table illustrates CDO's cumulative activities and lead development results for the last three years:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Joint Inspections	1,879	1,437	1,488
EDD Audit Referrals	1,419	1,958	1,954
EDD Payroll Tax Audits	919	1,373	1,248
EDD Payroll Tax Assessments	\$35,528,993	\$45,696,214	\$45,521,593
Previously Unreported Employees	18,024	23,926	22,352
Cases w/Fraud Penalty Assessed	40	51	46
Assessments on Fraud Cases	\$3,701,542	\$7,948,685	\$7,849,492

The following table illustrates the audit and investigation results through non-CDO lead sources of employer fraud cases for the last three years:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Cases w/Fraud Penalty Assessed	66	87	89
Previously Unreported Employees	10,775	4,376	7,135
Assessments on Fraud Cases	\$17,139,033	\$22,397,668	\$42,484,291

CDO lead development activities are described below, with results broken down for each program.

The **Employment Enforcement Task Force (EETF)** works with the JESF participating agencies and conducts joint on-site business inspections in response to allegations received about employers operating in the underground economy. The EETF is the first program implemented by the JESF and was created to help meet the legislative intent for this strike force. The following table illustrates EETF's results for the last three years:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Joint Inspections	807	614	583
EDD Audit Referrals	470	518	421
EDD Payroll Tax Audits	251	404	454
EDD Payroll Tax Assessments	\$9,918,286	\$14,698,428	\$16,914,651
Previously Unreported Employees	2,716	4,726	6,147
Cases w/Fraud Penalty Assessed	19	16	20
Assessments on Fraud Cases	\$1,546,578	\$3,302,101	\$4,623,767

The **Tax Enforcement Group (TEG)** develops audit leads by conducting desk investigations of businesses in a variety of industries using various databases and income tax return analysis to detect noncompliance and fraud. The following table illustrates TEG's results for the last three years:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
EDD Audit Referrals	253	202	136
EDD Payroll Tax Audits	175	235	167
EDD Payroll Tax Assessments	\$6,285,275	\$9,993,869	\$8,755,812
Previously Unreported Employees	3,458	6,246	3,585
Cases w/Fraud Penalty Assessed	6	6	5
Assessments on Fraud Cases	\$1,080,816	\$1,858,666	\$593,256

The **LETf** works with participating agencies to carry out LETf's mission and conducts joint on-site business inspections to determine if an audit referral is needed. The following table illustrates LETf's results for the last three years:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Joint Inspections	1,069	823	905
EDD Audit Referrals	696	563	451
EDD Payroll Tax Audits	214	504	440
EDD Payroll Tax Assessments	\$6,414,504	\$12,473,729	\$11,935,391
Previously Unreported Employees	1,483	4,344	5,588
Cases w/Fraud Penalty Assessed	15	29	20
Assessments on Fraud Cases	\$1,074,148	\$2,787,918	\$2,604,330

The **Lead Development and Program Support Group (LDPSG)** captures allegations of non-compliance submitted via the Underground Economy Fraud Hotline, correspondence, and electronic mail. The allegations are screened and forwarded to the appropriate CDO group or the Tax Audit Program for follow-up. The LDPSG also develops tax audit leads on out-of-state employers with operations in California and leads received through certain inter-agency lead exchange agreements. The following table illustrates the number of allegations received and processed by the LDPSG for the last three years:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Underground Economy Fraud Hotline	2,745	3,596	2,993
Underground Economy Mailbox (e-mail)	1,341	1,267	1,578
Correspondence	225	157	200
Total	4,311	5,020	4,771

The following table illustrates the number of audits completed as a result of out-of-state referrals by the LDPSG for the last three years. There were no out-of-state audits with fraud found in any of the three years.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
EDD Payroll Tax Audits	214	183	144
EDD Payroll Tax Assessments	\$12,083,157	\$8,207,435	\$5,990,020
Average Liability Change	\$56,463	\$44,849	\$41,597
Unreported Employees	9,629	8,229	6,783

