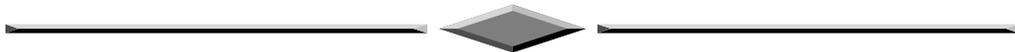




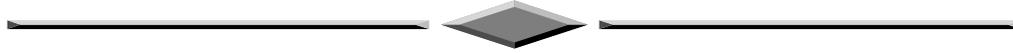
# **Third-Party Fraud Project Final Analysis**

**Prepared By The  
Benefit Payment Control Department  
1998**



# TABLE OF CONTENTS

<b>I.</b>	<b>Introduction.....</b>	<b>1</b>
<b>II.</b>	<b>Executive Summary.....</b>	<b>2</b>
	Findings.....	3
	Recommendations.....	4
<b>III.</b>	<b>Background and Information.....</b>	<b>5</b>
	Description of the Rio Grande Valley Area.....	6
	Rio Grande Valley Economy.....	7
	Agency Changes During the Project.....	9
<b>IV.</b>	<b>Project Design and Data Collection.....</b>	<b>10</b>
	Multi-Claimant Single Address List.....	10
	State Employment Security Agency Address Runs.....	10
	Claimants with Prior Third-Party Criminal Involvement.....	11
	Special Project Questionnaire.....	11
	Case Disposition Form.....	11
	Third-Party Fraud System.....	12
	Tracers.....	12
	Interstate Eligibility Review Interview.....	12
	Cases Referred to the Office of Inspector General.....	13
	Personal/Non-Personal Costs.....	13
	Control Office Statistics.....	13
<b>V.</b>	<b>Detailed Findings and Analysis.....</b>	<b>14</b>
	Control vs. Test Data.....	14
	Characteristics of Multi-Claimant Filings from Single Addresses... 15	
	Investigator Observations.....	15
	Rio Grande Valley Mail Services/Practices.....	16
	Questionnaire Responses.....	17
	No Work Registration Requirement in Rio Grande City.....	18
	Work Search.....	19
	Potential Issues Detected.....	19
	Labor Market Information and Attachment.....	21
	Social Security Number Validations.....	22
	State Employment Security Agency Participation.....	22
<b>VI.</b>	<b>Conclusions and Recommendations.....</b>	<b>23</b>



## ***I. Introduction***

The Third-Party Fraud Project was developed through a Cooperative Agreement between the United States Department of Labor, Employment and Training Administration, Unemployment Insurance Service, and the Texas Workforce Commission. The purpose of the project was to provide an analysis of third-party involvement in the Unemployment Insurance process; and to attempt to quantify the detection/deterrence effect of enhanced Eligibility Review Interviews and investigations. A large percentage of known third-party schemes have involved interstate claimants. Interstate claimants can bypass the agent state local office and deal directly with the liable state. Both Texas claimants and interstate claimants are able to enlist third parties to file claims on their behalf. Claimants may remove themselves from the labor market to the extent of leaving Texas and relocating to the interior of Mexico. Investigations disclosed that third-parties filed certifications on behalf of claimants, falsified work search contacts, and falsified answers to eligibility questions in the claimants' absence. The third-party also forged claimant signatures and cashed unemployment insurance benefit checks. In-depth eligibility reviews were performed with claimants to determine whether they had physically removed themselves from the labor market. To succeed, this project purpose required a tandem effort of the State Agency, the Department of Labor's Employment and Training Administration, and the Department of Labor's Office of the Inspector General.

This project was conducted using the Texas Benefits System data and collecting data from other State Employment Security Agencies (SESAs). We solicited information from all SESAs, from our Department of Labor national and regional partners, from programming specialists, and from Texas Rio Grande Valley local community resources and residents. Some of our endeavors in working this project were more successful and fruitful than others. This complete report addresses the objectives of the Third-Party Fraud Project.

## *II. Executive Summary*

Three local office areas along the Texas-Mexico border were chosen as “test” sites where investigations and in-depth interviews were conducted. Three additional local office areas along the Texas-Mexico border were designated as “control” sites where available data was accumulated to compare to the test sites. Examples of data used for comparison are:

- Number of intra and interstate claims
- Number of addresses with multiple claimants
- Characteristics of claimants at multi-claimant, single address locations
- Number of Eligibility Review Interviews conducted and results

In the test sites more detailed information was to be collected. Examples of this information include:

- Number of claimant and third-party investigations initiated
- Results of investigations
- Number of third-party cases referred for criminal prosecution
- Monetary amounts of potentially fraudulent and non-fraudulent overpayments
- Number of fraudulent claimant cases referred to Immigration and Naturalization
- Service regarding work permits

A comprehensive questionnaire was used in Eligibility Review Interviews and investigations for documenting potential third-party involvement. The interview guides provided specific information such as residence address, work search activities, and work being performed in this or another country.

A national directive was drafted by the United States Department of Labor and released; it explained this project and requested SESAs’ participation (Unemployment Insurance Program Letter 4-95). By tabulating the potential issues referred to other states, the Texas Workforce Commission expected to reach a conclusion regarding these potentially fraudulent issues. At issue was the question of who was actually paying the benefit costs related to claims with potential third-party activity. Cases which had federal criminal prosecution potential were referred to the Department of Labor, Office of Inspector General. Unexpected budget constraints restricted the ability of the Dallas Region’s Office of Inspector General to assist with criminal investigations and prosecution.

The activities in this project were divided into three phases.

Phase I - Implementation Beginning October 1, 1994, project management staff identified the “test” local office sites and “control” local office sites. Test and control sites represented a significant portion (approximately 25%) of the state’s interstate claims workload.

Phase II - Project Operation Full project activities were in place. Claims activity in the project sites is cyclical with peak workloads from November through March. Phase II primarily involved conducting and documenting investigations and completing eligibility reviews with attendant data collection and record keeping.

Phase III - Final Report This last phase of the project was a period used to conclude outstanding investigations or interviews and finalizing data elements to be used in the project report. In addition to this final report, quarterly reports were prepared throughout the project and distributed to parties of interest at the national, regional, and state levels.

#### Project Objectives:

- ! to establish whether or not increased investigative efforts and claimant interviews have a measurable impact on fraud incidence
- ! to document the actions taken by liable states in resolving potential mispayment issues
- ! to determine a reasonable approximation of the extent and cost of any such mispayments to the UI system
- ! to attempt to determine if base period employers have concerns about claimant eligibility
- ! to determine any measurable impact of NAFTA implementation on third-party fraud or claimant overpayment
- ! to assist liable states in certifying propriety of UI benefit payments
- ! to develop recommendations regarding program procedures/regulations, if warranted by project findings and conclusions

#### **Findings**

Postal service to the Texas Rio Grande Valley area is unconventional. Much of the clustering of mail addresses was totally unrelated to potential third-party fraud activity. Prior investigative efforts appear to have had some deterrent effect on third-party fraud incidences. Increased use of Eligibility Review Interviews and investigative efforts uncovered potential fraud regarding eligibility issues that would have otherwise remained undetected. The majority of claimants in the project filed interstate claims. Local labor market conditions contributed to poor claimant work search habits. Judging from other states' responses, there was limited interest in these issues.

