

1 HOUSE OF REPRESENTATIVES
2 COMMONWEALTH OF PENNSYLVANIA

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4 Unemployment Compensation

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6 House Labor and Industry Committee

7 Ryan Office Building
8 Room 205
9 Harrisburg, Pennsylvania

10 Wednesday, February 10, 2022 - 10:30 a.m.

11 --oOo--

12 COMMITTEE MEMBERS PRESENT:

13 Honorable Jim Cox, Majority Chairperson
14 Honorable Eric Davanzo
15 Honorable Torren Ecker
16 Honorable Barbara Gleim
17 Honorable James Gregory (virtual)
18 Honorable Rich Irvin (virtual)
19 Honorable Mike Jones
20 Honorable Dawn Keefer
21 Honorable Kate Klunk
22 Honorable Ryan Mackenzie (virtual)
23 Honorable Lori Mizgorski (virtual)
24 Honorable Eric Nelson (virtual)
25 Honorable David Rowe
Honorable Gerald Mullery, Minority Chairperson
Honorable David Delloso
Honorable Leanne Krueger (virtual)
Honorable Jeanne McNeill
Honorable Jennnifer O'Mara (virtual)
Honorable Nick Pisciotto (virtual)
Honorable Pam Snyder
Honorable Regina Young

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1 STAFF PRESENT:

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3 John Scarpato
4 Majority Executive Director

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5 Jennifer Dodge
6 Majority Legislative Administrative Assistant II

6

7 Jonas Ricci
8 Majority Research Analyst

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9 McClain Fultz
10 Majority Research Analyst

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11 Haley Salera
12 Minority Executive Director

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SUBMITTED WRITTEN TESTIMONY

(See other submitted testimony and handouts
online.)

1 REPRESENTATIVE KEEFER: Good morning.
2 I'd like to call this meeting to order. We can all
3 rise for the Pledge of Allegiance.

4 (Pledge of Allegiance held on the
5 record).

6 REPRESENTATIVE KEEFER: This meeting is
7 being recorded. Members and guests, please silence
8 your phones and all electronics devices.

9 Chairman Cox has called this hearing as
10 part of this Committee's continuing oversight over
11 the situation of the UC system during and after the
12 pandemic. Unfortunately, he had a flat tire this
13 morning, and he asked that I chair the meeting
14 until he's able to get here, so thank you all for
15 bearing with us.

16 For the hearing the Chairman asked that
17 the Department of Labor industry and the Office of
18 Administration, which has the responsibility for
19 the implementation and technical projects of cyber
20 security, to come in and discuss the UC, issues
21 including the fight against the organized identity
22 theft fraud, and the newer issue of the bank
23 account hijacking, the ongoing performance of the
24 new benefit system, and a financial -- or the final
25 recommendations of the Benefit Modernization

1 Advisory Committee, backlog the specially
2 processing fraud reports and overpayments.

3 I would now like to ask the members that
4 are here participating to introduce themselves.
5 We'll start in person, Representative Gleim.

6 REPRESENTATIVE GLEIM: Hello.
7 Representative Barb Gleim from Cumberland County.
8 Thank you for being here.

9 REPRESENTATIVE KEEFER: Representative
10 Dawn Keefer from the 92nd Legislative District,
11 York and Cumberland counties.

12 MINORITY CHAIRPERSON MULLERY: Jerry
13 Mullery, 119th, Luzerne County.

14 REPRESENTATIVE YOUNG: Representative
15 Regina Young, Philadelphia and Delaware counties.

16 REPRESENTATIVE DELLOSO: Representative
17 Dave Delloso, Delaware County.

18 REPRESENTATIVE McNEILL: Representative
19 Jeanne McNeill, Lehigh County.

20 REPRESENTATIVE KEEFER: Members online.

21 REPRESENTATIVE GREGORY: Representative
22 Jim Gregory, Blair County.

23 REPRESENTATIVE MIZGORSKI:
24 Representative Lori Mizgorski, Allegheny County.

25 REPRESENTATIVE O'MARA: Representative

1 Jennifer O'Mara, Delaware County.

2 REPRESENTATIVE NELSON: Representative
3 Eric Nelson, Westmoreland County.

4 REPRESENTATIVE KRUEGER: Representative
5 Leanne Krueger, Delaware County.

6 REPRESENTATIVE IRVIN: Representative
7 Rich Irvin, Huntingdon, Centre and Mifflin
8 counties.

9 REPRESENTATIVE KEEFER: Thank you,
10 members. Also, we have Representative Torren Ecker
11 from Cumberland and Adams counties.

12 So again, thank you all for joining us.
13 I appreciate your time.

14 Minority Chairman Mullery, do you have
15 any opening remarks?

16 MINORITY CHAIRPERSON MULLERY: Looks
17 like Nick Pisciotano from Allegheny County has
18 joined us. I'm ready to just get right into the
19 testimony. Thank you.

20 REPRESENTATIVE KEEFER: Sounds good.
21 Thank you.

22 So, Secretary Berrier, if you'd like to
23 begin. Since I am not a chairman, legally, I
24 cannot swear you in.

25 (Laughter.)

1 SECRETARY BERRIER: All right. Good
2 morning, members of the House Labor and Industry
3 Committee.

4 It is my pleasure to be here with you
5 today with my colleague Deputy Secretary Dickson,
6 and Chief Operating Officer for the Commonwealth
7 John MacMillan.

8 We have not appeared before this
9 Committee since October to provide an update. And
10 during that time frame we have continued to be
11 extraordinarily busy since we last met. Since
12 then, the BenMod Advisory Committee issued its
13 final report, and I would be remiss if I didn't
14 thank them for their partnership in assisting with
15 implementing UC's modernized system.

16 While their report raised some concerns
17 with reissues and refunds in the issuance of 1099G
18 tax forms, I can report that Labor and Industry has
19 resolved the system concerns, so the system can
20 actually perform these tasks. It's my
21 understanding that 1099Gs did go out to claimants
22 as well. However, Labor and Industry will continue
23 to work with its vendor GSI to optimize these tasks
24 so they can be completed without GSI's assistance.

25 The Committee also raised concerns about

1 billing notices for overpayments and confusing
2 language that may be contained therein. Labor and
3 Industry is working to revise the language on the
4 forms to make them more understandable by UC
5 recipients.

6 Another issue flagged by the Committee
7 concerned appealing inactive claims. We are
8 working on this issue with GSI so that claimants
9 and employers alike will be able to appeal.
10 Overall, the UC system is in a good place after
11 eight months when we went live. But I assure you
12 that we are continuing to meet constantly with GSI
13 until the system is operating at its apex.

14 The Committee also provided Labor and
15 Industry with several recommendations, and we thank
16 them for these thoughtful suggestions. Integrating
17 the UC system with the PA CareerLink was one. And
18 while this is a very long-term consideration for
19 the department, that would be very nice, we
20 currently do not have the capacity to make this a
21 priority. But we do promise to look into it once
22 we are winding down from the impacts of the
23 pandemic.

24 Other recommendations were to provide
25 claimant representative access to the system.

1 Ensure claimants' employers are given a fair
2 opportunity to be heard during the investigations,
3 and that they receive sufficient notice of resolved
4 issues. And also, they've requested that we issue
5 communication about in-person identity verification
6 options.

7 These are all recommendations that we
8 take very seriously, and they're recommendations
9 that we would like to incorporate as we make system
10 enhancements.

11 Since the launch of the system, we have
12 made incredible improvements, including issuing
13 higher-quality determinations, and we will continue
14 to strive for the best possible service we can
15 provide to Pennsylvanians.

