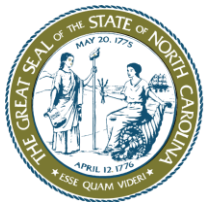


Implementation of Unemployment Benefits during the COVID-19 Pandemic



NC DEPARTMENT
of COMMERCE
EMPLOYMENT SECURITY

Jan. 26, 2021

Pryor Gibson, Assistant Secretary
N.C. Division of Employment Security

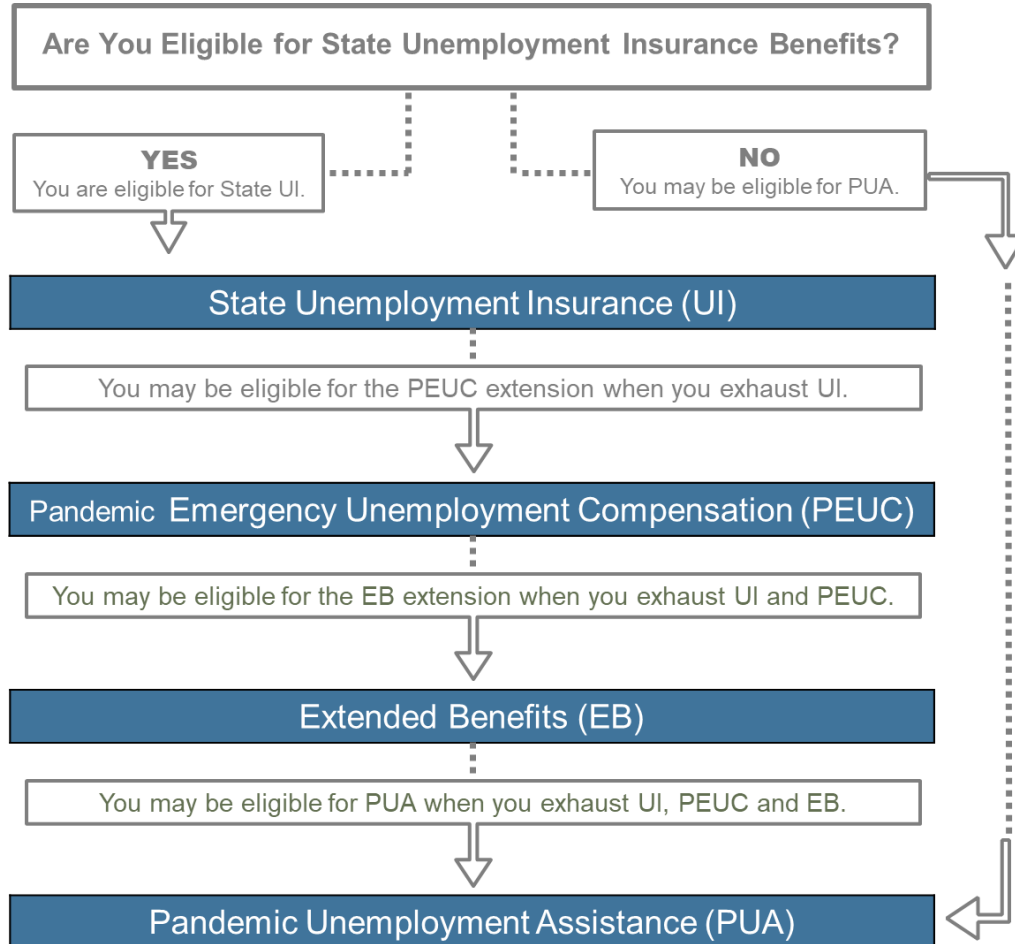
Overview of the Division of Employment Security COVID-19 Response



Since March 15, 2020:

- More than **3.2 million unemployment claims** have been filed.
- More than **1.4 million North Carolinians** have applied for unemployment benefits.
- DES has issued **\$9.6 billion** in benefits and is administering **nine state and federal benefit programs**.

Unemployment Benefit Programs in North Carolina



- Nine different state and federal unemployment assistance programs.
- All but the state's regular unemployment insurance program were put into place after March 2020.
- Required federal guidance and reprogramming of the SCUBI benefits system.

Supplementary Unemployment Benefits

These benefits are paid on top of weekly UI, PEUC, EB or PUA benefits.

Federal Pandemic Unemployment Compensation \$300 (FPUC)

Mixed Earner Unemployment Compensation (MEUC)