More in-depth information on these and other observations and findings is included in Section V.

## **Recommendations**

States are encouraged to utilize the accepted detection methodologies which have been re-emphasized in the Benefit Payment Control Technical Assistance Guide released in June 1994 by the Maryland Department of Economic and Employment Development in cooperation with the United States Department of Labor. The prevention and detection components offer detailed assistance to SESAs on how to improve and maintain the integrity of benefit payments. Of particular interest in relation to this project is the information about multi-claimant single address issues. Two crossmatch activities -- wage/benefits and interstate -- could be checked for multi-claimant single addresses.

### ***III. Background and Information***

For at least the last ten years, individuals and businesses have conducted potentially fraudulent activities in concert with unemployment insurance claimants. Several large scale investigations have been performed regarding these third-party operations. The investigations have been performed jointly by the Texas Workforce Commission, the United States Department of Labor, Employment and Training Administration and the Office of Inspector General. These investigations have led to several information-gathering conferences and to the establishment of a national fraud prevention task force. Meetings have been conducted at Albuquerque, New Mexico; Washington, D.C.; and Sacramento, California. Participants of these meetings have included; 1) SESA representatives from Texas, New Mexico, Arizona, and California; 2) United States Department of Labor Regional and National Office staff representing Employment and Training Administration and Office of Inspector General; and 3) SESA representatives from various other liable states.

Through the previous investigations and the various conferences, much has been learned about third-party fraud schemes. Several business operators have been prosecuted in federal court for charges of mail fraud related to claims for unemployment insurance benefits. The locales where these businesses operated were characterized by multiple claimants using single addresses. In some instances hundreds of claim documents and checks were funneled through a single address. Multiple claimants using a single address is not prohibited and usually only indicates a shortage of mail receptacles. However, in several cases involving addresses in different cities, businesses have been operated for the purpose of facilitating unemployment insurance payments to claimants who have highly questionable eligibility. Usually these operations involve a great percentage of interstate claimants. The nature of the interstate mail bypass procedures is conducive to increased third-party involvement in the claims process. Once the agent state submits the interstate initial claim, the claimant deals directly with the liable state and does not reappear in the agent state's local office unless directed to do so by the liable state. Consequently, the claimant is able to enlist anyone to file claim forms on his behalf and may remove himself from the immediate labor market to the extent of leaving Texas or even leaving this country. The third-party can file claims by mail, certify to false work search contacts, and otherwise continue the claimant's eligibility for payments *in the claimant's absence*. Claims against twenty-three (23) different SESAs have been identified as impacted by possible third-party activity. Additional factors known to contribute to the use of third parties include low educational levels, language barriers, custom, worker mobility, and a distrust of government entities. Also it appears that a lack of agency resources has led to unemployment insurance claimants becoming distanced from local office interaction as well as potential eligibility issues going unexplored. As more SESAs replace claim documents with telephonic or electronic transactions, this situation will be exacerbated.

A survey of Texas' field staff indicated a number of approaches to solving the third-party fraud dilemma. The most frequently suggested recommendations were to investigate third-party operations with their claimant clients and to increase the frequency and depth

of Eligibility Review Interviews. The Sacramento, California work group agreed that the effectiveness of investigations and enhanced eligibility reviews should be tested with respect to the detection and deterrence of third-party fraud and unemployment insurance overpayments.

### **Description of the Rio Grande Valley Area**

The Rio Grande Valley of Texas is located in the southern tip of the state and encompasses all of Cameron, Hidalgo, Starr, and Willacy Counties. It covers a 4,244 mile area. The area is really not a valley at all, but a fertile plain sloping away in delta fashion to the Rio Grande. It is bounded on the east by the Gulf of Mexico and on the south by the Rio Grande, the international boundary between the United States and Mexico. It is bounded on the west and north by Texas ranching counties. In this area of South Texas, the economy is based on agriculture, labor intensive industry, and tourism. Brownsville, McAllen, and Rio Grande City are all located in the Rio Grande Valley. All three cities border Mexico; Matamoros is directly across from Brownsville, and Reynosa is directly across from McAllen. More border towns lie between Brownsville and McAllen. The Rio Grande must be crossed to reach the United States from Mexico. To visualize the area, one would have to imagine sagebrush and sand; yucca and cactus plants; wide open spaces; and tumbleweeds. The few trees that exist there are the shorter Spanish oaks or scrub mesquite. Rain in the Valley is unevenly distributed geographically and seasonally.

The Valley area has the highest unemployment rate in the United States. Many of the unemployed are seasonal workers. The majority of these seasonal workers, who travel to other areas for work, are illiterate.

Another characteristic of the Rio Grande Valley is the large number of notaries operating in this area. There are one or more notaries operating on almost every street located in a business section. Notaries are sometimes located in residential areas as well. Notaries are often enlisted by claimants to assist with their unemployment documents. Texas had 320,000 registered notaries. Mexican nationals place great confidence in notaries. In their native country, a notary can have the power and status of an attorney. Brownsville and McAllen may have more notaries than other cities because of traffic from sister cities directly across the border in Mexico. Brownsville and McAllen are significant ports of entry from Mexico with large amounts of retail trade and tourism. Major federal and state offices are located in these two cities. Much of the legal documentation for immigrants is processed here. For as far back as thirty years, there has been a history of notaries from the Texas Rio Grande Valley area being involved in unemployment insurance benefits activity. Some notaries have been active in illegal third-party claims processing.

Many of the residents in the Rio Grande Valley live in “colonias”. The definition of a colonia as found in the Colonia Fact Book, Texas Department of Human Services, is “a rural and unincorporated subdivision characterized by substandard housing, inadequate plumbing and sewage disposal systems, and inadequate access to clean water. They are

highly concentrated pockets of poverty that are physically and legally isolated from neighboring cities.” While there are moves under way to change this, for now the colonias exist. There is no city water/sewage and no trash pickup. Mail is generally delivered to cluster boxes located in the colonias. Since colonias have no paved roads and no street signs, home delivery of mail is impossible. A census was conducted by BARCA (Border Association for Refugees from Central America) in 1997 on five colonias in Hidalgo County. The findings are as follows: in 48 individual homes they found 2 families living together; in 24 homes, 3 families living together; in 6 homes, 4 families living together; and in one home, 5 families living together. It is not unusual for multiple families to live together anywhere in the Valley, whether in colonias or individual city residences. It is estimated there are about 1500 colonias between Brownsville and El Paso. Since 1992, the state has identified about 100 new colonias each year.

