



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY
LANSING

JEFF DONOFRIO
DIRECTOR

MEMORANDUM

DATE: January 22, 2020

TO: The Honorable Ken Horn, Chair
Senate Appropriations Subcommittee on Talent and Economic Development/MEDC
Senate Standing committee on Economic and Small Business Development

The Honorable Steve Marino, Chair
House standing committee on Commerce and Tourism

The Honorable Mark Huizenga, Chair
House Appropriations Subcommittee on General Government

FROM: Steve Gray, Director 
Unemployment Insurance Agency

SUBJECT: Unemployment Insurance Agency Identity Theft Report

Per Public Act 225, 2017, Section 54g(1), the Unemployment Agency shall provide a written report regarding claims submitted by imposters under this act to the chairpersons of the standing committees and the appropriations subcommittees of the house of representatives and senate having jurisdiction over legislation pertaining to employment security. The report must include all of the following information from the immediately preceding calendar year:

- (a) The procedures the unemployment agency has adopted to mitigate the incidence of claims submitted by impostors.
- (b) The total number of reports submitted under section 54f(1)¹ and the number of reports submitted under section 54f(1) that the unemployment agency determined met the requirements of section 54f(8)².

¹ 54f(1) An employer that is an interested party to a claim for benefits, or the employer's agent, may report to the unemployment agency that the claim is fraudulent because the individual who filed the claim is an imposter.

² 54f(8) An employer that submits a frivolous report or otherwise intentionally misrepresents information in a report submitted.

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- (c) The total number of affidavits submitted under section 54f(2)³ and the number of affidavits submitted under section 54f(2) that that unemployment agency determined met the requirements of section 54f(8).
- (d) The number of determinations made under section 54f(3)⁴ and (4)⁵ where the unemployment agency determined that an impostor committed identity theft.
- (e) The number of determinations made under section 54f(3) and (4) where the unemployment agency determined that an impostor did not committed identity theft.
- (f) The total amount of benefits paid to impostors and the total amount recovered from impostors.

If you have any questions, please contact Stephanie Glidden, UIA Legislative Liaison at 517-241-0029.

³ 54f(2) An affected individual may submit an affidavit to an employer or the unemployment agency. The unemployment agency shall include on its website an affidavit from that meets the requirements of this subsection. An affidavit submitted under this subsection must include all of the following: (a) The name, address, and social security number of the affected individual (b) A statement that the affected individual did not file the claim for benefits with the unemployment agency (c) A statement that the information in the affidavit is complete and accurate (d) The signature of the affected individual.

⁴ 54f(3) Upon receiving a report submitted under subsection (1) and an affidavit submitted under subsection (2), the unemployment agency shall do both of the following: (a) Make a determination within 2 business days regarding whether the claim is fraudulent and whether the impostor committed identity theft and mail the determination to all interested parties. If the unemployment agency determines that the impostor committed identity theft, the determination must state that the claim is canceled and is null and void. (b) After making a determination under subdivision (a) that the claim is fraudulent, cancel all benefit payments on the claim.

⁵ Upon receiving only a report submitted under subsection (1) or upon receiving only an affidavit submitted under subsection (2), the unemployment shall do all of the following: (a) Notify the impostor by mail that the impostor must, within 10 days after the date of the notice, provide proof of his or her identity by providing the unemployment agency with copies of the acceptable documents as provided in the Form I-9. As used in this subdivision, "Form I-9" means the employment verification that fulfills the employment verification obligations under 8 CFR 2741.2. (b) If the impostor does not provide proof of his or her identity pursuant to subdivision (a), the unemployment agency shall do all of the following: (i) Make a determination that the impostor did not provide proof of his or her identity pursuant to subdivision (a) and cease making payments on the claim until after making a determination under subparagraph (iii). (ii) Conduct an investigation to determine whether the claim is fraudulent and whether the impostor committed identity theft. (iii) Make a determination regarding whether the claim is fraudulent and whether the impostor committed identity theft and mail the determination to all interested parties. If the unemployment agency determines that the impostor committed identity theft, the determination must state that the claim is canceled and is null and void.

**Unemployment Insurance
Identity Theft Report
January 1, 2019 through December 31, 2019**

Per Public Act 225 of 2017, Section 54g(1) the Unemployment Agency shall provide a written report regarding claims submitted by imposters under this act to the chairpersons of the standing committees and the appropriations subcommittees of the house of representatives and senate having jurisdiction over legislation pertaining to employment security. The report must include all of the following information from the immediately preceding calendar year in a form that does not identify an individual, claimant, or employer:

This legislation became effective March 21, 2018.

- (a) The procedures the unemployment agency has adopted to mitigate the incidence of claims submitted by impostors.
 - i. UIA Policy Manual Section 8490 Identity Verification
 - ii. UIA Form 6349 Statement of Identity Theft
 - iii. UIA Form 6349A Affidavit of Identity Theft
 - iv. UIA Form 6349E Employer Report of Identity Theft

- (b) The total number of reports submitted⁶ under section 54f(1) and the number of reports submitted under section 54f(1) that the unemployment agency determined met the requirements of section 54f(8).

| | |
|--|-----------|
| The total number of reports submitted under section 54f(1): | 23 |
| The number of reports submitted under section 54f(1) that the unemployment agency determined met the requirements of section 54f(8): | 0 |

- (c) The total number of affidavits submitted⁷ under section 54f(2) and the number of affidavits submitted under section 54f(2) that that unemployment agency determined met the requirements of section 54f(8).

| | |
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| The total number of reports submitted under section 54f(2): | 1,661 |
| The number of reports submitted under section 54f(2) that the unemployment agency determined met the requirements of section 54f(8): | 8 |

⁶ Reports can be submitted online through the *Report Fraud* feature at www.michigan.gov/uia, through employer's Michigan Web Account Manager (MiWAM) account(s), by mail, by fax, in-person at a local office, or by calling the Unemployment Insurance Agency's fraud hotline.