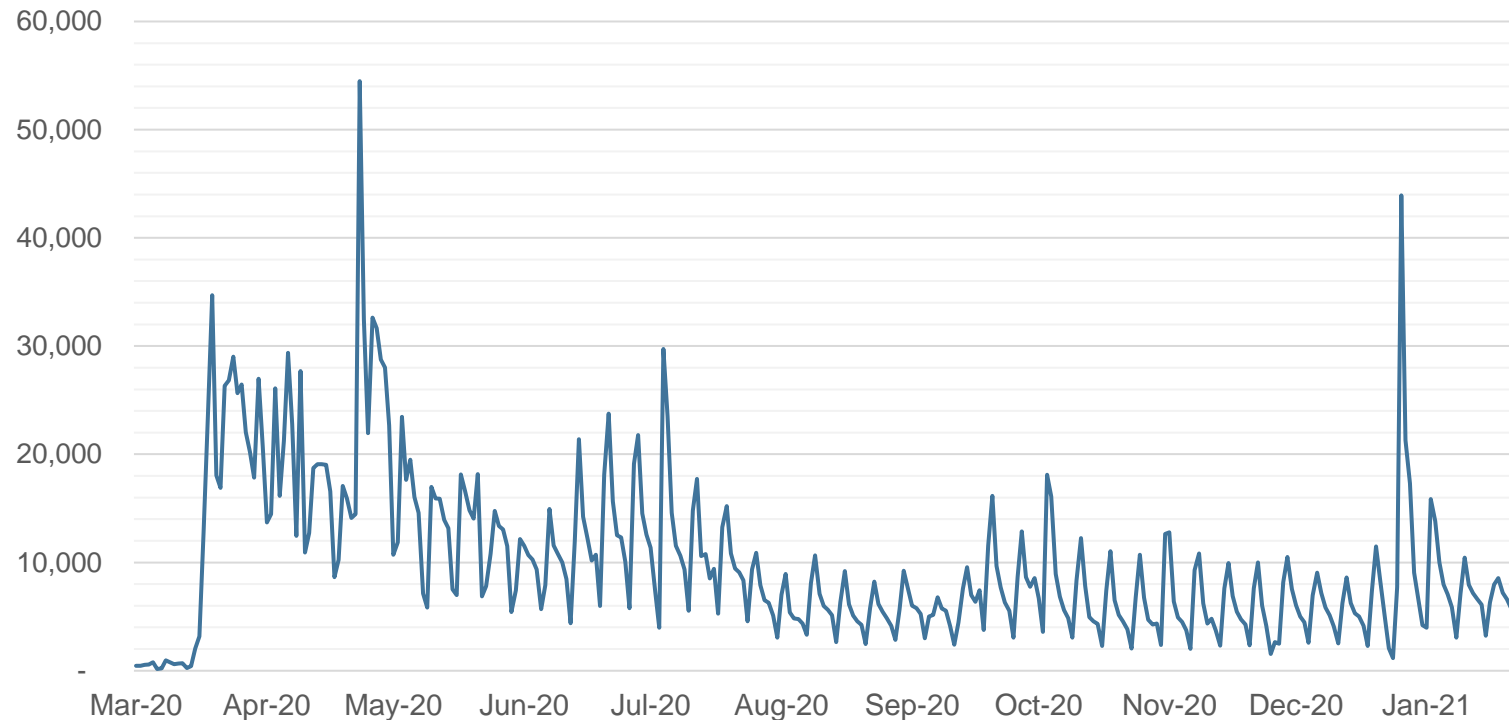
Increased Benefit Amount (IBA)

Lost Wages Assistance (LWA)

Federal Pandemic Unemployment Compensation \$600 (FPUC)

More than 3.2 million claims have been filed since March 15, 2020.