### **Rio Grande Valley Economy**

During the project period the South Texas economy was impacted by two major occurrences. The peso devaluation was one occurrence. In December 1994, the first devaluation of the peso began. Later in 1995, the peso took a sharp plunge and began to slide even further. The devaluation plunged Mexico into a recession that led to double-digit inflation, skyrocketing interest rates, and the highest unemployment numbers in the country since 1987. In just two years, the Mexican peso lost more than 130% of its value against the dollar. The devaluation of the peso greatly affected merchants in the Valley. One store owner observed, “Downtown is like a ghost town”, and another stated, “In all my 19 years of living in McAllen, I have never seen the stores as empty as they are now”. The peso devaluation contributed to Texas unemployment. The drop in the value of the peso was bad news for anybody trying to market goods to Mexican nationals.

Another occurrence affecting unemployment in the Valley during the project period was the drought - the seemingly endless drought - which punched a hole in the state’s agrarian economy and rippled through other sectors. State officials projected that the drought cost Texas farmers and ranchers \$2 billion in lost production. The loss to the state economy overall was pegged at \$4.9 billion - making the drought one of the worst natural disasters to hit Texas this century. In October, 1995, newspapers announced that the Valley’s agricultural water supply could be depleted by 1996 if conditions did not change. The Amistad Reservoir and Falcon Dam were at their lowest levels since the binational reservoirs were built almost 40 years ago. Many water districts were nearing the end of their irrigation allotment. Numerous farmers were at the point of being overdrawn on their allotments. Once allotments are used up, consumers have to pay for contracted water, which costs about 100 times more than state water. Farmers had to decide whether to wait out the season. The decision would impact both dollars and jobs for the local economy. As reported in Valley newspapers in August 1996, Hidalgo County Judge Ruiz stated he had received numerous phone calls from companies that were preparing for layoffs and requesting some sort of financial relief because of the lingering drought. The County Commissioners voted to ask the federal government to declare the county a disaster area. The farms in Hidalgo County hire thousands of workers, but they depend

on irrigation. Irrigation was sharply curtailed because of the drought. The increased unemployment was a hard blow for an area that already had very heavy unemployment rates, hovering around 20%. Rod Santa Ana, spokesman for the Texas A&M Agricultural Research Center in Weslaco said, "...it (drought) will permeate the economy and be felt by people who didn't think they had any relation to agriculture". Amid this crisis, Mexican farmers resorted to illegal pumping of the Rio Grande, straining relations between the two countries. Out of work after 24 years with the same produce company, farm laborer Antonio Martinez summed it up best, "I've never seen it this bad. There's no work. The fields are turning into nothing but dust". Martinez was among as many as tens of thousands of the state's 200,000 to 300,000 farm workers who lost their jobs because of the drought. Then, in 1997, six weeks of heavy spring rains flooded fields; and in just five months, rainfall reached 284% above normal. It was the rainiest March on record in the Rio Grande Valley. Sixty percent of the onions and eighty percent of the melons rotted in the fields. In a wry twist of fate, farmers suffered a staggering \$55 million loss due to March and April rains. Valley farmers joked they had to wear galoshes to attend a drought management meeting. Yet, strange as it may seem, the drought continues in some areas.

Workers have always commuted between Mexico and the United States. As a result of the North American Free Trade Agreement (NAFTA), thousands more are commuting from both sides of the border. International bridges at Hidalgo, Brownsville, and Roma are open 24 hours a day. More bridges have been built between the two countries to accommodate free trade. It is no problem for an employee who lives in Reynosa to commute to McAllen, to work there, or in any other site along the border. Labor is abundant along the border; there are two labor pools to choose from.

Rio Grande Valley newspapers report many Valley growers are going south seeking greener pastures. Some have already begun the move into Mexico and Central America. The peso devaluation has meant labor costs cut in half for United States firms moving operations out of Texas. Workers in Mexico receive relatively low wages; \$3.00 for an eight-hour day, compared to United States workers who are paid \$5.00 an hour for the same work. For example, as reported in the Congressional Digest, a survey conducted in August 1993 showed that a worker in Mexico would have to work about an hour to buy a half gallon of milk, two and half hours for a pound of beef, and almost an hour for a dozen eggs. Many workers in Mexico are working in some of the most advanced manufacturing plants in the world; yet they do not have water they can bathe in, let alone drink, off the job. Mexican workers build some of the most sophisticated electronic equipment; yet their homes are, at times, built from packing materials. Several Valley companies have closed Texas plants and have moved into Mexico. The Haggar plants in Brownsville and Weslaco closed. The employees who were working there had been trained by Haggar to do the specific work they were doing. This makes it difficult to find other employment. As a result of the Valley closings, over a thousand jobs were lost. Converse Shoes, in Mission, did not actually move jobs across the border to their Reynosa Mexico plant, but they did lay off one hundred workers in 1996 because of imports, from Mexico and other countries, affecting their sales. In December 1996, the produce giant Griffin & Brand, the second largest grower in the southwest, had their north

McAllen facilities auctioned off to a creditor. In October 1996, one of the things Brand cited for the firm's problems was increased competition from Mexican growers brought on by the NAFTA, and he indicated that the company could move as much as 40% of its growing operations south of the border.

### **Agency Changes During the Project**

During the project period the Texas Benefits System was completely redesigned. The old computer system had become overtaxed. In November 1996, the old system data was converted to the new Benefits System. Unfortunately, from the point of conversion, the system was unable to generate an address listing for multiple claimants at a single address. Even though the new system was unable to generate the address runs, sufficient data had been identified in prior runs to continue the work of this project. By the time resources were available, the need for more address runs was no longer there.

TeleServ (continued claims filing by phone) was inaugurated during the project period. Paper certifications were all but eliminated as 90% of claimants processed claims by phone. McAllen and Brownsville initiated the use of TeleServ in November 1995. Rio Grande City started in March 1996. At this time, claimants may file additional claims or reopen their claims by phone in McAllen and Rio Grande City. Brownsville is still processing those claims in person. In the control offices, Edinburg and Weslaco started using TeleServ in November 1995; Eagle Pass started TeleServ in February 1996. Initial claims will not be processed by phone until a call center is in place, possibly sometime in early 1998.