The **Questionable Employment Tax Practices Program (QETP)** was initiated in 2007 as a collaborative effort between the EDD and IRS. A Memorandum of Understanding was created to allow for exchange of case information. These cases are excellent audit leads for the EDD since the employers in these cases concurred with the IRS findings regarding unreported wages and/or misclassified workers. The following table illustrates the results of the QETP Program for the last three years:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
EDD Payroll Tax Audits	65	47	43
EDD Payroll Tax Assessments	\$827,771	\$322,753	\$1,925,719
Average Liability Change	\$12,735	\$6,867	\$44,784
Previously Unreported Employees	738	382	249
Cases w/Fraud Penalty Assessed	0	0	1
Assessments on Fraud Cases	N/A	N/A	\$28,139

The **UI Rate Equity Group (UIREG)** identifies situations involving Sections 135.2 and 1061 of the CUIC. The UIREG makes assessments of UI rate differences when reserve accounts are transferred by employers attempting to circumvent the UI experience rating system to inappropriately gain a favorable UI rate. The following table illustrates the UIREG workload accomplishments for the last three years:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
CUIC Section 1061			
EDD Payroll Tax Investigations	246	199	281
EDD Payroll Tax Assessments	\$9,347,095	\$5,871,994	\$7,535,189
Average Liability Change	\$37,996	\$29,508	\$26,816
CUIC Section 135.2			
EDD Payroll Tax Investigations	3	10	3
EDD Payroll Tax Assessments	\$0	\$86,359	\$0
Average Liability Change	\$0	\$8,636	\$0

In 2015, ID conducted the following tax enforcement activities independent of JESF:

- The ID investigated a total of 187 ongoing and new payroll tax evasion fraud cases representing a potential tax liability of \$99,915,619. The investigations focused on the following case types: payroll tax fraud (184 cases representing potential tax liability of \$97,376,942) and LETF (3 cases representing potential tax liability of \$2,538,677). The LETF cases represent investigations conducted on employers in the industries identified by LETF.
- The ID filed 10 criminal complaints representing a potential tax liability of \$2,617,289.
- The ID completed 51 criminal prosecutions representing a potential tax liability of \$56,650,246.
- Prevention/Tax Money Collected by EDD: the ID referred conviction cases with tax liabilities in the amount of \$678,151 to EDD's Collection Division for recovery.

- The ID is now partnered with staff from the Tax and Unemployment Insurance Branches to develop a strategy for addressing fictitious employer schemes responsible for perpetrating fraud against EDD. The objective is to identify potential fictitious employer schemes based on thorough and ongoing evaluation of the characteristics/elements of such schemes. The identification of these schemes allows EDD to increase detection and eliminate fraudulent UI and DI benefit claims filed against EDD.

LICENSE SUSPENSIONS/HOLDS REQUESTED

There are three types of licenses that EDD can request other State agencies to suspend/hold if the licensee is delinquent in paying amounts due to EDD:

- **CSLB License Hold:** The Business and Professions Code Section 7145.5 authorizes CSLB to take disciplinary action against a license holder. Once CSLB receives the request from EDD to place a hold, CSLB will suspend the license. In addition, CSLB will search their database for all licenses with the same person of record and suspend those licenses as well. The licenses remain suspended until the delinquency that led to the suspension has been resolved or arrangements have been made to pay it.
- **ABC Liquor License Hold:** The Business and Professions Code Section 24049 authorizes EDD to request from ABC a hold to be placed on certain types of liquor licenses. A hold establishes a priority for EDD to any monies received from the sale of a liquor license and prevents the transfer of a liquor license from the seller to a buyer until the conditions of the hold have been met.
- **Farm Labor Contractor (FLC) License Hold:** The EDD is authorized by CUIC Section 1141 to notify the Labor Commissioner (of the Division of Labor Standard Enforcement Licensing and Registration) in writing that an FLC is delinquent in payment of worker contributions either by self-assessment or by a final EDD assessment. The Labor Code Section 1690.1 authorizes the Labor Commissioner to refuse to issue or renew any license until the licensee has fully paid the amount of the delinquency.