16 Again, I'd like to thank the advisory
17 committee for their dedication and commitment to
18 representing all Pennsylvanians and their needs
19 within the UC's program area.

20 Another important update I'd like to
21 provide this Committee is the customer service.
22 Since the launch of the modernized UC system in
23 June, we have paid 611,206 claimants nearly
24 \$3.4 billion in benefits. While the past two years
25 during this pandemic have had an unprecedented

1 strain on the UC system, UC trends are actually
2 similar to what they were before the pandemic. I
3 know I say this, but I am sure that your offices
4 have experienced an uptick in claimants reaching
5 out. And again, I'd like to thank you and your
6 dedicated staff for your work in helping us.

7 The reason for this, and I think it's --
8 I owe you an explanation for why you're seeing an
9 uptake and reach out is because January and
10 February are historically our busy seasons within
11 the UC program area. As you know, we have a lot of
12 seasonal workers who don't work during these months
13 and they're actually collecting UC benefits.

14 While we anticipated an increase in the
15 volume of calls and e-mails, it's even more so
16 because these workers are encountering the new
17 modernized system for the first time. And the
18 system is very unfamiliar to them and unlike the
19 system that they previously used.

20 Also, the one thing I think we're
21 learning as a department is that, despite the
22 plethora of materials we have available, such as
23 FAQs, how to use video tutorials, people actually
24 want to pick up the phone and talk to someone who
25 can talk with them and talk them through their

1 claim and answer their questions directly.
2 Unfortunately, this is consuming a great deal of
3 staff's time and, thus, the longer than usual wait
4 times to get through to us and, unfortunately,
5 longer times for people to get through to us
6 period.

7 I also think it's very important for us
8 to mention now that we phased out the ticketing
9 system that we had implemented last year. The
10 ticketing system I know frustrated a lot of
11 claimants and also a lot of legislators too.
12 Unfortunately, it was a way for us to get through
13 the heavy volume of calls that we were experiencing
14 at that time, but I think we're in a better place
15 now where we can actually phase out the ticketing
16 system and ensure that UC claimants or individuals
17 trying to call through on our phones are actually
18 talking to people in real time who will resolve
19 their issues.

20 However, we do still have a backlog of
21 tickets from that system, and we will continue to
22 work through the backlog tickets until they're
23 resolved completely.

24 The Inspiritec staff that we had
25 actually had banning the ticket system will

1 continue to assist with Keystone login and ID.Me
2 issues, and also some of those staff have actually
3 been reassigned to help UC's internal audit
4 division with fraud.

5 In September, you know that the federal
6 UC program expired. Unfortunately, with that
7 expiration, we lost the ability to use flexible
8 staffing for merit work. This was certainly a step
9 back in customer service for us, and we are feeling
10 the impact of reduced staff, especially now when we
11 have increased volumes of calls and e-mails.

12 However, we are still continuing to hire
13 more UC staff. In fact, we have a hundred UC
14 intake interviewers starting at the end of this
15 month. It's not as many as we'd like. We posted
16 for many more positions, but we are still -- we're
17 still facing the same hiring strains that all
18 employers in Pennsylvania are facing.

19 Furthermore, I just want to remind this
20 Committee, I know you know, but our UC staff jobs
21 are extremely difficult and not for the
22 faint-hearted, and our turnover rate does remain
23 high. But our existing UC staff is extremely
24 resilient and they are some of the most hardest
25 working dedicated state workers I know, and I'm

1 proud to work alongside.

2 Concerning nonmonetary determinations,
3 where our backlogs at the height of the pandemic
4 were over 300,000 cases. I'm happy to report that
5 we are at approximately 95,000 cases awaiting
6 determinations from either examiners or intake
7 interviewers to be addressed. We still have a
8 small pool of backlog of around 14,500. Currently,
9 our examiners are issuing 17,000 to 19,000
10 determinations a week, and our system is also able
11 to issue an additional couple thousand, depending
12 on the issue.

13 Lastly, I think this is a -- probably
14 going to be the hot subject of this meeting, I'd
15 like to touch upon UC fraud, which L&I has been
16 battling for the past two years. As you know,
17 fraudsters saw a great opportunity when the federal
18 UC programs were introduced, and they still
19 continue to find ways for loopholes to engage in
20 identity theft or bank hijacking from legitimate UC
21 claimants.

22 While we have made significant progress
23 with stopping fraudsters since our initial GoLive
24 in June, we will not rest until we stop these
25 despicable actors altogether. As you know, we

1 launched ID.Me with the new system in July and have
2 added ID.Me identity verification at several
3 different steps in our process, which includes bank
4 account changes and changing a Keystone login
5 information.

6 ID.Me has been a great partner, an
7 integral in preventing billions of dollars worth of
8 fraud from occurring in Pennsylvania. We still can
9 do better. While we acknowledge that, you know,
10 individuals who lack sufficient literacy may
11 struggle with ID.Me, it's unfortunately necessary
12 right now.

13 REPRESENTATIVE KEEFER: I'm sorry,
14 Secretary Berrier, we need to pause. We are having
15 technical difficulties so we'll take a brief break
16 here. Sorry about that.

17 (Pause in hearing).

18 REPRESENTATIVE KEEFER: Thank you,
19 members. We will now resume.

20 SECRETARY BERRIER: Thank you. I'll
21 back up just a little bit.

22 I believe we were talking about fraud
23 and the issues we were experiencing with identity
24 theft, fraud and also with bank hijacking. We've
25 implemented ID.Me identity verification throughout

1 several stops in our UC process to ensure that
2 fraudsters are being stopped in their tracks.

3 Obviously, you know, we still continue
4 to struggle with fighting fraud, but also
5 continuing to pay claimants in a timely way as
6 possible. It's been very challenging. And these
7 individual acts are completely abhorrent to the
8 fact that we're actually finding it difficult to
9 pay claimants.

10 I know you want to hear about fraud
11 statistics. I know that you probably heard a
12 little bit of an uptick, especially within the past
13 two months. And I think what we're finding is
14 that, especially with these seasonal workers,
15 they're finding that they're the victims of
16 identity theft from when our system first went
17 live. So I think that's a lot of -- a lot of the
18 uptick of why we're hearing about this. It's from
19 what occurred in June or July or so.

20 But also, we've had issues with bank
21 hijacking, which I know has been relatively new.
22 We've spoken about it before in previous hearings,
23 but I am happy to report that we are seeing
24 noticeable decreases in fraud reports, which is
25 very good, which means that the levels of security

1 we are implementing are working.

2 Right now, as far as a backlog of fraud
3 cases that are being investigated by our internal
4 audits division, I know in my written testimony I
5 have 51,000 backlog cases, but currently it's at
6 37,000. Actually, we have engaged our UC tax staff
7 to assist with cutting down that backlog, so we
8 hope to be able to make good progress on that in
9 short order.

10 We've worked with the IFO. I think as
11 many of you know, the IFO issued their performance-
12 based budgeting information for the Department of
13 Labor and Industry for the first time. We worked
14 with them to be able to put a number on fraud
15 payments that were paid out. I think this is very
16 important.

17 So, traditionally, UC benefits paid out
18 fraudulently from March of 2020 through the third
19 quarter of 2021 is approximately \$570 million.
20 That's 6.3 percent of the traditional UC payments
21 that we've made during this time frame. Still, we
22 want to get that number lower. We want to get that
23 percentage lower. So we will continue to work with
24 our partners at the Office of Administration to
25 enhance security measures and to get that number

1 down.