## ***IV. Project Design and Data Collection***

### **Multi-Claimant Single Address List**

At the beginning of each calendar quarter (with the exception of the first three quarters of 1997), Benefit Payment Control requested a mainframe data report of multi-claimant single address activity within test and control area zip codes. This report covered the year prior to the quarter in which it was requested. When the report was received, it was manually screened to determine which addresses to investigate. During the project, screening criteria originally included single addresses with five or more claimants using four or more surnames. The criteria was expanded to include addresses with four or more claimants with three or more surnames. Project staff also observed and investigated particular streets where an inordinate number of addresses on any street were found on the multi-claimant single address run. In addition, apartment complexes and housing projects with more than ten claimants were visited and property managers were interviewed. Once screening of a multi-claimant single address run was completed each quarter, an address list was compiled. The address list tracked, from quarter to quarter, claimant activity at a particular address. If claimant activity at an address decreased below project criteria, the address was not included in the total number of suspicious addresses for that quarter. The test office address lists were forwarded to out-stationed investigators in the Valley. The investigators used the list to select claimants and locations for investigations. The control office address lists were maintained for future comparison against test offices, and for the final analysis of this project.

### **State Employment Security Agency Address Runs**

In the original Unemployment Insurance Program Letter for this project, SESAs were requested to run their active claim files against zip codes found in the test offices. It was recommended this file search be performed regularly throughout the project period. At a minimum, SESAs were requested to run a search annually. The SESAs were to notify Texas Workforce Commission of any instance where multiple claimants were utilizing a single address.

In May 1996, lists from the following SESAs were reviewed: Idaho, Maine, Minnesota, New Jersey, North Carolina, North Dakota, Ohio, and Washington. These SESAs submitted social security number and address information for the zip codes involved in the project test offices. The records from other SESAs were reviewed to determine if additional claimants should be added to the listing for a single address with multiple claimants. This helped to identify claimants possibly in a bypass system. Claimants from different SESAs can file undetected from a single address if they bypass the Texas system. If a claimant did not appear on the Texas records, it was likely that a bypass claim was involved. A claimant bypassing Texas would not appear on the Texas address list. By establishing a claim in the state where work was performed, a claimant can

bypass agent state intervention where the claimant relocates. Once the claim is established, the claimant contact is directly with the liable state.

### **Claimants With Prior Third-Party Criminal Involvement**

As a result of previous investigative efforts by the Office of Inspector General regarding third-party unemployment insurance fraud along the Texas and Mexico border, a listing of names and social security numbers utilized by claimants with prior third-party involvement was furnished by the Office of Inspector General. The list contained 4167 social security numbers. This information was shared with all SESAs and was to be used to search active claim files to identify claims utilizing these names or social security numbers. This would allow the Texas Workforce Commission to include in the project population those claimants with prior third-party involvement who are not in the Texas Workforce Commission's agent state files. If suspicious claims were identified, appropriate action could be taken to ensure the claims were not fraudulent.

Twenty-two claimants with prior third-party involvement were investigated in this project. Five of those claimants were involved with address investigations that were referred to the Office of Inspector General as a result of this project. The other seventeen were involved in address investigations where there was no evidence of third-party activity.

### **Special Project Questionnaire**

The Special Project Questionnaire was developed for use in conducting third-party investigations. It was geared toward obtaining from project claimants information regarding ability to work, availability for work, work search activities, and attachment to the labor market. The form was used as a guideline by project investigators; it contained questions that assisted in detecting third-party involvement. Investigators were not limited by the questionnaire in the number or types of questions that could be asked to ascertain third-party fraud involvement. During the project period, the form was revised when it was determined that more questions needed to be asked regarding an individual's attachment to the labor market. This attachment or non-attachment was an indicator of possible third-party fraud involvement. For each investigation, the claimant's attempt to obtain employment was examined - work history, work searches, wage demands, and any other factors that could inhibit employment prospects.

### **Case Disposition Form**

In order to capture the appropriate data for analysis of the investigations for interstate claimants, a Case Disposition form was developed to serve as a mechanism to exchange information with other SESAs. The goal was to obtain specific determination and overpayment information from SESAs resulting from issues detected during the eligibility review and project investigations. Each SESA was to ensure that a contact person was designated to coordinate interstate communications for this project and provide the name,

telephone number, and address for this contact. The SESAs were notified of potential issues uncovered by Texas with the use of the Case Disposition Form and were encouraged to respond within 30 days of the transmittal date. The form is divided into three sections: A) Case Background; B) Case Disposition; and C) Overpayment Status. Section A was completed by a Texas Workforce Commission representative. Sections B & C were to be completed by the liable state after action was taken on the information provided by Texas Workforce Commission. Triplicate carbonless paper was provided for easy response. Participation by the SESAs was crucial to the success of this project.

### **Third-Party Fraud System**

The Third-Party Fraud System was a PC based data collection and record keeping system which stored data accumulated throughout the three year project. Information about claimants, agents, and third-party investigations was maintained on this system. Reports were generated separately for test and control sites because test and control information was held on two separate databases. The goal was to produce reports which would allow for test and control site comparisons.

When Case Disposition Forms were returned by the SESAs, the address investigation was reviewed again to determine if any third-party involvement was uncovered. The SESA may have examined documents, signatures, work searches, etc. to determine if fraudulent activity was suspected. All determinations and overpayment data were entered into the Third-Party Fraud System. Hard copies of the Case Disposition Forms were retained in the paper file. The claimants who had overpayments established were tracked for recoveries.

### **Tracers**

When a SESA failed to respond to a Case Disposition Form within 30 days, a reminder letter was mailed. The tracer letter informed the SESA of the original transmittal date, the Unemployment Insurance Program Letter directive to respond within the allotted time limit, and the importance of the follow-up data to the project. This project could only be successful with each liable states' assistance and cooperation. If the SESA had not responded within 60 days of the tracer date, the claimant investigation was closed with no response.

### **Interstate Eligibility Review Interview**

In Texas, effective April 1995, local offices were informed that it was the responsibility of the liable state to schedule and conduct Interstate Eligibility Review Interviews. Because of Texas' involvement in this project, investigators continued to initiate eligibility review appointments with interstate claimants. As the agent state, Texas was still responsible for assessing the claimants' skills, employability, and needs for re-employment assistance and supportive services; for making necessary referrals; and for notifying the liable state of any issues detected. To be eligible for unemployment

insurance, an unemployed individual must be ready, willing, and able to accept any suitable work and be reasonably free of restrictions to employment. Additionally, unemployed individuals are expected to make an active, independent search for work. The eligibility review process was developed to provide a tool for assessment of an individual's availability for, and ability to work. The appropriate SESA was notified of any potential issues detected during the eligibility reviews.

### **Cases Referred to Office of Inspector General**

If it was determined that potential third-party fraud activity existed, the address investigation was forwarded to the Office of Inspector General for possible criminal investigation and prosecution. Those cases with claimants who admitted fraud, cases with obvious signature discrepancies or cases where the physical address was unknown or bogus were determined to need Office of Inspector General assistance. The PC data system was used to generate a report with the following data: the beginning and ending date of the investigation; address information; business information; an area designated for a narrative; a printout of each associated claimant and all their records; and any associated agents. Any documents considered relevant to the investigation were forwarded with the report.