The following table illustrates the number of license suspensions/holds by type requested by EDD for the last two calendar years:

<u>Types of Hold</u>	<u>2014</u>	<u>2015</u>
CSLB	365	631
ABC	63	111
FLC	11	8

The following table illustrates the number of criminal restitution cases monitored and the payments received by EDD on those cases during the last two calendar years:

	<u>2014</u>	<u>2015</u>
Criminal Restitution Cases Monitored	37	79
Payments Received on Restitution Cases	\$773,621	\$1,022,994

The following table illustrates audit assessed amounts that were collected by EDD during the last two years:

	<u>2014</u>	<u>2015</u>
Audit Assessed Amounts Collected	\$23,423,411	\$23,470,682

WORKFORCE SERVICES PROGRAM

Workforce Innovation and Opportunity Act Title I (WIOA): The EDD administers the federally funded WIOA program in California. The WIOA program provides funding to local entities that provide employment and training opportunities. The EDD guides the sub-granting of WIOA funds received from DOL and provides general program direction to local administrative entities that deliver services to eligible clients via a statewide system of WIOA Local Workforce Development Areas (LWDA) and other grantees. The WIOA superseded the Workforce Investment Act (WIA) in July 2015.

The detection and deterrence of fraud in the expenditure of WIOA funds is accomplished through a combination of processes that EDD requires of the local administrative entities. In addition, DOL may occasionally conduct specialized WIOA reviews, which, even though their focus is on the adequacy of the State's management of the program, typically include review of a sample of local administrative entity activities. The program integrity components related to the WIOA program include:

- **Monitoring Reviews** determine whether programs operate in compliance with WIOA, and applicable federal, State, and local rules and regulations, and impose corrective action for any deficiencies.

Each LWDA administrative entity, as a condition of receiving WIOA funds, is required to maintain and operate a monitoring system that ensures that each of their sub-recipients are monitored on-site at least once during each program year in both fiscal and program areas. In addition, EDD conducts monitoring of LWDA administrative entities and all other recipients of WIOA funding.

- **Incident Reporting System** provides reports of fraud, abuse, and criminal activity within the WIOA program. Each local administrative entity, as a condition of receiving WIOA funds, participates in this system by being alert to indications and allegations of WIOA-related fraud, abuse, and criminal activity, and by maintaining procedures that ensure that violations are reported promptly (within 24 hours of detection). The EDD then takes action to ensure the allegations are investigated and resolved.
- **Single Audits** are required of LWDA administrative entities and their subcontractors that expend an aggregate of \$750,000 or more in federal funds for fiscal years ending after December 26, 2014. These audits are required by the provisions of Title 2 Code of Federal Regulations Part 200, Subpart F, Audit Requirements. Further, commercial subcontractors that expend \$750,000 or more in federal funds to operate a WIOA program must obtain either an organization-wide audit or an independent financial and compliance audit. These audits are usually performed annually, but must be performed not less frequently than once every two years. Audits of local sub-recipients are resolved by the local administrative entity and audits of the local administrative entities and other direct grantees are resolved by EDD. The EDD may also conduct special WIOA audits as warranted.
- **Workforce Services Division** program staff oversees the delivery of services by WIOA funded organizations. Staff provide ongoing programmatic and fiscal

technical assistance to WIOA funded projects. Staff also review WIOA grantee participant and financial records to ensure that they follow applicable State and federal requirements, and each grantee adheres to the terms and conditions of their grant with EDD.

- **Regulatory Controls** provide for additional fraud protection. The DOL provides a Hot Line telephone number (800) 347-3756 to report fraud and abuse complaints. This Hot Line functions as a national control point. Another control point is that the WIOA program prohibits contracting or doing business with any agency that has been disbarred (e.g., license revoked, de-certified). Additionally, the WIOA regulations have established controls against nepotism.

