

Rick Scott
GOVERNOR



Jesse Panuccio
EXECUTIVE DIRECTOR

March 13, 2015

The Honorable Thomas E. Perez
Secretary of Labor
United States Department of Labor
Frances Perkins Building
200 Constitution Avenue, N.W.
Washington, DC 20210

RE: Identity Theft and Fraud in Public Benefit Systems

Dear Secretary Perez:

I write today to draw your attention to a very significant and rapidly growing problem in Florida: fraud and identity theft in public-assistance programs. This fraud is draining resources from these critical programs and is harming Floridians who have their identities stolen and used for illicit purposes.

Over the past two years, the Florida Department of Economic Opportunity (DEO) has made preventing, detecting, and combatting Unemployment Insurance (UI) fraud a top priority. Using a supplemental USDOL grant, we have implemented a state-of-the-art detection program that searches UI data for patterns that reveal fraud. We have named the initiative FIRRE—the Fraud Initiative and Rules Rating Engine. The results are alarming. In 2014, the first year of FIRRE’s operation, DEO identified nearly 70,000 fraudulent claims. Thus far in 2015, we have identified another 24,000 fraudulent claims. Had full benefits been paid on these claims, hundreds of millions would have been illicitly stolen from the UI program.

Most efforts to combat public-benefits fraud rely on front-end identity authentication. While this tool may stop some fraud, in DEO’s experience criminal enterprises quickly learn to circumvent it. Most of the 70,000 fraudulent claims we identified in 2014 occurred *after* implementation of an industry standard authentication product.

The fraud we are seeing in Florida does not consist of the traditional, one-off case in which an ineligible individual knowingly misrepresents eligibility for UI. Instead, the increase in fraudulent claims is occurring because organized criminal enterprises have begun attacking public-benefit systems on a daily basis. Unfortunately, South Florida has become a national hub for this activity. These criminals illicitly access online systems, steal identifying information, and steal benefits—often playing systems off each other, i.e., stealing an identity from one system and then using that identity to claim benefits through another system. In most cases, for example, UI fraud in Florida is committed by criminals who have stolen identities from sources outside the UI system.

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To our knowledge, few states have implemented robust back-end analytics to actively combat fraud. We suspect that if such a program were deployed nationally, the amount of UI fraud detected would be staggering. Moreover, UI is small in scope compared to other benefits programs that are also likely beset by fraud. For example, while there are about 88,000 active UI claims in Florida, there are currently about 3.7 million people receiving Supplemental Nutrition Assistance Program (SNAP or food stamp) benefits.

DEO successfully partners with the USDOL Office of Inspector General and our U.S. Attorneys to investigate and prosecute these cases. These offices have committed to combat this growing problem. But given the massive costs of this fraud, more must be done to increase the overall funding for, and attention to, anti-fraud efforts. Moreover, the criminal organizations committing this fraud work across systems, yet the coordination of anti-fraud efforts among government agencies and systems (e.g., UI and SNAP) is minimal to nonexistent.

DEO is committed to ensuring the integrity of its programs, and we will continue to implement new anti-fraud measures with the limited resources currently available. But given the national scope and increasing costs of fraud in federally created public-benefits programs, the Department believes the federal government needs to do more—much more—in this area. More funding, better coordination, and better technology are urgently needed.

Thank you for attention to this critical concern for hardworking Floridians and business owners who bear the burden of identity theft and public-benefits fraud.

Sincerely,

A handwritten signature in black ink, appearing to read "Jesse Panuccio", with a large, sweeping flourish that loops back under the name.

Jesse Panuccio
Executive Director
Florida Department of Economic Opportunity