### **Personal/Non-Personal Costs**

In section 10D of the Unemployment Insurance Program Letter 4-95, SESA Administrators were requested to provide the Texas Workforce Commission with the personal services/non-personal services costs of providing information for issues raised during claimant eligibility reviews and/or claimant third-party investigations.

Analysis of data was not possible on personal/non-personal costs because there was insufficient response and information from other SESAs.

### **Control Office Statistics**

Identical methods were used for selection of test and control office claimants. Each quarter, multi-claimant single address computer runs were requested for control offices. The multi-claimant single address runs were screened and an address list for control office addresses was compiled. Claimants were extracted from the fourth quarter 1995 and second quarter 1996 multi-claimant single address runs. The multi-claimant single address list gives a quarter by quarter breakdown of control office "hits". Some addresses which were identified as multi-claimant were actually in McAllen or Rio Grande City, but the claimants were filing from a control office. Since control office claimants were not queried, it is unknown why a claimant would leave their surrounding area to travel numerous miles to another area to file. A few addresses appeared in both test and control offices. Every effort was made to ensure that data for both test and control offices was captured.

## V. Detail Findings and Analysis

### Control vs. Test Data

A demographic breakdown of test and control office claimants shows the similarity between data sets. The test office data set contains 1108 claimants while the control office contains 1168.

	<b>TEST</b>	<b>CONTROL</b>
Number	1108	1168
Female	27%	24%
Male	73%	76%
Age 18-30	31%	32%
Age 31-40	30%	33%
Age 41-50	20%	18%
Age 51-60	14%	11%
Age over 60	6%	5%

Comparing Dictionary of Occupational Title codes also indicated surprising similarities in test and control offices. Only two categories, the 500 series (processing occupations) and the 800 series (structural work occupations), indicated a greater than 3% difference between test and control offices. One notable difference between test and control claimants is “Claimants With Prior ICs”. Eighty percent of test office claimants have a history of repetitive filing, while control claimants show 58% are repetitive filers.

There were a total of 536 in-depth Eligibility Review Interviews conducted in the test offices by project staff. Local office staff in the test and control offices conducted eligibility review interviews as part of normal intake process. The total count for Eligibility Review Interviews for test offices: 1051; and for control offices: 1058. The determinations that resulted are as follows: for the test office claimants, 450 eligibilities, 314 ineligibilities, 172 qualified, and 3 disqualified. There were 9 fraud overpayments and 30 non-fraud overpayments. For the control office claimants, there were 138 eligibilities, 80 ineligibilities, 162 qualifications, and 61 disqualifications were determined. There were 24 non-fraud overpayments and zero (0) fraud overpayments for control office claimants. Four times as many ineligibilities were identified in test versus control offices.

The nine fraud determinations in the test offices resulted in overpayments of \$11,208. Non-fraud determinations for test offices resulted in overpayments of \$6,219. Of that amount \$1,913 was established on interstate claims. Recoveries for test offices, fraud and non-fraud, totaled \$12,510. Texas recovered or collected \$11,349. Other SESAs collected \$1,161. Total fraud and non-fraud overpayments for test offices equaled \$17,427. No fraud overpayments were established in the control offices. Non-fraud overpayments for control offices totaled \$6,630. None of that amount came from interstate activity. All of the overpayments in the control offices were a result of local office activity, and not from any third-party project staff activity.

### **Characteristics of Multi-Claimants Filing From Single Addresses**

The majority of the claimants investigated were seasonal workers. These workers have their own work cycles, patterns, and customs. Filing for unemployment benefits in the Valley, for many claimants, is part of their cycle. In one case, eleven members from one family were simultaneously unemployed. The family did not appear to be alarmed. The lack of jobs in the Valley doesn't allow much opportunity to break the migrant, seasonal cycle.

In the Valley it is not unusual to find multiple families living in one household, nor is it unusual to have parents and their grown children all living in the same neighborhood. Some of the old traditions of visiting parents and grandparents daily still exists. Work groups may include several generations that have all worked in the same places for years.

The records from this three-year project indicate a total of 247 addresses were investigated as fully as possible. Nine address investigations contained sufficient hard evidence to merit more in-depth investigation by the Department of Labor, Office of Inspector General. All necessary non-monetary decisions were posted to Texas Benefits records before the cases were referred for further investigation. Ninety-six percent of the addresses investigated revealed no evidence of fraud.

### **Investigator Observations**

The investigators for the project made diligent searches for addresses and third parties. Personal visits were conducted on the majority of the addresses. They acquired city maps, Rio Grande Valley maps, contacted postal workers and city employees in the test office areas from far southeast Brownsville to the west end of the Valley, in Roma. They traveled country roads, dirt roads, alleys, expressways, and city streets to get to the addresses. Notaries and other businesses which handled mail were asked to provide United States Postal Service forms and mail distribution methods were examined. Some businesses, had no private boxes or registration forms for their customers. The mail was placed in an open box for self-service.

According to the investigators, this project caused some disruption. Work searches, eligibility issues and addresses were examined. Claimants are not accustomed to this type of scrutiny. Some of the claimants appeared very uncomfortable when questioned by

the investigators. The vast majority of the claimants interviewed had never worked in Texas. The line of questioning used, particularly questions such as: What is the primary reason for relocating to the Valley? or Who else lives at this address? or Have you ever lived outside the United States while filing for unemployment insurance? were disconcerting.

It is difficult to verify work searches. The high unemployment rate indicates a large number of individuals seeking work. Many employers do not take applications or keep any record of individuals who contact them for work. Some employers who were contacted to verify work searches expressed annoyance with the influx of individuals that seek work to comply with unemployment insurance eligibility.

Since telephone filing is fast becoming the norm in Texas and other SESAs, it is imperative that claimants know their rights/responsibilities and follow instructions carefully. From the investigators' observations, the majority of the claimants do not read the material issued to them. This assumption is supported by viewing discarded papers in the local office parking lots.

### **Rio Grande Valley Mail Services/Practices**

There is an extreme shortage of mail receptacles in the Valley. In some locales with no home mail delivery, many box holders share their boxes with friends and relatives. This practice also goes beyond friends and relatives, to friends of friends of friends, or friends of relatives. Although these situations may appear to be possible third-party fraud, it usually was just friends and relatives sharing mail receptacles. New construction in 1996 of a larger post office in Roma and in 1997 in Hidalgo, is gradually changing the overall situation.