Wagner-Peyser Act: The EDD administers the federally funded Wagner Peyser Act program in California. This program provides funding for EDD field staff to provide employment training opportunities throughout California. The EDD staff deliver services to eligible clients via a statewide system utilizing the America's Job Centers of California framework, while providing job matching services to the employers of California.

The primary tool utilized directly by clients (both job seekers and employers) is the California Job Opening Browse System (CalJOBSSM). Through CalJOBSSM, clients can use self-service options, and EDD staff can refer job seekers to jobs, workshops, and appointments while also using the system to track services for the federally mandated participant reports. The EDD continually ensures that client data is kept confidential and works with the vendor to ensure that CalJOBSSM maintains its program integrity and the most up-to-date security. The program integrity components related to CalJOBSSM include:

- **Access to Confidential Data** is limited by various internal safeguards which have been implemented including system generated reports listing suspicious activity, blocking job seekers' SSNs in the system (and removing confidential data from any canned reports), and giving job seekers the option to suppress their contact and personal information. Job seekers may omit personal information on résumés and provide it only to those with whom they would like to share it.
- **Employer Vetting** is completed on every employer granted access to the system. This validation process performed by EDD staff includes a confirmation that each employer who registers is a California employer with verified identifiers including a valid tax identification number. Although employers are manually vetted and automated features are in place to report suspicious activity, a small percentage of employers were identified as fraudulent in 2015 and were immediately locked out and prevented from accessing the system. Legitimate California employers continue to have the option to search for and contact qualified candidates through internal CalJOBSSM messaging. The EDD continues to closely monitor and immediately respond to suspicious employer activity in order to ensure California jobseekers are protected. Stronger warning messages and additional cautionary language informing job seekers of the dangers of potentially fraudulent employers and information on how to detect them has also been added to the CalJOBSSM website.

- **Document Management and Scanning functionality** was implemented in 2015 as a CalJOBSSM enhancement, reducing the need for paper files and streamlining the right to work documentation process. Job seekers are encouraged to use the system for job searches and assistance; however, in order to receive staff-assisted services, they are required to provide documents proving their right to work. Copies of these documents are currently copied manually and kept in local hard copy files. The implementation of this new module allows the electronic storage of these documents within CalJOBSSM. The replacement of hard copy files will assist in proving job seekers are eligible to work, eliminating the need for job seekers to carry these documents with them every time they are provided services, reducing the chances of lost or misfiled documents, and increasing efficiency in managing the documents both locally and remotely.

RESULTS/ACCOMPLISHMENTS DURING CY 2015

The Compliance Resolution Unit makes determinations on incident report allegations, findings contained in audit reports, and findings contained in monitoring reports. The resolution of these cases is based on the proper expenditure of WIOA, WIA, and American Recovery and Reinvestment Act funds. Although the American Recovery and Reinvestment Act and WIA programs have ended, activity continues to resolve those fraud and abuse cases.

During CY 2015 the Compliance Resolution Unit processed 130 cases, 68 of which were resolved. At the end of the year, 62 on-going cases for a total of \$15,068,095 in questioned costs remained open in various stages of the State resolution process.

- The \$15,068,095 applies to 21 of the 62 cases for which EDD has been able to determine the potential disallowance.
- The remaining 41 cases are in various stages of resolution and fact-finding by the Compliance Resolution Unit, Workforce Services Division, LWDA or other sub-grantees. These activities may also involve investigations by local law enforcement, DOL, or the Office of Inspector General.

INDEPENDENT OVERSIGHT ACTIVITIES

The EDD's Policy Accountability and Compliance Branch performs independent departmental oversight activities of EDD programs, including fraud detection and deterrence. Fraud detection and deterrence are accomplished through sound internal control structures, internal and external audits, risk assessments, detailed quality control reviews, and criminal investigations. The PACB has increasingly taken an active role to prevent, detect, and deter fraud within and across EDD's programs through partnerships with internal and external entities.