2 We're still continuing to be the target
3 of fraudsters. I know that the department issued a
4 press release in January acknowledging the
5 existence of very sophisticated attacks on this
6 unemployment system, and there's currently a law
7 enforcement investigation ongoing. As part of that
8 investigation, we are offering free credit
9 monitoring that will be eligible to all UC
10 claimants who have filed claims within the new
11 system. Shortly, hopefully, within the very near
12 future, we'll be making that information available
13 so claimants can sign up for free credit
14 monitoring.

15 But we are fully committed to
16 transparency with the General Assembly, with UC
17 claimants, and with the public to the extent it
18 doesn't interfere with an investigation or to the
19 extent that it doesn't interfere with the security
20 of the system. But I assure you, we will not rest
21 until we stop this in its tracks.

22 At this time, I believe my colleagues
23 and I are happy to take any questions you may have.

24 REPRESENTATIVE KEEFER: Members online,
25 please send a message if you'd like to ask any

1 questions. Submit your name and we will circle
2 around to each member with questions.

3 First question is Representative
4 Krueger-Braneky.

5 REPRESENTATIVE KRUEGER-BRANEKY: Thank
6 you so much.

7 Thank you, Secretary, for joining us
8 here today. I am -- Thank you for sharing this
9 change in your staff numbers because it does help
10 explain the uptick in volumes of calls that our
11 district offices have gotten, and our staffs are
12 resilient as well, but they're not UC experts. And
13 so, in checking in with my staff before this
14 hearing, the two things that we're still hearing a
15 lot is from folks awaiting review, and then folks
16 who are facing fraud.

17 Can you give us a sense of how long it
18 should take for someone waiting review, and I want
19 to give you an example. We have a gentleman who
20 had reached out in November where we submitted for
21 review. He was still waiting; had essentially
22 given up on ever receiving UC benefits, and then
23 received a 1099G form that said he had been paid
24 out \$10,000 in benefits, but he still hasn't
25 actually received those. So we resubmitted his

1 case this week.

2 How long is it taking on average to
3 review claims that are sent for review?

4 DEPUTY SECRETARY DICKSON: Thank you.

5 So, depending on which review you're
6 talking about, that makes a little bit of a
7 difference. So there is the fraud report review
8 which I think is what this example is about. So
9 when it comes to the fraud reports, as the
10 Secretary said, we now have 37,000 pending which is
11 great because, if you'll remember back in October
12 it was a hundred thousand. We were able to get
13 assistance from our IT vendor to be able to
14 automatically close some out, and really narrow it
15 down to the ones that staff really do have to
16 manage themselves and look into themselves.

17 So now with our investigators that we
18 have before, we are also enlisting the help of our
19 unemployment compensation tax staff. And then
20 during their overtime hours and sometimes on
21 weekends, they will also be helping us to process
22 these fraud claims, fraud reports to get to people
23 faster.

24 Right now it could take several months
25 before we were looking at someone, but we're

1 hopeful now that we've been able to chop that down
2 to only the ones that we need to see so staff
3 aren't wasting time opening ones, looking at them,
4 and it turns out that (technology difficulty). Now
5 that we are getting the additional help, we expect
6 it to be a lot lower, not taking months and months,
7 but maybe taking several weeks.

8 There is a process involved in these.
9 It's not as simple as, for example, our
10 non-monetary review where they have to contact the
11 parties and get some information and then make a
12 decision, which in itself can be -- can be hectic
13 sometimes.

14 But there's actually multiple people
15 involved in untangling these hijacking and fraud
16 cases. There's our fraud investigators, our
17 internal audits division, and then they also have
18 to work with PA Treasury to do their steps, and
19 then we also have to work with the Office of
20 Unemployment Compensation Benefits Policy and they
21 have to do certain steps. So these actually have
22 to get passed around to multiple areas to do their
23 portion, and it does -- You know, it is time
24 consuming even once that report is starting to be
25 addressed.

1 So we're hopeful, especially now that we
2 have a big decrease in how many fraud reports we
3 are receiving. Last summer was when it was very
4 high, and since then it's decreased. A little bit
5 of an uptick in January.

6 As the Secretary said, we have people
7 filing claims for the first time who didn't realize
8 that they were highjacked or, you know, taken over
9 back in June or July. So now that those have come
10 in, we pretty much have our population. We still
11 have some trickling in now and then. So that
12 should help us to catch up on those a lot more
13 quickly than we've been able to do.

14 REPRESENTATIVE KRUEGER-BRANEKY: Thank
15 you for that. And just to be clear, this was not a
16 fraud case. This is someone who had applied for
17 benefits and still hadn't gotten clarity on whether
18 he would be receiving them. Then received a 1099G
19 saying that he had received them, but the money
20 still wasn't in his account.

21 DEPUTY SECRETARY DICKINSON: So if he
22 received a 1099 that he received \$10,000 but he
23 didn't get it, that sounds like it might be a fraud
24 issue. So that's a specific one that we would want
25 to look into.

1 If it was just a matter of him needing a
2 nonmonetary determination, meaning that he just
3 needed a decision on whether or not he's eligible
4 for unemployment, you know, once someone looks at
5 that case that is usually resolved in a week or two
6 as long as the parties get back to the examiner in
7 due time with the information that they need.

8 And, of course, that time frame that we
9 usually give before the pandemic began, it was six
10 to eight weeks that it could take for those. So
11 now it's still a little bit longer, but it's not
12 anywhere near as long as it was about a year ago
13 when we had 300,000 of these. Now we do have less
14 than a hundred thousand, so our staff is better
15 able to address these.

16 Fortunately, our accounting staff were
17 the ones who handled these. It takes someone a
18 year working with us before they can get promoted
19 to that job, so we have individuals coming up on a
20 year soon and they'll be able to -- be eligible to
21 apply for that job if they choose, and then we'll
22 have more examiners able to make those decisions on
23 claims.

24 REPRESENTATIVE KRUEGER-BRANEKY: Thank
25 you. I do believe this is a case that was flagged

1 for abuse or eligibility that's now in its third
2 month. So I'll flag it for your staff. Thank you.

3 REPRESENTATIVE KEEFER: Thank you.
4 Representative Gleim.

5 REPRESENTATIVE GLEIM: Thank you for
6 being here today. I just think that we're really
7 not getting back to normal just yet. I mean, I
8 know that that's kind of what we want to say, but
9 it's not true. With the reduced staff that you
10 have and there's no tickets, and there's no link to
11 CareerLink, our offices are still getting a lot of
12 these UC issues.

13 And so, I do want to say also that, in
14 my particular district office, the cases that need
15 to be reviewed by an examiner is a big one, and
16 we're looking up to four months with a lot of these
17 people. So, it's not just a couple months. It's
18 four months before they're even getting any
19 correspondence back from UC.

20 We're getting a lot of calls about
21 overpayments; people that have already spent the
22 money and then UC saying they have to pay it back.
23 That's an area where I would really appreciate to
24 have some type of, you know, guidelines as what to
25 say or who to go to for that type of thing.

1 Then again, I have been saying it before
2 and I'm going to say it again, we'd really like to
3 have our CareerLinks up and working in my area and,
4 hopefully, helping with all of these types of
5 issues.

6 I have worked for the private sector in
7 a seasonal business, so I understand that this is
8 the time of year for that. But it's worse than
9 I've seen it, you know, in years past so --

10 But I do want to thank you for all the
11 work that you're doing because I know that you're
12 not just sitting back. These are very complex
13 issues. But I think you need to understand that
14 our offices are experiencing this uptick, and we're
15 hoping to get some clarification today and some
16 help. Thank you.