The investigators in this project established contacts with several city offices and post offices throughout the Valley. The purpose of the contacts was to obtain directions, maps, street names, subdivision names, address ownership, and box holder information. Information obtained from some of the post offices revealed extremely outdated data. The Rio Grande City Post Office was contacted on many occasions for information on box holders at suspicious addresses. The record/file card on one of the postal boxes was dated 1982 and had never been updated. Another record on a postal box was taken in 1971 and the box holder gave an address in Mexico. Supposedly, the postal policy is that box holders must have a local or United States physical address.

In the main McAllen Post Office, the supervisor stated that all mail is delivered as addressed unless the address owner rejects it. No questions are asked even if there is a large volume of mail addressed to individuals with different last names. The McAllen letter carrier, who delivers mail to an address being investigated was interviewed by project members. The questioning involved delivery of mail to a business where a notary is located. The notary does not have mail boxes. She places all mail in a large box and allows individuals to retrieve mail from the box. The notary told investigators that the postal service was aware of her mail handling procedures.

The investigators met with two United States Postal Inspectors at the McAllen Post Office. The senior inspector maintained that he could not give any information about the administrative operations for the postal system. He did ask a Customer Service Supervisor to speak with investigators. The supervisor stated there was no problem with a notary keeping mail in a bin and distributing it to customers. He also stated that all mail is delivered as addressed unless the address owner rejects it.

For comparison, a postal representative in the Austin area was contacted. The Austin representative did confirm the report that mail is delivered as addressed without question. The representative also stated that the mail is delivered if there is a proper receptacle. The postmaster in each area is allowed some flexibility and must follow some national standards. Some receptacles may fall under the “grandfather clause”. For example: If mail has been delivered to a box in a tree for 30 years, they will continue to deliver under the clause. Mail is not returned unless the occupants say they don’t want it. No one we spoke with from the postal system was able to shed any light on the procedures for approving, updating, and maintaining postal forms PS1093s (application for a postal box) or PS1583s (application for delivery of mail through an agent).

In mid year 1997, project investigators made a final personal contact with post offices in the Valley. The good news is there are a number of expansion plans for several of the Post Offices in the Valley. Two of the contacts related home/business delivery was in place or would be initiated shortly. Three were adding larger facilities or were expanding the number of available boxes. Some of the postal locations had new Postmasters. When project staff visited with them, these Postmasters indicated plans were in progress to review data on postal box rentals. During the contact visits, project investigators related their willingness to be available to investigate matters of mutual interest or to coordinate investigations with their postal inspectors.

## **Questionnaire Responses**

By reviewing the claimant questionnaire responses, it was determined that:

- 42% of the claimants had Texas claims and 58% had Interstate claims.
- The average level of education was 6.2 years for the respondents who had an education in Mexico. Respondents with an education in the United States had an average of 8.1 years of education. There was a total of 3 years of college among all respondents.
- 74% of the respondents preferred Spanish language.
- 54% of the respondents were seasonal workers, 10% were harvest/sorter farm workers, 3% were in construction work, and 33% were associated with various other occupations.
- 25% of the respondents migrated some time between April through November, 20% migrated some time between March through November, 7% migrated some time between May through October, and 48% migrated during various other periods.

- The average number of years they had been seasonal workers was 11.6 years. Several claimants had been seasonal workers for at least 20 years and one had been a seasonal worker for 40 years.
- 96% of the claimants who responded stated they had no immediate prospects for work in the Valley.
- Responses to the question “why did you come to this area?” ranged from “It is cheaper to live (in the Valley)” to “I come here to rest between seasons”.
- 54% of the respondents had never worked in the Valley, 26% had worked within the previous 3 years, 10% were presently working when called in, and 10% had last worked in the Valley 4 to 31 years ago.

The Main Statistical Report (included in the Project Reports found in Section VII) provides additional data on claimant characteristics, work history, claim history, number of eligibility reviews conducted, number of investigations conducted, types and numbers of determinations, overpayments, recoveries, number of claimants investigated that were involved in prior Office of Inspector General investigations, and information on third-party investigations.

### **No Work Registration Requirement in Rio Grande City**

It was discovered, during these investigations, that many claimants would travel miles out of their way to file a claim in the Rio Grande City Office. The notable difference between that office and the McAllen and Brownsville offices, is that there is no work registration requirement in Rio Grande City. Work registration is not required because the Rio Grande City office is not a full service office. It is designated as a full time Monday through Friday itinerant service point. Both the McAllen and Brownsville offices require that all claimants, except union members with a local hiring hall and those temporarily laid off, register for work. From one McAllen address 8 claimants traveled 39 miles to file a claim in Rio Grande City. Some reasons given by the claimants were “there were a lot of people there (McAllen)”;

“I didn’t think to go and file in McAllen”;

“I had been filing in Mission and when we returned we found the office had moved to Rio Grande City so we just came over here.”; and another claimant stated “I always would go to Mission to file for benefits. When that office moved to Rio Grande City, we automatically came here. I am aware that there is an office in McAllen.”

There were 4 claimants at another address who all traveled 23 miles to file in Rio Grande City rather than 16 miles to a full service office. In another case, all claimants were traveling 34 miles to Rio Grande City instead of 7 miles to McAllen. Some claimants would travel miles to file in the Rio Grande City office and pass 2 Texas Workforce Commission full service offices en route.

### **Work Search**

An active search for work is one of the main eligibility requirements claimants usually must meet. Although work search contacts have always been required of claimants, specifics such as the number of contacts and the method of contact have varied somewhat. Some areas, including the Texas Rio Grande Valley, cite industry factors for

allowing claimants to modify their job search efforts. These factors include the high unemployment rate, the burden to local employers, and off-seasons of local employers.

In February 1996, in an effort to clarify local office procedures and re-emphasize work search requirements for claimants, Texas issued Benefits Letter 3-96. Item number 4 of the letter defined Work Search Requirement as follows:

“.....Claimants should be advised to make ***as many contacts as is necessary*** to locate suitable employment. Only one contact per week does not constitute an ***active*** search for work.....Work search procedures are to be reviewed with the claimant. Points that should be stressed include:

A job search should be considered a full-time job.

Multiple contacts should be made each week with the goal of at least one personal interview per day.

After registering with the Texas Workforce Commission, claimants should expand their weekly job search through other sources, such as, networking, local libraries, newspaper ads, local career counseling centers, local community colleges and trade schools, proprietary schools and private training centers, private employment and temporary agencies, and other local community organizations.

.....Claimants should be advised to maintain a record of all contacts made and be informed that their contacts are subject to verification. Texas Workforce Commission continues to verify claimant work search contacts on a random basis. If non-verifiable work search contacts are discovered, the claimant will be held ineligible to receive benefits because of an inadequate work search.....”

At local test offices it was observed that interstate claimants are given the same work search instructions as Texas claimants. Each interstate claimant is given a booklet, Your Rights and Responsibilities as an Interstate Claimant. This booklet instructs claimants to search for work and keep a record for possible verification by local office personnel. The same booklet also indicates that all paying states issue informational packets by mail to their interstate claimants.