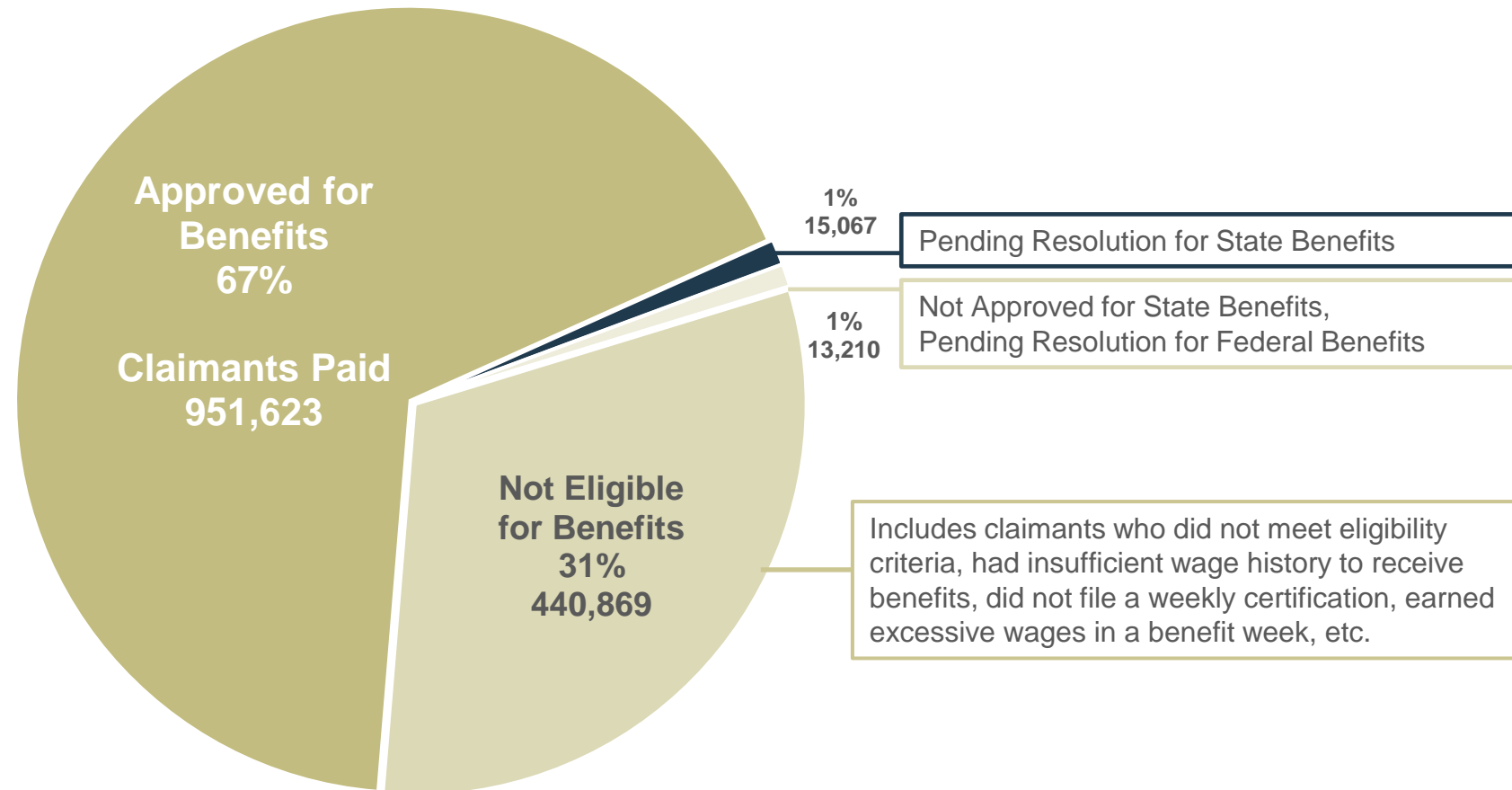
Claims Filed Per Day



- Pre-pandemic, approximately 3,000 claims were filed a week.
- The highest one-day total was 54,000 claims on April 24.
- Federal guidelines require claimants to file separate claims for different programs.
- Spikes have occurred when new programs were implemented and when large numbers of claimants move from one program to the next.

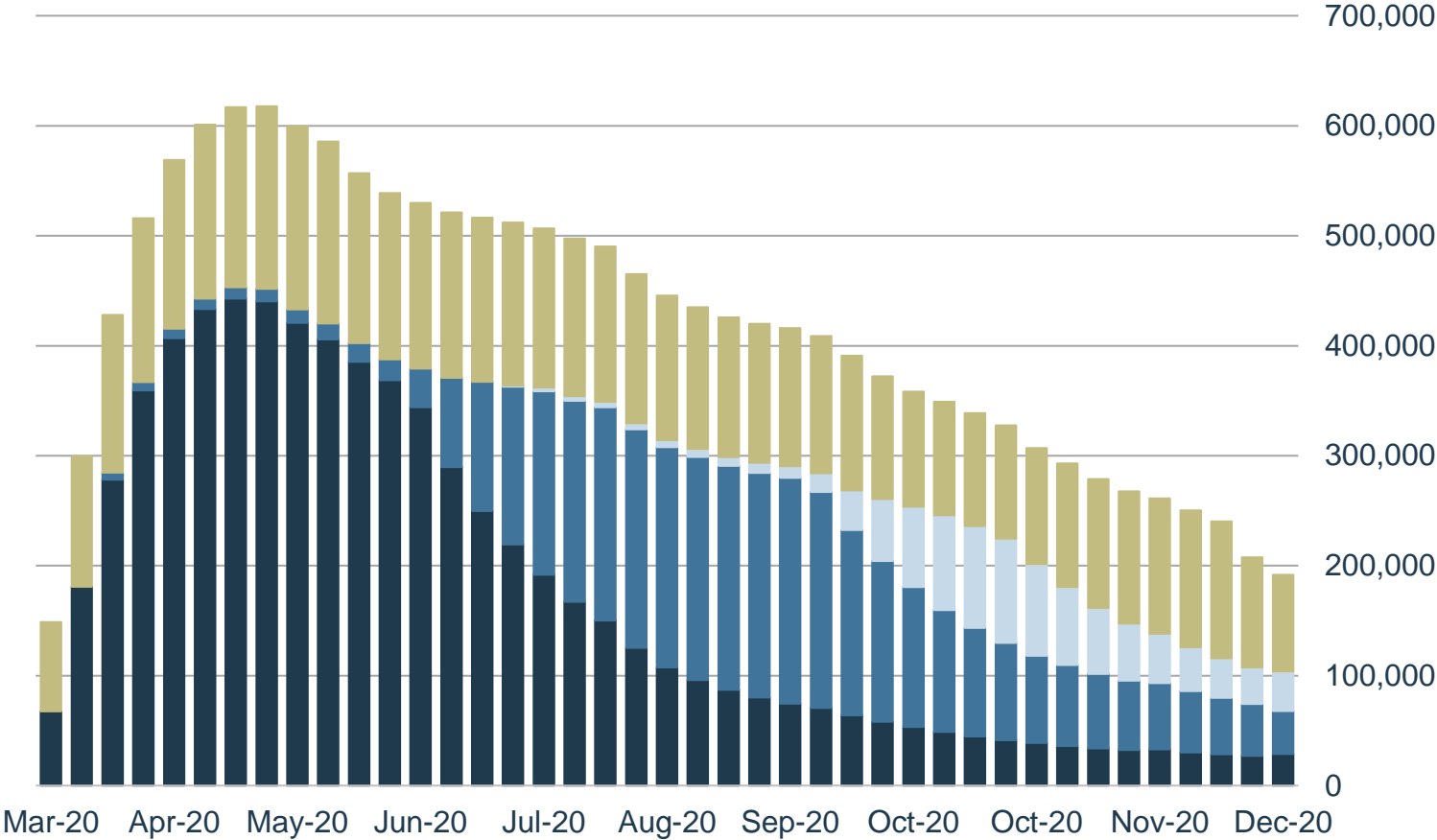
More than 1.4 million North Carolinians have applied for unemployment benefits.