17 SECRETARY BERRIER: Thank you,
18 Representative. We wish we were in a much better
19 position, and we're really striving to get there.

20 And you know, I was doing a historical
21 look back of how long it took us to recover from
22 the Great Recession back in 2008, 2009. Susan,
23 fortunately -- fortunately or unfortunately was
24 here during this time, and it took us probably
25 about five to seven years to get back on our feet.

1 Considering that we've had something
2 occur that was completely like a once in a century,
3 unprecedented, global pandemic, I think we're in a
4 pretty good condition right now, but we can do
5 better and we will do better.

6 As far as the CareerLinks are concerned,
7 you know, we completely understand that people want
8 that in-person service, which is why we're actually
9 applying for a federal grant to do just that. I'll
10 actually let Susan talk about that.

11 DEPUTY SECRETARY DICKINSON: Sure.

12 We did put in our application, we refer
13 to it as the equity grant, back in December. In
14 early December the federal government came back to
15 us, wanted some more details so we resubmitted at
16 the end. We have not yet heard a peep about it.

17 But what we asked for in that was for
18 the grant money to go toward grading the equipment
19 that we have in the CareerLinks, because right now
20 we have computers there that we actually rent space
21 where the computers are, and they're years and
22 years old. I can't even remember the last time we
23 ordered any so -- to get upgraded.

24 I've had -- it's modern and people can,
25 for example, do the ID.Me verification using them,

1 putting all that in the CareerLinks. But then it
2 also came with the staff or contractors, depending
3 on what we have available, so then be there to help
4 people use that equipment and be able to show them
5 how to use the iPad to do the verification and do
6 what they need to do.

7 So, we had to provide a bunch of
8 information and some statistics. And so, we are
9 just waiting for the next step and, hopefully, that
10 will come through and then we'll be able to make
11 that happen all around Pennsylvania.

12 SECRETARY BERRIER: Staff is actually
13 traveling around to the individual CareerLinks as
14 well on specific days to work with claimants that
15 do come into the offices too.

16 DEPUTY SECRETARY DICKINSON: Yes, the
17 high traffic.

18 REPRESENTATIVE GLEIM: Okay. Thank you.

19 REPRESENTATIVE KEEFER: Just to
20 piggy-back on that is, I think we know it's going
21 to take several weeks, and people get desperate so
22 they're continuously contacting our office. Many
23 of them are waiting just for confirmation that it
24 was received or where that kind of in the queue.
25 So, you know, keeping track or pegging that so that

1 we can feed them something.

2 Regardless of the fact that you'll say,
3 it's going to be at least four to six weeks until
4 you hear something, they'll call us in two or three
5 weeks and say, is it still there? Are they still
6 working on it? And in that type of thing we're
7 saying, hey, it's in the process. We can see that
8 it's been received or whatever the case is.

9 Even putting some kind of piece of
10 information in the queue, like, hey, it's pending.
11 You're looking at another four weeks, or whatever
12 it may be. Just something. That's kind of what's
13 really bogging ourselves down, them continuously
14 calling, is it still there?

15 So thank you.

16 Representative Pisciotano.

17 REPRESENTATIVE PISCIOTTANO: Thank you.
18 Can everybody hear me? I'm having technical issues
19 today.

20 REPRESENTATIVE KEEFER: We can hear you.

21 REPRESENTATIVE PISCIOTTANO: Okay.

22 Thanks.

23 Thank you, Secretary, for being here
24 with us. I know you guys have been dealing with a
25 lot of issues over the past two years, and I think

1 you have risen to the challenge every time a new
2 one has come up.

3 I want to commend your staff on the
4 transparency that you guys have been able to work
5 with, at least my office, on all the various
6 different types of claims that are coming through
7 our district offices. But I would ask if you guys
8 could extend that transparency to the internal
9 audit investigations. That is the one area where
10 we can't really get any information, even from your
11 staff, on a timeline or what's going on.

12 When the people under these audits come
13 to us, it's a little bit frustrating that we can't
14 provide them any information at all. In other
15 circumstances usually we can get information from
16 your staff. It's very helpful. We'd like to at
17 least update the constituent on what's going on.
18 But under the audit portion, it doesn't seem like
19 that information is available to your staff, so we
20 can't relay that back to the constituent.

21 Even if you guys can make a little
22 internal tweak to at least give you us a little bit
23 of a glimpse on how those audits are proceeding,
24 how long they expect to last so that we can pass
25 that on to a constituent, that'd be very helpful to

1 reassure some of these people who are desperate;
2 that they will -- that their case is proceeding at
3 the very least.

4 Thank you for what you guys are doing.
5 I just want to suggest that as an item for your
6 consideration.

7 SECRETARY BERRIER: Thank you,
8 Representative. I think that's a very fair
9 criticism.

10 Unfortunately, our internal audits
11 division was one of our smallest UC programs
12 division within the UC area. Currently, we
13 actually beefed up our staff. Beefed-up staff, we
14 have 21 investigators to handle all of these fraud
15 cases.

16 We've never had to attack something like
17 this before. However, we're thinking creatively
18 and we're trying to get there; to provide better
19 customer service; to be able to respond to
20 inquiries and statuses on our fraudulent -- fraud
21 investigations.

22 Also, another thing we have in the works
23 with that division right now is, they're working
24 with our transformation office so that we can
25 streamline business processes, and basically

1 organize things better which I think will help us
2 be able to be more communicative to our -- to our
3 claimants about where the status of their claims
4 are.

5 So, thank you. We are working to get
6 there. We hope to get there within short order.

7 REPRESENTATIVE KEEFER: Thank you.

8 Representative Mizgorski.

9 REPRESENTATIVE MIZGORSKI: Thank you.

10 And thank you for coming today,
11 Secretary.

12 Of course, as you've heard from other
13 people, many fraud issues that we're dealing with
14 in our offices; whether it's fraud from a
15 claimant's perspective or even an employer's.

16 Some of my other questions have already
17 been answered already, but I did have some
18 questions regarding when bank accounts are
19 hijacked. What actually has to happen to correct
20 that? Can you walk me through that process?

21 Also then, why sometimes it seems the
22 claimants are told it's corrected, and they go in
23 and they can't be corrected. If you could just
24 give me some clarity around that also. And if you
25 could talk about the potential of the multi-level

1 security for logging in. Thank you.

2 SECRETARY BERRIER: Thank you,
3 Representative. I will defer to Deputy Secretary
4 Dickinson for the first part of your question, and
5 actually our CIO, John MacMillan, for the second
6 part of your question.

7 REPRESENTATIVE MIZGORSKI: Thank you.

8 DEPUTY SECRETARY DICKINSON: Sure.

9 For the first part with the bank
10 hijacking, we actually did make some changes, some
11 final changes this week that seems to be working
12 well. So far we haven't seen any of that happen
13 within the last few days.

14 What's happening, generally is, we would
15 have ID.Me verification pop up if someone wants to
16 change their bank account. But as we found in the
17 system, there's multiple places where people could
18 go to do that. So our vendor had to help us get
19 through the system and find all the places where
20 you could do that, which we were not aware of
21 originally. So once we found all those and we
22 zipped them all up, now we think that we have
23 stopped all the ability for them to get around
24 ID.Me and hijack. So, time will tell.