### **Potential Issues Detected**

Although issues detected by the in-depth Eligibility Review Interview were significant in volume, the subject matter of the issues was the same as for any group of claimants. Some claimants stated that if they found work in Texas, they would quit that work in order to relocate with their family. An example is a claimant who for twenty-two years had worked in another state and seasonally returned to Texas, but had never worked in Texas. This individual was offered a referral to a sewing factory in Brownsville, but she told the interviewer that she would quit the job to continue her regular seasonal work. The referral was withdrawn. One claimant stated she visited her children in Tampico as often as she could. She said they had a telephone and if she happened to be in Mexico when an employer or the Texas Workforce Commission called it would be no problem. However, it is a six hour drive to Tampico from the border. One claimant said he told

employers he only wanted to work part-time because of his school attendance. This same claimant attended high school the year before and was paid unemployment benefits. At one address investigated, the agent for the address stated that all of the claimants using her address lived in San Luis Potosi, Mexico which is 664 miles into the interior of Mexico. She stated the claimants only returned every two weeks to check on their mail. Another claimant stated he was responding late because he had been in Mexico for a month, a 14 hour drive away. Some claimants stated that they only wanted to work in a certain state.

The following is a list of issues adjudicated as a result of this project.

- ⇒ Not labor market attached.
- ⇒ Excessive wage demands.
- ⇒ Only available for part-time work and within a 12 mile radius.
- ⇒ Lack of child care.
- ⇒ Distance from claimant's Mexico residence to the United States.
- ⇒ Failure to respond to local office.
- ⇒ Lack of transportation and available only within 3 miles round trip.
- ⇒ Questionable work contacts.
- ⇒ Claimant's primary reason for coming to the Valley was to receive unemployment.
- ⇒ Out of town.
- ⇒ Interested in working in state of choice only.
- ⇒ School attendance.
- ⇒ Claim filed while claimant was in high school.
- ⇒ Incorrect last employer named.
- ⇒ Unreported earnings.
- ⇒ Claimant possibly filing under two social security numbers.
- ⇒ Claimant stated he was between seasons and came to Texas to rest.
- ⇒ Claimant only looks for work when he has to send his contacts to California.
- ⇒ Availability for work limited because of personal restrictions
- ⇒ Fraud - Claimant had not been released by doctor to work.
- ⇒ Fraud - Claim forms were signed by the claimant's mother.
- ⇒ Fraud - Unreported earnings.

## **Labor Market Information and Attachment**

Attachment to the labor market is a concern when the records reveal claimants follow the same migration pattern for years, with no employment history in Texas. Also, labor market conditions are such that a lack of job prospects in the Texas Rio Grande Valley is likely to continue (unemployment rate, drought, peso devaluation, etc.).

Work applications, work search contacts, and Directory of Occupation Title codes were examined to determine whether the type of work a claimant was seeking existed in the local labor market. Job orders placed with the Texas Workforce Commission by employers and the number of actual hires were also taken into consideration. For the 1167 claims reviewed, investigators determined that for 43% (505 claims) work did not exist in the local labor market. For 19% (222 claims), investigators were unable to make a determination, primarily because the claimant was not required to register for work. In the remaining 37% (440 claims), the type of work the claimant was seeking did exist.

When a claimant was interviewed, every effort was made to determine the claimant's actual physical address. If a claimant failed to respond, and the claimant's address was a PO Box, abandoned property, notary office, mail drop box, or other location where the claimant could not possibly live, investigators were unable to determine residence. Without being able to know the physical residence of a claimant, it is difficult to determine the area where the claimant is looking for work, or if, in fact, the claimant has removed himself from the labor market.

Each month, Texas Workforce Commission offices in the Valley produced an Agricultural Newsletter. The newsletter gives a basic overview of agricultural activities for the surrounding area. Two of the project test offices compile the newsletters: McAllen and Brownsville. The newsletter covers such items as current types of farm and ranch activities, whether there is ample labor available, whether excess labor is available, if there is excess labor in the local area, whether excess labor be willing to work elsewhere, whether weather conditions affected agricultural activities, the number of job orders received by the local office, and the number of agricultural placements made.

Each year, the Texas Workforce Commission publishes an Annual Report. The unemployment rates for metropolitan statistical areas are found in this report. The project test offices encompass two metropolitan statistical areas, Brownsville-Harlingen and McAllen-Edinburg-Mission. For fiscal year 1995, the average unemployment rate for these metropolitan statistical areas were 11.5% and 17.8% respectively. The 1995 unemployment rate for McAllen was 11.3% compared to the state average of 6.5%. In fiscal year 1996, the Brownsville-Harlingen metropolitan statistical area had an unemployment rate of 13%, a 1.5% increase from fiscal year 1995. The McAllen-Edinburg-Mission metropolitan statistical area unemployment rate soared to 20%, up 2.2% from fiscal year 1995. Statistics for fiscal year 1997 were not available at the time this report was prepared. These averages reflect actual, *not seasonally adjusted*, data. Unemployment rates in the Texas Rio Grande Valley tend to fluctuate from season to season because of a large migratory population.

## **Social Security Number Validations**

During the course of the Third-Party Fraud Project, the Office of Inspector General, Department of Labor Atlanta Regional Office, conducted an audit in Texas as part of a multi-state national project. The project team audited claims filed in Texas using questionable social security numbers and possibly fraudulent alien identification numbers. The lists of questionable social security numbers was compared to project claimants. None of the numbers matched with those claimants.

From the Office of Inspector General's audit, thirty-three claims from the Third-Party Fraud Project geographical area were pulled for inclusion in the project. The majority of the thirty-three claimants investigated were using inappropriate social security numbers.

## **State Employment Security Agency Participation**

Originally, project staff anticipated full cooperation from paying states in regards to timely responses to Case Disposition Form transmittals. Unfortunately, by the third quarter of the project, it became evident that this would not be the case. Increased participation was noticed when a postage paid envelope was included with the form transmittal. Additionally, Dallas Regional Department of Labor staff gave some assistance in generating a higher and more timely response from other SESAs.

Test Office Case Disposition Responses:

Total Case Dispositions transmitted to SESAs: **658**

Total Case Dispositions returned by SESAs: **541**

Total Case Dispositions closed with no response from liable State: **117**

During the course of the project, quarterly reports chronicled SESA responses. Considerable energy was given to dispositions, both in staff effort and in written text. Because Case Dispositions encompassed such a large part of the project, some SESAs were contacted by phone to encourage response, answer SESA inquiries for further information, or clarify Case Dispositions which were returned incomplete or with vague and confusing responses. The data available did not allow for complete evaluation. The content of the responses made it difficult to reach conclusions of whether situations presented on the disposition forms were considered acceptable to the liable/paying state. Without full participation, the project-staff could not get a complete picture of how other SESAs really used the information provided.

