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Arizona employers urged to help with unemployment fraud detection

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Before COVID-19, the Arizona Department of Economic Security (DES) paid out approximately $3 million per week in benefits. The increase in unemployment claims as a result of the pandemic led to a weekly high payout of $287 million the week of June 6 (although the total included some retroactive payments for multiple weeks). Even as many businesses have reopened, jobless claims remain fairly steady at $167 million in benefits per week. With talks of extending the $600 per week federal benefits, employers are faced with continued push back from employees receiving more benefits to stay home, even as they are recalled to work.

DES response to COVID-19

In response to the COVID-19 pandemic, DES modified its shared work program to support employers facing labor cuts. The program provides an alternative to employers faced with a reduction in force by allowing them to divide available work among employees and reduce hours, rather than laying off a section of their workforce.

Employees receiving unemployment benefits ($240 per week) from DES also qualify for an additional $600 per week under the Federal Pandemic Unemployment Compensation (FPUC). The benefit expired July 25, and at the time of writing, lawmakers have been unable to agree on what any subsequent additional benefits will look like.

Employees participating in the shared work program will see those benefits reduced in proportion to the hours the employer reduces their normal work week. For example, an employee who typically works 40 hours per week but has had her work week reduced by 8 hours will be eligible for 20% of the weekly benefit. Employers that are part of the shared work program must report the hours worked by employees on the Employer Certification List.

Also, DES won't consider unemployment benefits granted for the duration of the emergency declaration in Arizona as chargeable to employers' experience rating accounts.

Increased unemployment fraud

In the last weekend of June, the file for Pandemic Unemployment Assistance (PUA) (a program for people who don't normally qualify for unemployment) reached more than $750 million. According to DES, the uptick in PUA claims resulted in the department holding payments to evaluate claims for indications of fraud before issuing funds. Claims that DES determined contained possible fraud resulted in the agency closing unemployment accounts and some say wiping out legitimate funds to many recipients. DES says it is working with people who have been affected and believe their claims are legitimate.

At the time of this writing, DES is investigating 5,000 potentially fraudulent claims and had confirmed 251 cases of fraud since February. Claimants should be aware that unemployment fraud in Arizona is a class 4 felony, one that the state takes seriously. Before the uptick in claims this year, unemployment fraud convictions from January 1 to March 31 resulted in total restitution of $391,112.50.

Employees failing to accept suitable work

As workplaces reopen and employers recall workers from furlough or teleworking, some employees have refused to return to work. DES encourages employees to return to work when recalled because "refusing to work could result in unemployment benefits being discontinued."

Under such circumstances, DES encourages employers to notify it through its website by filling out a "Fraud Report." This report provides a space for employers to enter details about "failure to accept suitable work for employers." The agency will review the report and investigate whether a bona fide offer was made by the employer for the employee to return to work. Employees continuing to file for benefits after having received an offer for "suitable work" may be found to have filed a fraudulent claim.

Conclusion

Most unemployment fraud likely results from using information obtained in a prior data breach or phishing scheme. (For more information, see "Increase in unemployment claims bring heightened risk of fraud" in our July issue.) Unfortunately, the FPUC has resulted in increased instances of potential unemployment fraud from employees refusing "suitable work" to continue collecting jobless benefits. Regardless, employers should assist DES when possible to root out the fraud since unemployment benefits are being paid out at what are likely unprecedented levels.

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