- More than 950,000 people have received at least one benefit payment.
- 440,000 have been found not eligible for benefits.
- DES has made steady and significant progress on clearing the backlog of claims.



Number of Claimants Paid by Program by Benefit Week

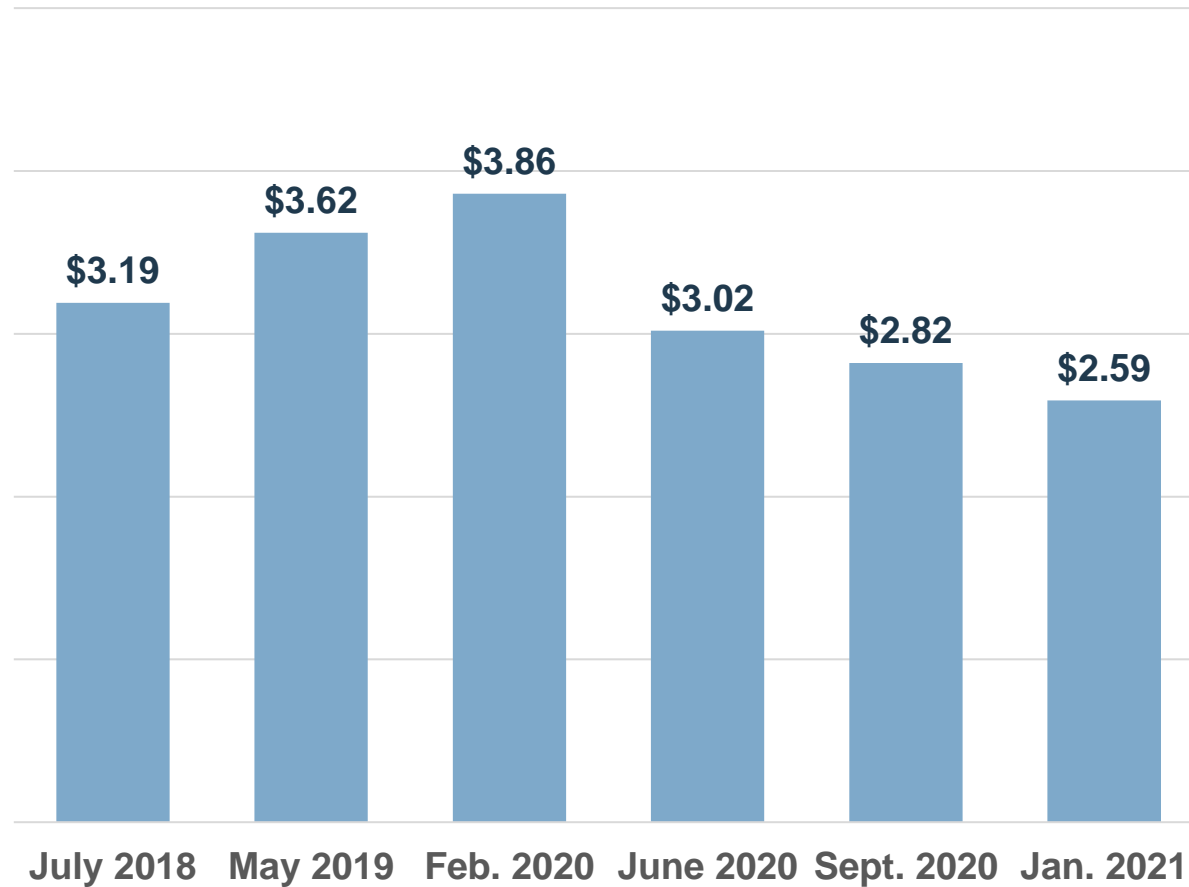
Pandemic Unemployment Assistance (PUA)	
Extended Benefits (EB)	
Pandemic Emergency Unemployment Compensation (PEUC)	
State Unemployment Insurance (UI)	



DES has issued more than \$9.6 billion in benefits.

Payments by Program As of Jan. 25, 2021	
\$1,826,217,202 State Unemployment Insurance	State unemployment insurance benefits are paid out of the UI Trust Fund.
\$820,616,878 Pandemic Emergency Unemployment Compensation	
\$217,796,524 Extended Benefits	Funded with federal funds.
\$865,578,122 Pandemic Unemployment Assistance	
\$5,144,563,376 Federal Pandemic Unemployment Compensation	
\$591,827,901 Lost Wages Assistance	Funded with FEMA funds.
\$137,041,152 Increased Benefit Amount	Funded with Coronavirus Relief funding and federal funding.