Approximately fifty percent of the SESAs sent State address runs. The following seven SESAs submitted at least one annual report for each year of the project: Idaho, Minnesota, New Jersey, North Carolina, North Dakota, Ohio, and Oklahoma. Unfortunately, the states with the greatest number of interstate claimants in the project, failed to conduct the address runs. Consequently, the number of bypass claimants detected was lower than expected.

## **VI. Conclusions and Recommendations**

Since four times as many potential issues to entitlement of Unemployment Insurance Benefits were discovered when the in-depth Eligibility Review Interview was used, we recommend SESAs retain some interactive form of the Benefits Rights Interview and continue with and consider expansion of Eligibility Review Interviews. There are possible alternate methods of delivery using new electronic processes. When SESAs explore expanded electronic claims processing, modernized methods of delivery should be developed for the Benefits Rights Interview and the Eligibility Review Interview. Each state's resources will dictate the direction its delivery will take. Some suggestions have included adding the information to a web page, using public access television broadcasting, continuous video run at Workforce centers for those areas where claimants are required to make an in-person report, video checkout, etc.

From our investigations of Valley addresses, several aspects of address situations were identified as somewhat unusual. The shortage of mail boxes and the absence of door to door mail delivery contributes to the sharing of boxes and addresses among friends, relatives, and co-workers. While the majority of such addresses do not involve third-party activity, the potential exists. Additionally, some addresses appeared with an apparent house number, street name, and "Apt." with number. However, in several instances these addresses were mail drop boxes. In Spanish, a mail box is called an "apartado" and is abbreviated as Apt., like the English abbreviation for apartment. This situation created the appearance of multi-claimant single address activity where none existed. Further, the checking of box holder registration cards with postal authorities was often futile since registrations were missing or incorrect with extremely outdated information. Consequently, it is recommended that SESAs reinforce the requirement in ET Handbook 392 (Section II) to obtain a claimant's physical address if the mailing address is a post office box. A physical address for a claimant is necessary for statistical purposes related to funding and to facilitate investigations of all types.

While it appears that only sixty-five percent of the project claims were interstate, an analysis of the other claims revealed the combining of wage credits. In fact, when these combined wage claims are considered, seventy-eight percent of the project claims used wage credits from employment outside Texas. Therefore, we encourage the other SESAs to recognize the extent of the potential liability for their respective employers.

We recommend stop payment via nonmonetary determination issuance when a claimant fails to respond to resolve an issue. When claimants failed to respond, but appeared (from SESA response on Case Dispositions) to have an active claim (even though no claims had been filed recently), there was often no indication by the SESAs that any action was taken on the claim.

Claimants investigated as part of this three-year project were not attached to the local labor market. Unemployment in the Valley is so high that there is limited chance for the incoming workers to obtain any type of employment. A large number of claimants return each year to an area of consistently high unemployment, and conditions are such that the high unemployment is likely to continue. Many of these claimants have never worked in

the Valley or anywhere in Texas. Without exception, claimants included in this project migrated to perform work, and at least 70 percent worked in seasonal employment.

To our knowledge, no SESA automatically excludes migrant or seasonal workers from work search requirements; however, some may exclude those claimants with definite recall dates, union hiring arrangements, etc. Work search expectations and enforcement vary noticeably among the SESAs. At least one SESA only pays benefits for unemployment weeks during the normal seasonal work period and does not pay benefits between seasons for claimants with reasonable assurance of work in the next work period. Some claimants are able to utilize these provisions annually to return to the Valley “between seasons”. Perhaps a policy issue for SESAs to consider would be adequate and equitable enforcement of basic eligibility requirements and consideration of seasonality provisions.

The in-depth Eligibility Review Interviews in this project revealed the possibility that agent state claims takers may promote improper payments to claimants with questionable eligibility because of a lack of Employment Service/Unemployment Insurance coordination or proper training. Claimants and claims takers alike have fallen into a “proper pattern of answering”. Historically, claims takers have continuously answered “yes” to all occupational questions on interstate eligibility reviews, disregarding local labor market conditions. Claims takers report to paying states that work exists in the local labor market although labor market statistics and local office agricultural newsletters indicate otherwise.

Offices have consistently reported to paying states that there is work in the Valley, regardless of the claimant’s work experience, wage demand, or other work restrictions. To improve this situation, we recommend training for claims takers and investigators regarding accurate eligibility review documentation. Such training should also include information about the potential issues from third-party activity.

Project investigator activity had some influence on claim patterns in the Valley. Statistics for the number of claimants for sites investigated reflected fluctuations but generally remained stable. Some shifting was noted in claimants moving from test to control offices. The claimants were quite mobile. There was no reluctance to travel 100 miles one way to file a claim in an office considered “more convenient”. Businesses involved with mail drops in the border towns were made aware of Department of Labor interest in their involvement with claims correspondence. General retail establishments were receiving mail for 60-80 claimants at the beginning of the project, but activity had diminished by the end of the project. Some of the change was simply a shift to another retail location owned by the same principals. Some drop box activity actually increased. Following an Office of Inspector General investigation, a previous third-party business building was physically relocated and the number of claims being processed doubled. The proprietor updated her skills by studying information mailed to the claimants to understand personal identification numbers and their use in telephone filing. The multi-claimant single address and now single telephone situations continue the potential for third-party involvement in the claims process. As indicated in the BPC Technical

Assistance Guide, SESAs are encouraged to periodically conduct file searches for multi-claimant single addresses, at least to determine whether or not vulnerabilities exist. It would also seem prudent for telephone claims systems to include the capability of identifying multiple certifications from a single telephone. These activities and any follow up would be dependent on resource availability.

Of 247 addresses investigated for potential third-party fraud, nine were referred to the Office of Inspector General for further investigation. While these nine cases included apparent evidence to support potential third-party fraud, there was only one significant difference in the characteristics of the claimants or the address locations to distinguish them from other segments of the project universe. The one difference was, box number addresses made up a larger proportion (78%) of the nine Office of Inspector General referrals while box number addresses encompassed 37% of all addresses investigated. Consequently, should multi-claimant single address searches be conducted, the first priority for review would be box number addresses. Although the number of overpayments as a result of this project, was small (39 out of 1108 claimants), the total of non-monetary determinations recorded was 763. This number of issues was detected by project activities which were more intense than regular claims taking activity in the control offices. The claimant characteristics or profiles of the project claimants are evident, as are the SESAs with the greatest vulnerability. We encourage SESAs to focus resources, target claimant groups when possible, seek and resolve potential issues, and work together for improved system integrity.