25 If something else comes up in current

1 days or recent days, that's where we will have to
2 then trace those examples, and examples are always
3 the best. Trace those examples back through and
4 see where they came from and where they were
5 clicking. So, we think we now have that all taken
6 care of.

7 Individuals who go to, whether it be to
8 change a bank account or they open a new claim or
9 they're establishing one, there's all these
10 different points where they can do it. At all
11 those points they have to go through ID.Me now.

12 REPRESENTATIVE MIZGORSKI: Just as a
13 follow-up to that. When you were being trained or
14 learning about the new software, the vendor didn't
15 give you information that there were multi-access
16 points, I guess to call it for lack of a better
17 explanation, what to call these areas where you're
18 coming in to do that? Did they not explain this
19 information to you? How did that happen.

20 DEPUTY SECRETARY DICKINSON: Well,
21 during the process, you know, where we're going
22 live and we did have them do training sessions for
23 us and for the staff, they go through some basic
24 type of processes and where to find things in the
25 claim and where we can -- you know, areas where you

1 can look around in the claim for like notes and
2 things like that; stuff that we can process claims.

3 It wasn't necessarily into every detail.
4 That's the type of stuff that we find as we use the
5 system. It's been the same with all the other
6 states who use the same system. You just kind of
7 learn all those really intimate details as you go
8 with it. Unfortunately, this is the way that we
9 learned these.

10 So, now that we are better acquainted
11 with, like, where all those points are, now we know
12 that if we do need to make changes where are all
13 the different points that we need to touch.

14 REPRESENTATIVE MIZGORSKI: So you've
15 locked the back door now? Would that be a good
16 assessment?

17 SECRETARY BERRIER: I don't -- I don't
18 -- I wouldn't equate it to locking the back door.
19 I think what I would equate it to is --

20 The unemployment compensation program is
21 very complicated, and there's a lot of different --
22 It's almost like a maze. When you turn one path,
23 you can do something else. There's a lot of
24 different options. I think people underestimate
25 the complications of filing a claim, in that, how

1 many different points a claim can turn.

2 I think it required us, especially with
3 this new system, to really go into depth and really
4 become intimate with this system, this new system
5 very quickly and pretty much lock up everything we
6 can.

7 SECRETARY BERRIER: John, do you want to
8 talk (indiscernible) --

9 REPRESENTATIVE MIZGORSKI: Thank you.

10 DEPUTY SECRETARY MacMILLAN: Good
11 morning, everyone. John MacMillan, Deputy
12 Secretary. I'll get real close to it. How's that?

13 Good morning, everyone. I'm John --
14 Green button? Green light? Green light is on.
15 Can't seen them. I hope they can hear me.

16 So, two-factor authentication is a
17 requirement in the contract. It's been there since
18 the very beginning. As Secretary Berrier
19 mentioned, we're trying to balance out the delivery
20 of benefits to citizens and not make it burdensome.
21 A second factor of authentication could be
22 perceived as doing that. I'll give you a couple
23 examples.

24 It might require a claimant to have a
25 mobile phone, and not everybody does. It might

1 require them to have a valid e-mail, and not
2 everybody does. So that's part of what we have to
3 weigh when we're thinking about authentication.

4 That is sort of like having a key to a
5 building, and then we authenticate that you are,
6 indeed, a valid user or have something like a
7 password. Then the second factor of authentication
8 is a response to a prompt in an e-mail or on a
9 mobile phone.

10 I'm sure if you have ever done online
11 banking or retail shopping, or whatever it is, I'm
12 sure you all had that experience. And so, in the
13 desire to deliver benefits, we have to balance that
14 with how do we implement that.

15 So a feature that is built into the
16 system is something called second factor
17 verification, which is a little different. What we
18 do, Secretary had mentioned this a couple times,
19 is, we use an identity proofing solution from a
20 company called ID.Me. What we do is use
21 information that's submitted with the claim, to
22 verify, not authenticate, verify that a claimant is
23 who they say they are.

24 And we've implemented additional layers
25 of verifications almost since we went live. We

1 started on it in July. We went live in June, and
2 we've turned up the layers of verification four or
3 five times along the way, I think even as recently
4 as last week. We've up the game. And along the
5 way what we have seen is a decrease in the number
6 of reported fraudulent claims.

7 I hope I answered your question.

8 REPRESENTATIVE MIZGORSKI: Yes, and that
9 does make sense. But I do have a further question,
10 then.

11 We are building up layers of security.
12 Then, are we making it more difficult for claimants
13 who don't have the same level of technology to
14 access the claims? Is the CareerLinks the option
15 for those people?

16 But it does make sense to me. I
17 understand that you're working with claimants that
18 don't all have the same access of computers, WiFi,
19 Smartphones, and those kind of things.

20 MINORITY CHAIRPERSON MULLERY: Great
21 examples. If I can share a personal story. My
22 identity was stolen and somebody applied for
23 unemployment compensation for me. All the
24 additional layers of security in place prevented
25 that from happening. I think that happened in

1 August.

2 So, back to the regularly scheduled
3 program. The idea of balancing out the demand to
4 serve the residents of Pennsylvania and protect
5 their data is something that we've grappled with
6 for years. It goes back before the new system. It
7 goes back for many, many years.

8 When we look at what we have been able
9 to accomplish, I'm happy to sit here with Secretary
10 Berrier and say, we've come an awful long way in
11 eight months. So when we think about what we want
12 as residents and claimants to have, we're trying to
13 balance the ability to verify they are who they say
14 they are, and there are many services like ID.Me
15 capable of doing that.

16 We use it in other areas in the
17 Commonwealth, this idea of identity proofing, and
18 it helps to reduce unnecessary payments. It's not
19 perfect. Identity theft is a harsh reality of
20 today's digital world. I think I gave you a
21 personal example of how that --

22 REPRESENTATIVE KEEFER: I think that's a
23 good point. It's gotta be ever evolving because
24 every time you take one step, they take two in
25 advance. You always gotta be keeping up with.

1 They're very clever as well.

2 DEPUTY SECRETARY MacMILLAN: And
3 sophisticated.

4 REPRESENTATIVE KEEFER: I'm sorry,
5 Representative Mizgorski.

6 REPRESENTATIVE MIZGORSKI: I was logged
7 out briefly, but I'm back in. And thank you.
8 You've brought a lot of clarity to the situation
9 for me. Thank you.

10 REPRESENTATIVE KEEFER: I think we have
11 two follow-ups on her question. Just to double
12 check, as you went through and explained
13 everything, you have these multiple layers. As
14 somebody goes in and everything is verified, say
15 bank account information changes, are there flags
16 in your system? I mean, it's got to be very hard
17 given the volume that you're dealing with. Are
18 there flags that ping for you to verify as well
19 when you see those types of changes?

20 SECRETARY BERRIER: So the answer to
21 that question is yes.

22 REPRESENTATIVE KEEFER: Okay.

23 SECRETARY BERRIER: I think that's what
24 you've seen throughout the course that when we
25 implemented the ID.Me in July, that was for initial

1 claims. Then we also implemented an additional
2 layer going back to March of 2020. I think in
3 August we did that. And then I believe in October
4 we did the bank account. That's when we actually
5 integrated it with the bank account changes.

6 I think what Deputy Dickinson was
7 speaking about earlier, as you said, these
8 fraudsters are looking for any way they can to get
9 in. As soon as we are able to catch on to them, we
10 can add an additional layer of ID.Me at that step
11 so that we can (technology difficulty).