Unemployment Insurance Trust Fund Balance in Billions



- The UI Trust Fund reached an all-time high of \$3.857 billion in February 2020.
- The surge in claims that began in March 2020 had an immediate impact.
- The balance as of January 2021 is \$2.59 billion.

System Upgrades and Customer Service Improvements



DES acted immediately to upgrade and improve its processes, technology and customer service after the surge in unemployment claims related to COVID-19.

- Upgraded systems and added capacity to handle large volumes of incoming claims and calls.
- Ramped up staffing from approximately 500 employees before the pandemic to a staff of more than 2,500 permanent, temporary, redeployed, contracted, intern and retired employees.
- Stood up and staffed a new call center that added up to 1,800 agents to handle the incoming calls.
- Configured call center in the cloud through Amazon Connect to offer agility, scalability and improved working capability.
- Tripled ability to print and mail the millions of documents DES is statutorily required to send.

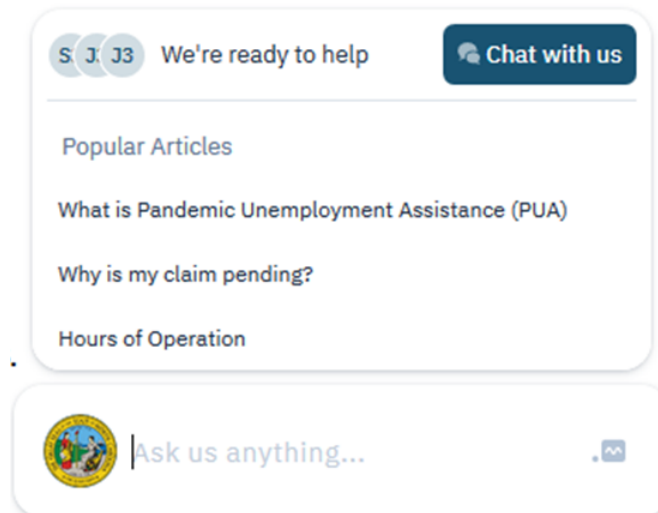
System Upgrades and Customer Service Improvements

- **Claim Status Updates:** Claimants can now get updates on the status of their claim online or by phone at any time. Since its launch in June, the online claims status tracker has been viewed more than 42,000,000 times.

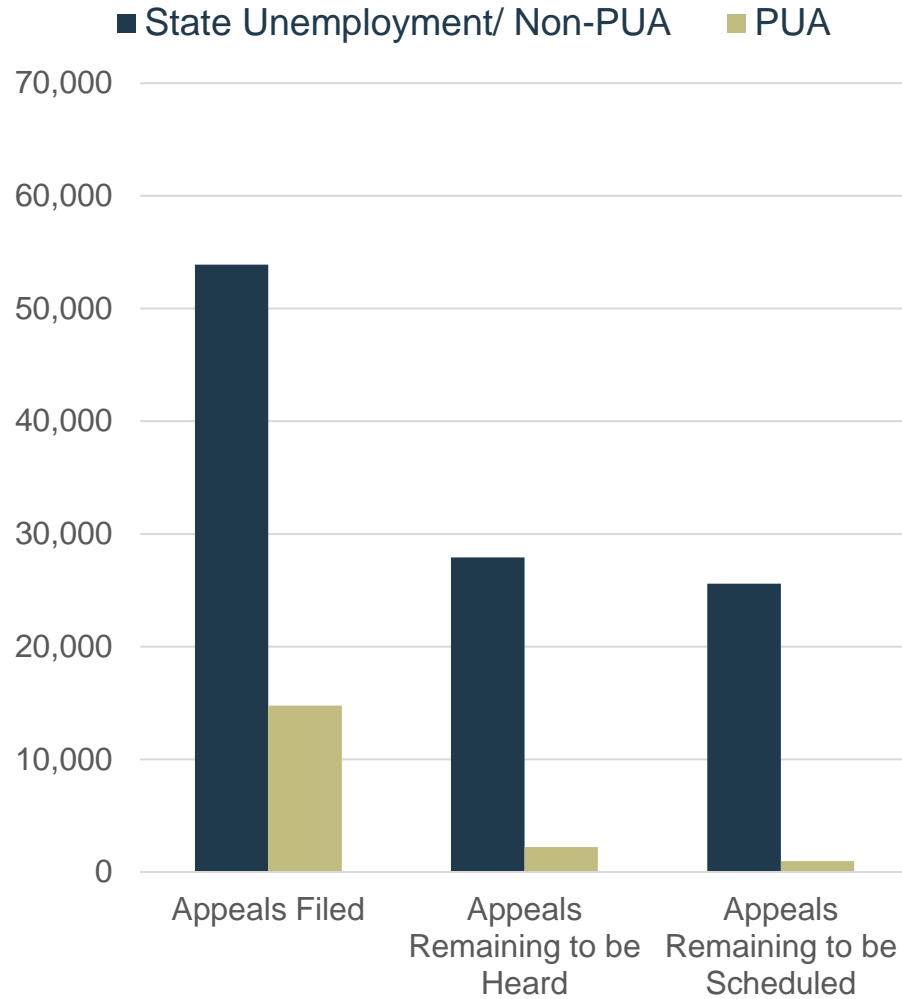


An eligibility determination has been completed and payment should be released if there are no other pending issues. A copy of the determination will be available on your My Document page within 48 hours of the decision.