Fraud in EDD programs covers a variety of offenses, such as: fictitious employer registrations to establish future fraudulent UI and DI claims; forgery of claim documents; identity theft/claims filed by impostors based on the wage credits of others; impostors taking over the claims of others who are deceased or returned to work; false certifications by medical practitioners and claimants; underground economy tax evasion such as underreporting or failure to report employee wages and taxes; and internal fraud by EDD employees.

The PACB performs audits in accordance with the Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing, which are promulgated by the Comptroller of the United States and the Institute of Internal Auditors. These standards require auditors to possess the knowledge, skills and other competencies needed to perform audits, including sufficient knowledge to identify the indicators of fraud and to evaluate the adequacy and effectiveness of controls encompassing the organization's operations and information systems that are used to detect illegal activities and deter fraud. Audit independence is achieved by reporting to a level within the enterprise that allows the audit organization to fulfill its responsibilities.

The following addresses the various components of PACB's fraud deterrence and detection activities; many of these activities are also included under the specific EDD program areas.

- **Independent Internal and External Audits** are conducted of departmental operations and recipients of federal funds such as LWDA and community-based organizations, over which EDD has administrative and program oversight responsibility. These audits are performed at the request of EDD management, or in response to issues resulting from EDD program monitoring activities or received incident reports.
- **Independent Internal Control Audits** assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency. The EDD considers a strong system of internal controls to be a major deterrent to internal fraud. The PACB provides technical assistance to EDD staff prior to and during the system design phase to ensure appropriate internal controls are developed and in place. The EDD believes that it is more cost effective to build controls into the system, as opposed to raising internal control issues during an audit, which may require system redesign.

- **Technical Assistance** is provided by the PACB to EDD staff prior to and during the system design phase of automation projects to ensure appropriate internal controls are developed and in place. The EDD believes that it is more cost effective to build controls into the system, as opposed to raising internal control issues during an audit, which may require system redesign.
- **On-site Monitoring Reviews of WIOA** are conducted to determine fiscal and program compliance. The EDD is required by DOL to perform scheduled on-site monitoring reviews of sub-recipients and sub-grantees of federally funded programs, including WIOA.

The monitoring reviews include regularly scheduled examinations of both fiscal and programmatic systems and records. This oversight provides EDD with an opportunity to ensure that internal control structures are in place and that they function as prescribed. The PACB provides fraud deterrence by continually ensuring that proper safeguards are in place to discourage fraudulent activity. Monitors are alert to symptoms and conditions that may be indicators of illegal activities.

- The **WIOA Incident Reporting** provides a reporting and follow-up process for allegations of program fraud and abuse. The PACB receives and tracks incident reports and submits them to DOL for its determination whether to conduct the investigation itself, or refer the reports back to EDD for investigation. Based on DOL's determination, EDD may investigate the incident and take appropriate action against the grant recipients.
- **Criminal Fraud Investigations** are conducted by ID to prevent, detect, and deter fraud committed against the UI, DI and Tax programs, and other programs administered by EDD. The ID develops cases for criminal prosecution at the county, State, and federal level.

Whenever appropriate, EDD seeks prosecution of perpetrators that commit fraud against EDD programs. Publication of the prosecutions and the heightened awareness of EDD's actions against both external and internal fraud provide a deterrent effect. Fraud deterrence also includes court ordered restitution and imprisonment or probation for individuals who commit fraud against EDD programs. Restitution includes recovery of benefit overpayments, tax liabilities, penalties, interest, investigation costs, and any other monies determined by the court to be owed to EDD by an entity or individual.

A deterrent used in ID's internal investigation cases is the initiation of adverse action against EDD employees. The adverse action process includes suspensions, demotions, reductions in pay, dismissal from State service, and/or criminal prosecution.