12 REPRESENTATIVE KEEFER: Thank you.

13 Chairman Cox has arrived, so we are
14 going to transition powers over. Chairman Cox.

15 MAJORITY CHAIRPERSON COX: From what I'm
16 told, you did a great job. I'd make a tire joke,
17 but I fear it would fall flat. Nothing? Okay.

18 I do have a question. I was listening
19 to the streaming, but I couldn't -- for whatever
20 reason, I was trying to -- couldn't get the link to
21 work for coming on there so I was able to get the
22 streaming. I was able to hear testimony and part
23 of the questions. I have a question for
24 Mr. MacMillan.

25 Can you provide, call it an overview,

1 50,000-foot view, if you will, of your role as a --
2 not yours individually necessarily, but the Office
3 of Administration's role in tech projects, cyber
4 security for the Commonwealth as a whole, what --

5 I guess my question is, why are you
6 involved? It's kind of in the department's realm,
7 and then all of a sudden in the last several
8 months, I have been dealing with the department.
9 They've been answering concerns and so forth. Why
10 all of a sudden is OA in there? What is OA's role
11 and why are you there now involved in this
12 particular aspect of things?

13 DEPUTY SECRETARY MacMILLAN: Terrific
14 question. That's going to be a long answer.

15 So, since the beginning of information
16 technology automation -- I think I have a letter in
17 my office that goes back to 1958, so we're going to
18 time travel a little bit. The Office of
19 Administration has been under executive order
20 delivering IT services to the Commonwealth for
21 many, many years. And if you think about every, at
22 least cabinet-level organizations that have some
23 degree of automated service, IT is there. Been
24 there for a long time.

25 So, we are partnered with the Department

1 of Labor and Industry and many, many other
2 Commonwealth agencies to make sure that business
3 process is automated and secure to the degree
4 possible. We all have constraints.

5 And so, as part of the specific project,
6 we help the department specify the requirements,
7 probably going back to 2016, and we have been part
8 of the selection, the assessment, conversion, the
9 ongoing operations every day, literally, every day
10 since we went live in June of 2020. We're there.
11 We're your IT team.

12 I can tell you a whole story about
13 shared services and IT consolidation going back to
14 2017, but I think I'll leave it there for now.

15 MAJORITY CHAIRPERSON COX: I like a good
16 story as much as the next guy, but for the sake of
17 time, we'll do that later.

18 So, I guess I go back to my other
19 question. You've kind of, I guess, flown under the
20 radar, if you will, your involvement -- the
21 office's involvement, if you will. We're starting
22 to hear more and more from the Office of
23 Administration, I guess that's probably the more
24 focused question. Why are -- Why are we seeing
25 more from the office now than in prior months?

1 DEPUTY SECRETARY MacMILLAN: Again,
2 we've been there since the beginning.

3 I think this particular situation, I
4 think we all understand that there's some limits to
5 what can be said this morning given the ongoing
6 investigation. I think it's important that you
7 know we are part of the L&I team.

8 When it comes to delivering automated
9 services, and not all of the UC program; not all of
10 the determination; not all of those activities are,
11 indeed, automated. It relies on smart people doing
12 their jobs, making those decisions, and then
13 recording them so that payments can continue
14 downstream. When we think about what we do,
15 whether we're operating data centers--and this
16 particular system is hosted in our Commonwealth
17 data center--there is a relationship with that
18 external supplier. You heard the Secretary mention
19 it.

20 When you think about the security of our
21 network and what traffic can come in from the
22 outside, we are part of that capability. So things
23 like firewalls and intrusion detection, and Web
24 application fire walls, securities in servers and
25 databases, encryption, we're all part of that and

1 we provide advise and day-to-day delivery to the
2 department. We are part of every automated system
3 in the Commonwealth. We're your IT team. We're an
4 internal service provider.

5 MAJORITY CHAIRPERSON COX: Okay.

6 This is a -- I'm gonna actually move to
7 some other questions. I'll save some of my other
8 questions for later on. I'm going to go ahead
9 and --

10 Representative Keefer, are you on the
11 list for having a question as well? We've got a
12 couple others reps that have questions. I'll save
13 some of mine for later.

14 Representative Keefer.

15 REPRESENTATIVE KEEFER: So, two
16 questions I had. The first was regarding the
17 third-party agencies to handle the UC taxes and
18 adding secondary users to their accounts. So,
19 currently, only the employers can. Is there any,
20 like, plans for a fix to this problem?

21 DEPUTY SECRETARY DICKINSON: Yes. That
22 is something that if you looked in the report from
23 the advisory committee, that was actually, as they
24 pointed out, was that third-party administrators
25 can do that and employers can do that, but claimant

1 applicants can't. So that is something that we did
2 have to make some adjustments to.

3 Like, at first the way it worked for
4 third-party administrators wasn't exactly the way
5 -- It was more designed for like a single employer
6 as opposed to someone who manages tons and tons of
7 employers. So they have been working with TPAs to
8 make some adjustments, and it is better. I know
9 there was still some functionality that they
10 weren't able to do. That is still an ongoing
11 process.

12 It is nice that when our staff and our
13 core team are testing these things, they have those
14 contacts they can reach out to you to walk through
15 it and see if that is really the way it needs to
16 work or do we need another adjustment. So they are
17 making strides there. I think they're not quite
18 done yet, but it's gotten much better.

19 REPRESENTATIVE KEEFER: And then, the
20 overpayment. That's an issue that has, you know, I
21 can't say it's frequent, but we consistently have
22 those issues and just how to deal with those, or,
23 you know, and on the front end of some things how
24 to keep all of our constituents that are using the
25 system aware of this and managing it. Any -- Any

1 kind of guidance we can give them there?

2 DEPUTY SECRETARY DICKINSON: Sure. We
3 actually do have a lot of overpayment, frequently
4 asked questions on our website.

5 REPRESENTATIVE KEEFER: I have been
6 using.

7 DEPUTY SECRETARY DICKINSON: Because
8 that's questions that claimants have been asking
9 for years, why do I have this overpayment and what
10 do I do about it now?

11 This is where the unemployment program
12 gets complicated because it depends on what the
13 program was. Was it a federal program? Was it a
14 federal emergency program? Is it our state
15 program? That kind of gears the answer toward,
16 this is what you'll be facing if you can't pay it
17 back.

18 It's different if it's fault or
19 non-fault. So there's a whole bunch of different
20 details that go into the answer for that particular
21 person.

22 REPRESENTATIVE KEEFER: Thank you.

23 MAJORITY CHAIRPERSON COX: Thank you.

24 Next joining us online we have
25 Representative McKenzie with some questions.

1 REPRESENTATIVE MACKENZIE: Great. Thank
2 you, Mr. Chairman.

3 And thank you to the Secretary and
4 members of the Administration for joining us today.

5 So the question and then topic that I
6 want to talk about was the debt in the unemployment
7 compensation trust fund. So, it's my understanding
8 that by the time we actually repay that to the
9 federal government and to avoid a reduction in FUTA
10 credit, we're looking at about \$700 million that we
11 have to pay off at that point in time.

12 I think it's important to discuss a
13 little bit of the context of how we got there
14 because, if we don't do anything, that money is
15 going to be repaid by all employers, large and
16 small, who would see that reduction in the FUTA
17 credit.

18 And so, as we know during the pandemic,
19 there's been some things which have been out of the
20 control of businesses, some which were due to the
21 pandemic and then environmental factors, so that
22 led to closures of businesses, slow down of their
23 maybe jobs or employment in their particular
24 sector.