- **Live Chat:** Launched convenient option to connect with an agent online.
- **Call Back Option:** Caller may select a call back from an agent, rather than waiting in a hold queue for assistance.
- **Claimant ID Recovery:** Implemented self-service feature that allows a user to quickly recover account information by email or through verification questions.



Appeals



Reducing the Appeals Backlog

- Went from 20 appeals referees to 92.
- Trained new appeals referees to reduce the backlog of Pandemic Unemployment Assistance (PUA) appeals first.
- Now shifting resources to complete the non-PUA backlog and scheduling remaining non-PUA appeals.

Continued Assistance Act Benefits: Where are we now?



DES is implementing the provisions of the federal Continued Assistance Act signed into law on Dec. 27, 2020.

- All claimants who are currently receiving benefits are receiving an additional \$300 in Federal Pandemic Unemployment Compensation (FPUC) on top of their regular weekly benefit amount.
- Claimants who had a remaining balance of Pandemic Unemployment Assistance (PUA) or Pandemic Emergency Unemployment Compensation (PEUC) benefits on Dec. 26, 2020, have continued to receive benefits without a gap in payments.
- Claimants who previously exhausted PUA or PEUC are now receiving payments under the 11-week extension to PUA benefits.
- DES is working to:
 - Implement the new Mixed Earner Unemployment Compensation (MEUC) program and other provisions of the Continued Assistance Act.

Questions?

Program Integrity and Fraud Prevention and Detection



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Program Integrity



Addressing improper payments and fraud in the unemployment insurance program is a top priority for the U.S. Department of Labor and the N.C. Division of Employment Security.

DES Benefits Integrity Unit

The Benefits Integrity Unit is responsible for detecting, establishing and recovering improperly paid unemployment insurance funds.

Benefits Integrity is made up of investigators, adjudicators, and National Directory of New Hire, Recovery and Overpayment Specialists who work to strengthen the integrity of North Carolina's unemployment insurance program.

Improper Payments



Improper payments consist of all overpayments plus underpayments.

The statutory definition of an improper payment is “any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements; and includes any payment to an ineligible recipient . . .”

Top causes of improper payments are:

- **Work Search.** Claimant failed to actively seek work.
- **Benefit Year Earnings.** Claimant continued to claim benefits after returning to work, failed to accurately report earnings while claiming benefits.
- **Separation Issues.** Claimant ineligible due to quitting without good cause or discharge for cause.

Overpayments and Recoveries



Overpayments occur when a person is paid unemployment insurance benefits they are not entitled to receive. Overpayments may be fraud or non-fraud.

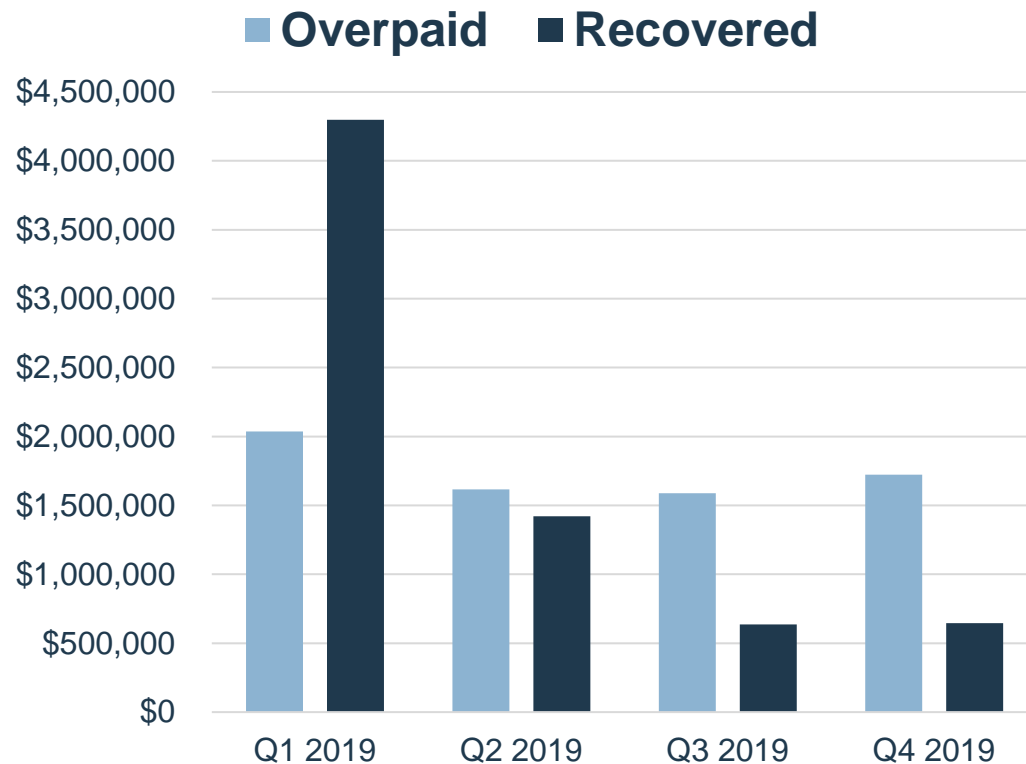
By law, overpayments must be repaid to the Division of Employment Security.

