

Combating COVID Unemployment Fraud Act of 2021

To prevent fraud in COVID unemployment programs, recover fraudulently paid benefits, provide relief for taxpayers and victims of unemployment fraud, and for other purposes.

Section-by-Section

SECTION 1. SHORT TITLE. “Combating COVID Unemployment Fraud Act of 2021.”

SEC. 2. PREVENTING FRAUD IN PANDEMIC UNEMPLOYMENT ASSISTANCE.

- Stops the “pay and chase” model of benefit disbursement by requiring States to verify identity of applicants and requires individuals to provide documentation of prior earnings and employment or self-employment, prior to authorization of pandemic unemployment assistance (PUA).
- PUA claimants must provide documentation within 30 days to verify their reason for continuing eligibility, rather than rely on weekly self-certification alone.
- Requires formerly self-employed applicants to certify that self-employment was their principal source of income and livelihood.
- Limits backdating of unemployment claims to April 1, 2021, rather than December 1, 2020. This “open back door” policy is an easy target for fraud.
- Inserts an application deadline for PUA benefits so individuals cannot retroactively claim benefits after the program has expired.
- Requires the Department of Labor (DOL) to issue guidance to States within 60 days of enactment outlining the latest industry practices in cybersecurity, digital identity proofing services, and availability of third-party verification technology.
- Allows States to claim reimbursement for administrative expenses associated with identity verification and validation in PUA, including through use of 3rd parties.

SECTION 3. LIMITATION ON PAYMENTS OF FEDERAL PANDEMIC UNEMPLOYMENT COMPENSATION.

- Prohibits federal pandemic unemployment compensation (i.e., the additional \$300/week federal supplement) from being paid retroactively to claimants who apply for unemployment more than 14 days after expiration of the weekly benefit.

SECTION 4. PREVENTING UNEMPLOYMENT COMPENSATION FRAUD AND IMPROPER PAYMENTS THROUGH DATA MATCHING.

- Requires States to match unemployment claims with the [Data Integrity HUB](#), a fraud alert center (as currently recommended by DOL, but not required) that can identify people claiming benefits in multiple states and other emergent fraud schemes.
- Provides DOL’s Inspector General direct access to systems for the electronic transmission of interstate claims and cross-matching unemployment claimants.
- Requires States to use the National Directory of New Hires to verify when someone receiving unemployment becomes employed to ensure benefits are discontinued.

- Requires States to use DOL’s State Information Data Exchange System to enable employers to respond to requests to verify an individual’s previous employment.
- Prevents payments of unemployment benefits to incarcerated individuals.
- Requires States to compare unemployment claimants to database of deceased individuals in the Social Security Administration’s Death Master File.
- Requirements in this section apply to regular State and federal PUA claims.
- States must be fully compliant with these provisions by October 1, 2022.

SECTION 5. RECOVERING FRAUDULENT COVID UNEMPLOYMENT COMPENSATION BENEFIT PAYMENTS.

- Reserves not less than \$200 million and expands authorized use of funding of the \$2 billion in funding provided to DOL in the *American Rescue Plan Act*, to include —
 - Building State capacity to verify identity and earnings of applicants for unemployment compensation prior to authorizing benefits;
 - Development of State Unemployment Fraud Recoupment Plans, including assessing the amount of fraudulently paid benefits; and
 - Supporting State efforts to claw back fraudulent payments through prosecution of criminal fraud schemes.
- Requires each State to submit within 60 days a State Unemployment Fraud Recoupment Plan, which shall be made publicly available.
- Establishes the COVID Unemployment Fraud Taskforce led by DOL, Attorney General, and Department of Homeland Security. Requires the taskforce to create a dashboard for each State showing overpayments due to fraud and recovery efforts. Provides \$20 million for administration of the taskforce.
- Allow States to retain 5% of the amount of funds recovered in fraudulent unemployment benefits in 2020 and 2021 for improving program integrity.

SECTION 6. PROTECTIONS FOR TAXPAYERS AND VICTIMS OF UNEMPLOYMENT FRAUD.

- Sets aside \$2 million from the DOL \$2 billion fraud prevention fund to work with the Federal Trade Commission and other resource centers to assist victims of identity theft and unemployment fraud, including individual case mitigation and victim assistance.
- Requires the Internal Revenue Service to implement a process to hold harmless identity theft victims who had fraudulent unemployment benefits claimed in their name by ensuring no penalties or interest accrue while the matter is investigated.
- Requires DOL to collect data on the amount of overpayments waived in each State due to suspected or confirmed unemployment fraud.
- Provides for a Report to Congress, that describes the aggregate amount of unemployment compensation overpayments nationally, including the subset of overpayments made due to fraud, and a separate accounting for PUA.

SECTION 7. REINSTATING THE FEDERAL WORK SEARCH REQUIREMENT

- Reinstates the federal requirement that unemployment claimants certify they are able, available, and actively seeking work.