- The PACB utilizes several methods to detect fraud in EDD programs, receive leads to identify additional fraud, or obtain evidence in an investigation. The results of PACB's investigative activities for CY 2015, as well as the previous two CYs are covered in the DI, UI, and Employment Tax sections of this report. Such methods include:

- The Fraud Tip Hot Line, telephone number (800) 229-6297, is available for the public to report allegations of fraud against the UI program, the DI program, and other programs administered by EDD.
- The EDD Website (www.edd.ca.gov) has a link to a fraud reporting form so the public can report, via the Internet, allegations of fraud against programs administered by EDD.
- The PACB participates in task forces with other State and federal law enforcement agencies such as the California Department of Insurance, FTB, IRS, DOL, United States Postal Inspectors, and prosecutors.
- The Audit and Evaluation Division conducts forensic accounting and audit examinations in response to requests for assistance from ID.
- The ID's CIU develops strategic and tactical intelligence for investigative planning and case identification, and assists program managers to identify areas of focus to prevent and detect fraud. The CIU works with EDD program managers to identify characteristics of fraud and uses technology to screen claims for potential fraudulent activities. The CIU is currently gathering and analyzing data from claims filed and investigative cases worked to gain insight into the fraudulent trends being employed against EDD. Strategies that EDD can use to counter this fraudulent activity can then be developed or enhanced.

The use of EDD's Business Intelligence Competency Center is helping CIU to utilize complex software to improve data mining to prevent and detect fraud in EDD. The Business Intelligence Competency Center is used to improve CIU's fraud detection efforts by conducting in-depth data analyses and identify patterns and trends that will serve as potential indicators of fraudulent activity.

- The EDD ID has recently completed one year evaluation of the Pondera Solutions' Fraud Detection as a Service to detect potential fraud or overpayments occurring in the UI benefit program. This technology allows EDD to use powerful analytics and predictive modeling to quickly identify suspicious patterns requiring further investigation. The program uses various data sources to detect fraud that would otherwise fraudulently take dollars from the UI Trust Fund. Evaluation of the data gained in this one year project is currently underway to determine next steps.
- The EDD is preparing to implement a more robust link analysis tool to add to their fraud fighting tools. This product will help EDD visualize and investigate potentially collusive activities by visually displaying relationships between people, places, and events involving suspected fraudulent activity.

ENTERPRISE-LEVEL ACTIVITIES

The EDD has increasingly taken an enterprise-wide approach to identify and combat fraud within and across programs. Additionally, EDD is continually seeking new approaches to prevent, detect, and deter fraud, through partnerships with both internal and external entities. This section summarizes enterprise-level anti-fraud efforts undertaken during 2015, and those activities that are under consideration for future implementation.

New and Expanded Internal and External Partnerships

- The ID, jointly with both the UI and DI programs, continues to identify claim or payment characteristics that are indicative of fraud. The ID built fraud detection rules into the SDI Online and CUBS applications to more easily identify fraud. Additionally, ID has a close partnership with staff in the UI, DI, and Tax Branches that work collaboratively to combat fraud in the respective programs.
- An expanded partnership between ID and the Audit and Evaluation Division has enabled more thorough and timely analysis of large volumes of accounting data as a tool to identify and analyze perpetrators' fraudulent activities and develop investigative leads.
- The ID maintains an effective partnership with Tax Branch staff for addressing fictitious employer schemes. The objective is to identify schemes based on thorough and ongoing evaluation of their characteristics/elements to increase detection and eliminate fraudulent UI and DI benefit claims filed.
- The ID has continued to foster joint investigative activities with DOL and the United States Attorney, as a means to develop and share fraud leads, and more effectively investigate and prosecute perpetrators of fraud.
- The ID coordinates with partner investigative/enforcement agencies to publicize joint investigative, arrest, indictment, and prosecution actions, with the intent of deterring fraud perpetrators.