Overpayments are recovered by:

- **Offsetting.** People who are currently receiving benefits will have their benefits reduced by 50% for non-fraud overpayments and 100% for fraud overpayments. The amount that is reduced is applied to the overpayment balance.
- **Interception.** DES may collect overpayments by intercepting federal or state tax refunds.
- **Criminal prosecution and/or civil court action.**
- **Payment plans.** If a person enters into a payment agreement and makes their payments on time, they can avoid collections through interception and prosecution.

Overpayments and Recoveries in 2019

Recovery of overpayments is a continuous process. Overpayments established in one quarter are recovered in future quarters.



Total Overpaid: **\$6,964,264**
Total Recovered: **\$7,000,600**

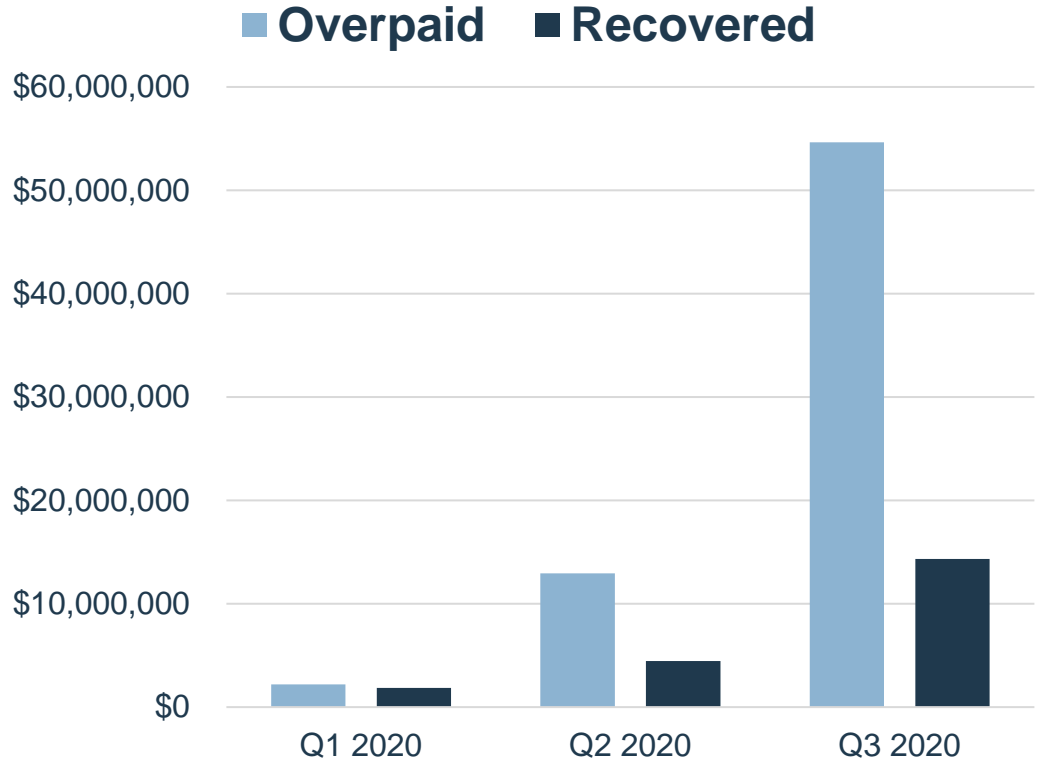
Method of Recovery

- Cash: 46%
- Federal Tax Offset: 25%
- Benefit Offset: 22%
- State Tax Offset: 6%
- Other: 1%

Overpayments and Recoveries First Three Quarters 2020



Recovery of overpayments is a continuous process. Overpayments established in one quarter are recovered in future quarters.



Total Overpaid: **\$69,794,434**
Total Recovered: **\$20,650,839**

Totals are higher during the COVID-19 pandemic:

- More programs are in place and more benefits have been paid than in 2019.
- \$45M of the \$69M in total overpayments came from the \$600/week FPUC program.
- Increased potential for fraud or misrepresentation in new federal pandemic programs.

Unemployment Fraud



DES must issue benefits in a timely manner, while also working to reduce fraud and abuse in the unemployment benefits system.

Two main types of unemployment benefits fraud:

Wage and Earnings Fraud

- The claimant knowingly makes false statements or withholds information to receive unemployment benefits to which they're not entitled. For example, when a claimant continues to receive benefits after returning to work. DES is likely to recover these funds.

Identity Theft / Imposter Fraud

- A fraudster uses another person's name and information to apply for and receive benefits. The information is stolen through outside data breaches, email phishing, impersonation scams, etc.
- When a person reports identity theft to DES, payment is blocked from going out for the fraudulent claim.
- Since March 31, 2020, DES has verified about \$9 million of benefits paid out as a result of identity theft. Benefits paid related to identity theft are difficult to recover.

Preventing and Detecting Unemployment Fraud



The SCUBI benefits system includes important safeguards designed to prevent fraud. With the surge of unemployment claims due to COVID-19, DES is further strengthening its fraud detection and prevention efforts.