25 Other things were done by the

1 government, so there were arbitrary shutdowns by
2 the Governor; decisions relating to fraud, some of
3 which were out of our control, some of which were
4 in the department's control. I think that context
5 is important to show that not all of that debt in
6 the trust fund is because of business decisions
7 that were made by those businesses. But if we
8 don't do anything, they would be the ones that
9 would bare the brunt of that.

10 And so, when I saw the Governor's budget
11 address, I was surprised to see that he did not
12 include any of the ACRA money for paying down the
13 UC trust debt. He spent it all on other things.
14 So if that ends up being the choice, again,
15 businesses large and small would see effectively a
16 tax increase.

17 So I just wanted to get your thoughts,
18 Madam Secretary, on using some of the ARCA money to
19 pay down that debt, and if that's a discussion you
20 had with the Governor or the Administration?

21 SECRETARY BERRIER: Thank you,
22 Representative. I appreciate your question.

23 However, the Governor is my boss and he
24 debuted his budget on Tuesday. And I stand by the
25 budget that he presented to the General Assembly

1 and to the public on Tuesday.

2 REPRESENTATIVE MACKENZIE: So, is it
3 something that you would be willing to speak to the
4 Governor about? Because again, as I laid out, if
5 we don't do anything, effectively, it's a tax
6 increase on all businesses in Pennsylvania.

7 SECRETARY BERRIER: So, Representative,
8 we have provided all the relevant information to
9 the Governor. He's fully aware of what occurs and
10 when it occurs. And, you know, I think you have
11 his budget in your hand, and that's my response.

12 REPRESENTATIVE MACKENZIE: Okay. Thank
13 you. I mean, it's disappointing, obviously, that
14 the Governor would not include some of this money
15 to go towards paying down the unemployment
16 compensation trust fund debt, because again, it was
17 not all incurred by businesses or because of
18 actions by those businesses, so I don't feel that
19 they should bear the burden of the tax -- potential
20 tax increases.

21 What we have seen is many states across
22 the country are choosing to use their ARCA money
23 that way. It is something that when the federal
24 government passed ARCA, they allowed for this exact
25 type of action to occur. And when President Biden

1 signed that into action, that was one of things
2 that was actually touted by the Administration that
3 states all across the country could use this money
4 to pay down the debt in their unemployment trust
5 funds.

6 So, it is something that I'm going to
7 continue to raise as a possible option for us to
8 help our businesses and help our job creators here
9 in the Commonwealth as we get back on their feet.
10 Hopefully, we'll receive a better reception as we
11 move through the budgeting process.

12 Mr. Chairman, I'll turn it back to you.
13 Thank you.

14 MAJORITY CHAIRPERSON COX: Thank you,
15 Representative Mackenzie.

16 Representative Gleim for questions.

17 REPRESENTATIVE GLEIM: I have a
18 follow-up question for Mr. MacMillan, please.

19 Does the OA also work with the
20 Department of Treasury?

21 DEPUTY SECRETARY MacMILLAN: We do, but
22 it's more of an arm's length kind of relationship.
23 Since the treasurer is a separately elected
24 official, we tend to support cabinet-level
25 agencies.

1 Now, in terms of service delivery, the
2 treasury does rely on some of OA's services; for
3 example, networks and so on.

4 REPRESENTATIVE GLEIM: Okay. Because I
5 was wondering if you were working with the
6 unemployment department on these overpayments, and
7 they're asking people for their money back that was
8 erroneously sent to them. And if that is including
9 -- or you're like the go-between on that issue?

10 DEPUTY SECRETARY MacMILLAN: No, ma'am.
11 We would be involved in, say, the delivery of data
12 in a secure way so that the Treasurer could verify
13 and work back with the department. Anything to add
14 to that, Secretary?

15 SECRETARY BERRIER: Yes.

16 Representative, we actually work on one
17 with Treasurer Garrity's office. We have a very
18 good working relationship with her office. As you
19 know, they're the ones who disburse the fund. We
20 have to work with them very intimately.

21 In fact -- And also I wanted to mention
22 that we're working with them on an additional layer
23 of security for payments as far as bank account
24 verification. So, we work very well together.

25 REPRESENTATIVE GLEIM: Okay. Thank you.

1 MAJORITY CHAIRPERSON COX:

2 Representative Keefer has another question.

3 REPRESENTATIVE KEEFER: I just have a
4 quick question.

5 Do you have a breakdown of actually
6 fraud claims that you have, what are they? A lot
7 of them are the identity and then others are the
8 fraud claimant, the bank account?

9 SECRETARY BERRIER: So, fraud is a very
10 broad term in the UC world that I've learned. Of
11 course, the most popular form of fraud that we've
12 seen during this pandemic is the identity theft.

13 I believe you mentioned another form of
14 fraud, which is the bank hijacking. That's
15 probably the second most prevalent one we've seen
16 during this pandemic as well.

17 But there's other types of fraud, such
18 as individuals who are claiming UC when they
19 shouldn't be and a neighbor reports them, or
20 something along those lines.

21 But, I think if you're talking about
22 bad-actor activity, those two -- top two have to be
23 our most.

24 REPRESENTATIVE KEEFER: I didn't know if
25 you had any type of breakdown of what you were

1 dealing with. So, thank you.

2 MAJORITY CHAIRPERSON COX:

3 Representative Mullery has questions at this point.

4 MINORITY CHAIRPERSON MULLERY: My first
5 question is really a follow-up to what
6 Representative Keefer just asked.

7 I understand you're limited in what you
8 can tell us about the investigations. But I just
9 want to try to get an understanding as to the
10 breadth.

11 Because, the way you explained it, from
12 what I can tell from your testimony, there are four
13 possible investigations, but there may be less.
14 Maybe you can tell us at least that. There's the
15 FBI. There's homeland security. There's what you
16 described as your internal audits division, and
17 then what you're using your UC tax staff for.

18 So, are there, in fact, like four
19 separate investigations currently undergoing?

20 SECRETARY BERRIER: No. And I'm just
21 going to speak in general terms.

22 MINORITY CHAIRPERSON MULLERY: Sure.

23 SECRETARY BERRIER: Generally, it is --
24 When there's a fraud, a reported fraud to the
25 agency, it is an all hands-on deck approach. It

1 typically goes to our internal audits division.
2 And if -- That's when we -- Once they have kind of
3 teased out the information, then they engage law
4 enforcement officials to be a part of that
5 investigation as well. So it's more of a
6 collaboration. It's not really separate. It's not
7 separate.

8 MINORITY CHAIRPERSON MULLERY: Is there
9 a certain segment of the fraud, again, in line with
10 what Representative Keefer just asked, that one of
11 those agencies, specifically the FBI and Homeland
12 Security, are working on as opposed to what you're
13 doing internally?

14 SECRETARY BERRIER: At this time --

15 MINORITY CHAIRPERSON MULLERY: I
16 understand.

17 SECRETARY BERRIER: -- I can't say more
18 than that.

19 MINORITY CHAIRPERSON MULLERY: I just
20 ask because I couldn't grasp it from the testimony
21 you provided in written form.

22 The preprinted monitoring service, is
23 that active right now or is that something that's
24 coming?

25 SECRETARY BERRIER: That's actually

1 something currently that we're working with the
2 vendor that we have on state contract, IDX. We're
3 working with them to go through the details of
4 communication; setting up a call center. So, we
5 are working through those fine details with them
6 right now. We hope to have it ready as soon as
7 possible.

8 MINORITY CHAIRPERSON MULLERY: Now I
9 have my follow-up question. How are we going to
10 communicate that to the claimants?