Recent Internal and External Partnership Enhancements

- Expanded EDD investigator participation in local level task forces, including the Tax Recovery and Criminal Enforcement Task Force, Joint Employment Strike Force (JESF), the Labor Enforcement Task Force (LETf) and the FedState Tax partnership, to enhance local level collaboration.
- Enhanced partnerships with agencies such as the Department of Consumer Affairs, the Department of Industrial Relations, the California Department of Insurance, the Franchise Tax Board, the Board of Equalization, the Department of Justice, the Contractors State License Board, the Bureau of Automotive Repair, the California Department of Alcoholic Beverage Control, the United States Department of Labor, and the Internal Revenue Service, or working directly with District attorney's offices on targeted projects.

- Increased marketing efforts to educate the public on the consequences associated with committing fraud, including:
 - Providing websites to educate employers and claimants on the Underground Economy and benefit fraud, including steps the EDD is taking to combat fraud
 - Providing a variety of information sheets and publications are available to the public, businesses, and taxpayers. These publications include:
 - *Joint Enforcement Strike Force Brochure* (DE 665)
 - *Information Sheet: Employment Enforcement Task Force* (DE 631)
 - *Information Sheet: Employment Development Department Underground Economy Operations* (DE 631UEO)
 - EDD staff conducting outreach presentations to business and labor organizations throughout the state and to representatives of local government agencies.
 - The EDD inserting fraud prevention materials with employer mailings and with claimant's Continued Claim Certification forms. The materials are intended to remind claimants of certain activities that the EDD considers fraudulent and the penalties associated with same.
- Developed a cross-program approach to fraud detection, deterrence, and prevention activities. The ID works closely with the UI and DI programs to develop joint strategies for early detection and prevention of fraud.

Automated Fraud Detection and Prevention Tools Under Consideration

- Real-time capture and geospatial display of claim filing activity.
- Automated interfaces with other governmental agency databases.
- An identity management approach employing knowledge-based authentication to validate the true identity of those applying for EDD benefits online or via the telephone.

ACRONYMS

ABC	California Department of Alcohol Beverage Control
BOE	Board of Equalization
CalJOBS SM	California Job Opening Browse System
CCR	Continued Claims Redesign
CCNPAU	Call Center Network Platform and Application Upgrade
CDO	Compliance Development Operations
CIU	Criminal Intelligence Unit
CSLB	Contractors State License Board
CUIC	California Unemployment Insurance Code
CY	Calendar Year
DI	Disability Insurance
DMV	Department of Motor Vehicles
DOL	Department of Labor
EDD	Employment Development Department
EDDCAN	Employment Development Department Customer Account Number
EDD Web-Cert SM	Employment Development Department Web Certification
EETF	Employment Enforcement Task Force
EUC	Emergency Unemployment Compensation
FE	Fictitious Employer
FLC	Farm Labor Contractor
FTB	Franchise Tax Board
ID	Investigation Division
IME	Independent Medical Examination
IRS	Internal Revenue Service
IVR	Interactive Voice Response
JESF	Joint Enforcement Strike Force
LDPG	Lead Development and Program Support Group
LETF	Labor Enforcement Task Force
LWDA	Local Workforce Development Area
NER	New Employee Registry
OP	Overpayment
PACB	Policy, Accountability and Compliance Branch
PFL	Paid Family Leave
PIN	Personal Identification Number
PIU	Program Integrity Unit
SDI	State Disability Insurance
SSN	Social Security Number
TEG	Tax Enforcement Group
TPA	Third Party Administrators
UI	Unemployment Insurance
UIREG	Unemployment Insurance Rate Equity Group
UI SIDES	Unemployment Insurance Separation Information Data Exchange System
WIA	Workforce Investment Act
WIOA	Workforce Innovation and Opportunity Act Title I

This report was prepared by the Policy, Accountability and Compliance Branch of the
California Employment Development Department

Labor and Workforce Development Agency Secretary
David Lanier

Employment Development Department Director
Patrick W. Henning Jr.

For more information, please call (916) 654-7249

EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling 916-654-7249 (voice) or TTY users, please call the California Relay Service at 711.



STATE OF CALIFORNIA

LABOR AND WORKFORCE DEVELOPMENT AGENCY

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