Current efforts to prevent and detect fraud include:

- Newly-implemented security and identity verification measures, including Multi Factor Authentication, reCAPTCHA and ID.me.
- Participation in the National Association of State Workforce Agencies' Integrity Data Hub, a multi-state database of known and potentially fraudulent claims.
- Reviewing unemployment claims using information from the National Directory of New Hires program and the Wage Crossmatch program.
- Monitoring and researching claims data, trends, tips and leads related to suspected fraudulent activity or identity theft.
- Engaging with other states, organizations and partners to share best practices on evolving fraud schemes.

Partnership with GDAC



House Bill 1229 / S.L. 2020-53: Unemployment Insurance Program Integrity

Provided \$2 million from the Coronavirus Relief Fund to work with Government Data Analytics Center (GDAC) public-private partnerships to enhance fraud alerting capabilities and analytics.

- Enhance existing unemployment insurance (UI) fraud and compliance alerting capability to prevent and detect cybersecurity attacks on DES information technology assets and resources during the pandemic.
- Provide DES with COVID-19 related program fraud detection analytics and information reporting.
- Provide pandemic UI assistance documentation analysis.
- Enhance economic modeling for underground economy analysis with COVID-19 claims.

Partnership with GDAC



Summary of Accomplishments

- Developed a Benefit Integrity Alerting (BIA) Tool.
- Developed a DES self-service query tool to support investigative research.
- Developed and tuned alerts related to Pandemic Unemployment Assistance (PUA) claims
- Tuned deceased and incarceration alerts.
- Developed 20 new analytic rules and a fraud scoring model.

McKinsey Anti-Fraud Improvement Project



Project led by contractor McKinsey to enhance fraud detection and prevention.

Currently working to implement five initiatives over seven weeks. These initiatives will build upon existing tools and those developed by GDAC to improve long-term DES anti-fraud operations.

- Develop a process to test and validate fraud rules.
- Accelerate and expand implementation of fraud scoring system.
- Expand and finalize implementation of online activity assessment tools.
- Expand internal 'bad actors' list.
- Verify claimant banking information with financial fraud and intelligence data.

Questions?

Division of Employment Security Legislative Requests



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Division of Employment Security Legislative Requests



Three categories of legislative requests for consideration:

- COVID-19 Response
- DES Process Improvements
- Technical Changes

Legislative Requests: COVID-19 Response



NCGS 96-14.15: Emergency unemployment benefits and tax credit to respond to the coronavirus emergency of 2020

- Expired Dec. 31, 2020. Requesting an extension and addition of the PEUC option.
- Extend waivers of the waiting week and work search requirements for claimants, non-charging to employers and removal of restrictions for employers filing attached claims.
- Not requesting a first quarter tax credit for calendar year 2021.
- Add language authorizing the PEUC Option under the federal Continued Assistance Act. The Pandemic Emergency Unemployment Compensation (PEUC) requirement that individuals must exhaust all regular unemployment insurance entitlement in order to be eligible for PEUC may be modified by states for individuals that meet certain requirements.

Legislative Requests: COVID-19 Response



NCGS 96-14.14: Extended Benefits

- 96-14.14(a): Clarify the trigger(s) which create an “on” indicator that require 100% federal funding for extended benefits to be paid.
- 96-14.14(b)(3): Revise to temporarily suspend the mandatory 13-week “off” period after the end of an Extended Benefits period before another Extended Benefits period can begin, pursuant to a provision in the federal Continued Assistance Act.

Legislative Requests: DES Process Improvements



NCGS 96-14.9(e): Actively Seeking Work

- Expand the definition of an acceptable work search contact to include traditional work search activities, such as use of online career tools, recruiters, networking groups, etc., so that is not limited to contact with 'potential employers.' USDOL has recommended states establish comprehensive definitions of acceptable work search activities that focus on rapid reemployment.

NCGS 96-15(a1): Attached Claims

- Streamline the processing of claims by lifting some requirements for employers filing attached claims on behalf of their employees; for example, allowing an employer to file attached claims more than once in a year, and removing the requirement for employers to prepay at the time of filing if their account has a sufficient positive balance.

NCGS 96-15(b)(2): Adjudication

- Revise the time within which an adjudicator's determination may be appealed from 30 days to 13 days; 13 days is consistent with requirements for filing a higher authority appeal with the Board of Review.

Legislative Requests: Technical Changes



- **NCGS 96-14.2(b): Partial Weekly Benefit Amount.** Revise so that it refers to “wages payable” or “wages earned” instead of “wages received” to provide consistency.
- **NCGS 96-1(b)(28): Definition of wages.** Reinstate the requirement for approval of supplemental unemployment plans.
- **NCGS 96-1(b)(19): Definition of independent contractor.** Repeal the definition. Covered by Hayes v. Elon College.
- **NCGS 96-15(f):** Change “regulations” to “rules” in first paragraph and “regulation” to “rule” in second paragraph.
- **NCGS 96-15(c):** Delete semi-colon after “hearing officer” near end of section and replace with a comma.
- **NCGS 96-15(h): Judicial Review.**
 - Clarify that the names and addresses DES must furnish a petitioner in a Petition for Judicial Review matter are “as found in the records of the Division.”
 - Judicial Review. Modernize date on which a decision of the BOR becomes final to be “30 days after the date of notification or mailing, of the decision, whichever is earlier.”

Questions?