⁷ Reports can be submitted online through the *Report Fraud* feature at www.michigan.gov/uia, through claimant's MiWAM account, by mail, by fax, in-person at a local office, or by calling the Unemployment Insurance Agency's fraud hotline.

(d) The number of determinations made under section 54f(3) and (4) where the unemployment agency determined that an impostor committed identity theft.⁸

7,369

(e) The number of determinations made under section 54f(3) and (4) where the unemployment agency determined that an impostor did not committed identity theft.

8

(f) The total amount of benefits paid to impostors⁹

| 2016 | | 2017 | | 2018 | | 2019 | |
|-----------|---------------------|-----------|----------------------|-----------|---------------------|-----------|------------------|
| January | \$ 686,156 | January | \$ 1,592,496 | January | \$ 2,654,669 | January | \$ 4,911 |
| February | \$ 591,344 | February | \$ 1,481,760 | February | \$ 1,415,131 | February | \$ 2,962 |
| March | \$ 508,988 | March | \$ 1,327,336 | March | \$ 170,184 | March | \$ 6,434 |
| April | \$ 572,525 | April | \$ 1,175,460 | April | \$ 23,449 | April | \$ 2,910 |
| May | \$ 484,695 | May | \$ 636,463 | May | \$ 5,924 | May | \$ 912 |
| June | \$ 498,670 | June | \$ 538,983 | June | \$ 3,078 | June | \$ 228 |
| July | \$ 857,516 | July | \$ 586,927 | July | \$ 914 | July | \$ 724 |
| August | \$ 814,245 | August | \$ 589,478 | August | \$ 362 | August | \$ - |
| September | \$ 1,005,070 | September | \$ 762,562 | September | \$ 647 | September | \$ 724 |
| October | \$ 1,362,287 | October | \$ 533,529 | October | \$ 3,846 | October | \$ 185 |
| November | \$ 1,130,577 | November | \$ 1,060,158 | November | \$ 3,294 | November | \$ 185 |
| December | \$ 1,388,482 | December | \$ 2,460,512 | December | \$ 1,436 | December | \$ - |
| | <u>\$ 9,900,554</u> | | <u>\$ 12,745,665</u> | | <u>\$ 4,282,933</u> | | <u>\$ 20,175</u> |

⁸ Please note that subsections (b) and (c) will not equal the sum of subsections (d) as subsections (b) and (c) are reporting the number of times an employer or individual reported fraud to the Unemployment Insurance Agency in 2019. Subsection (d) is inclusive of determinations issued from employer or individual reports submitted in 2019 and prior years, and also includes determinations issued as a result of the Unemployment Insurance Agency, using its proprietary fraud manager program implemented in January 2018, deeming a claim suspicious and performing an investigation which resulted in a determination issued.

⁹ The amount includes benefits paid to impostors for the time period of January 1, 2009 through December 31, 2019 that have been identified as of December 31, 2019. There are outstanding criminal matters pending and investigations still in progress for benefits paid during the time period of January 1, 2009 through December 31, 2019. As those matters conclude, the amount of benefits paid to impostors for the time period of January 1, 2009 through December 31, 2019 will continue to be updated on future reports. Critical to note that most claims paid in January, February, March and April 2018 were payments made on claims filed in 2017, prior to the implementation of the proprietary fraud manager program in January 2018 and prior to the implementation of Public Act 225 on March 21, 2018. Once a claim is in payment status, per the United States Supreme Court decision in *California Department of Human Resources Development v. Java* benefit payment(s) shall continue in accordance with a determination during the period when an appeal from that determination may be filed and during the period when such an appeal is pending. As a result, in most instances, though the Unemployment Insurance Agency, as a result of an investigation, believed the claims were filed by impostors, benefit payments had to continue until due process was exhausted.

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(f) (continued from prior page) and the total amount recovered¹⁰ from impostors.

| Individual | Residency | Restitution Amount |
|-------------------------------|-----------|--------------------|
| Individual 1 | Michigan | \$188,946 |
| Individual 2 | Michigan | \$78,916 |
| Individual 3 | Michigan | \$60,000 |
| Individual 4 | Michigan | \$60,000 |
| Individual 5 | Michigan | \$40,000 |
| Individual 6 | Michigan | \$35,000 |
| Individual 7 | Michigan | \$30,000 |
| Individual 8 | Michigan | \$21,000 |
| Individual 9 | Michigan | \$16,000 |
| Individual 10 | Michigan | \$16,000 |
| Total - 10 Individuals | | \$545,862 |

¹⁰ The amount of benefits recovered from impostors is the restitution amounts per court orders during calendar year 2019. Court orders were obtained through the judicial process as a result of investigation work completed by the Unemployment Insurance Agency Investigations Division in cooperation with multiple enforcement agencies including the Office of Inspector General for the Department of Labor, United States Attorneys' Office, Michigan State Police, United States Postal Inspector Services Office and other enforcement agencies.

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