11 SECRETARY BERRIER: There's several
12 things we can do. We can message them through
13 their dashboard. We can also -- We will obviously
14 issue a press release as well to let them know that
15 there's availability. But we're still weighing
16 through additional ways to communicate to
17 individuals to make sure that we get everyone who
18 could have potentially been impacted.

19 MINORITY CHAIRPERSON MULLERY: I would
20 just encourage to let all 253 members of the
21 General Assembly know when that is live, because,
22 believe it or not, a lot of our constituents follow
23 our social media or our newsletters. We can get
24 that out to them so they can utilize that service,
25 because I think that's a good service.

1 Thank you, Mr. Chairman.

2 MAJORITY CHAIRPERSON COX: Thank you.
3 I'd like to agree with Representative Mullery on
4 that.

5 One of the things that I think you've
6 done well since you've been the Secretary is
7 communication. And I think allowing us to partner
8 with you in getting information out where possible,
9 that's been able to alleviate concerns and kind of
10 takes everything down a notch from the anxiety some
11 people begin to feel when they feel like they're a
12 victim or have concerns about things in general.

13 I have several questions. When somebody
14 is discovered by the department to be a victim of
15 fraud, what kind of communication takes place? Are
16 they notified by phone, e-mail, regular mail? What
17 steps are typically taken?

18 My office, and probably others, are
19 receiving calls, I don't know if I'm a victim of
20 fraud. I'm wondering if I'm a victim of fraud.
21 So, what can we tell them? If you are a suspected
22 victim of fraud, at least from the department's
23 perspective, you'll have this, this and this
24 happen, so watch for that.

25 They can bring other things to our

1 attention, obviously, but what steps can we tell
2 them to watch for notices, et cetera?

3 SECRETARY BERRIER: So, I think,
4 especially it being tax filing season right now, I
5 think the most indicative thing would be the 1099G
6 right now. If you're issued an 1099G and you never
7 applied for UC benefits, please contact the
8 department. File a police report. We have all the
9 steps listed out on our website.

10 Unfortunately, because of the type of
11 fraud that this is, it's more the claimants
12 contacting us as opposed to us contacting them. We
13 don't know that they're not actually the ones
14 filing for benefits because identity theft is so
15 hard to identify. It's really, unfortunately, at
16 this point it's complaint and response.

17 If there was something proactive, you
18 know, where we could do that, we would certainly
19 notify individuals.

20 MAJORITY CHAIRPERSON COX: Okay. So,
21 are you seeing -- And this is kind of how it
22 happens internally. Are you seeing claimants'
23 information being accessed through unauthorized
24 access, and then --

25 I can only go by what my office is

1 hearing. Are you hearing as a whole that claimants
2 are saying, hey, my account got accessed. I didn't
3 do this. I didn't make a change to my bank
4 account. I didn't -- Is it an unauthorized access,
5 or is it --

6 Are you seeing the outside fraudsters,
7 if you will, breaking in through, whether it's a
8 phishing scam or whether they have gotten their
9 hands on claimant information through another data
10 breach somewhere?

11 What -- Can you define, like, where
12 you're seeing most of that coming from, if you
13 would?

14 SECRETARY BERRIER: So, I think -- I
15 think you hit the nail on the head. There are so
16 many different types of ways that people could
17 potentially -- Phishing, I mean, I received the
18 text messages, and I'm sure other people in this
19 room have as well, trying to solicit personal
20 identification information from vulnerable
21 individuals. That's certainly one scheme that
22 we've seen, but we've also seen inappropriate
23 access which would result in a bank hijacking.
24 That's been raised several times.

25 You know, there's -- there is a federal

1 investigation going on. So I'm very reluctant to
2 say much more. But I think you've identified the
3 main forms of what we're seeing.

4 MAJORITY CHAIRPERSON COX: Okay.

5 And have you been able to determine
6 whether it's the department, Office of
7 Administration, are there certain devices? Are
8 people more likely to have their accounts hacked
9 through --

10 I guess, is there a weakness? Is it --
11 Are tablets, laptops, desktop computers,
12 Smartphones, are they -- are they equal or are
13 there more vulnerabilities one over the other that
14 you recommend to our --

15 When people call us, if we say, hey, can
16 you handle this? And they say, oh, yeah, I'll jump
17 on my phone and do it. If we know that phones are
18 not the best way to do that and they should do it
19 on a desktop for better security, we'd like to be
20 able to advise our constituents of that.

21 So, can you point us to the most secure
22 route to shore-up their accounts, their claims, and
23 so forth to make sure -- Where is your -- And I
24 know this -- What's the best way to remedy it for
25 them? I don't want them trying to fix it on a

1 device that creates new vulnerabilities, if that
2 makes sense.

3 DEPUTY SECRETARY MacMILLAN: It's not
4 likely it's device oriented.

5 MAJORITY CHAIRPERSON COX: Okay. You've
6 not pinpointed or seen the commonality among
7 certain types of claims? Okay.

8 DEPUTY SECRETARY MacMILLAN: Very
9 sophisticated. Very broad.

10 MAJORITY CHAIRPERSON COX: So any
11 weaknesses that exist across any of the platforms,
12 the fraudsters are finding ways through?

13 DEPUTY SECRETARY MacMILLAN: As the
14 Secretary mentioned, right? The most common areas
15 are identity theft, myself included. And wherever
16 you see that happening, you should report it.
17 There's lots of resources available on the website.

18 If there's something specific, and I
19 think it was previously mentioned where a 1099G was
20 entered or received, that should be reported
21 immediately, and I think we could probably work
22 internally to identify that specific individual.
23 And that would help us unravel some of those very
24 specific situations.

25 MAJORITY CHAIRPERSON COX: Okay.

1 I haven't received a 1099G. I got a
2 notice from the Ohio Department saying that I had a
3 claim filed in my name there. I think I have
4 driven through Ohio, but that's about it.

5 DEPUTY SECRETARY MacMILLAN: It's a
6 nationwide problem.

7 MAJORITY CHAIRPERSON COX: I should
8 probably, I think, drive around Ohio I guess the
9 next time, because being in the state caused my
10 information to somehow leak out.

11 My next question is about the breadth of
12 the overpayments as well. So you've probably seen
13 the media reports saying estimates between 5 and
14 \$10 billion of UC funds that have been stolen, and
15 that's phrasing from the media. We got figures as
16 recently as January that show the number right
17 around \$3 billion worth of unemploy -- of
18 overpayments, and closing in on \$3 billion of CARES
19 Act program's funding. I think that's also -- I
20 think it's just the CARES Act that was about
21 2.7 billion.

22 Is that accurate?

23 SECRETARY BERRIER: So, what I do have,
24 if you're talking about fraud overpayments, you
25 know, I do have the IFO report. I think I

1 mentioned earlier that we partnered with them to
2 kind of come up with an accounting of what the
3 impacts were.

4 And, Chairman, you were on the right
5 path. With the CARES Act money, that would be the
6 PUA program, the PEUC program, the EDD program, and
7 the additional money through the FPUC and the LWA.
8 Those are all federal funds. So those weren't
9 state monies. Those were federal monies that were
10 impacted by fraud.

11 I believe earlier in my testimony I
12 said, you know, the state money impact would be
13 about \$570 million.

14 MAJORITY CHAIRPERSON COX: Okay.

15 SECRETARY BERRIER: About 6.7 percent of
16 all the money we paid out.

17 MAJORITY CHAIRPERSON COX: So, are you
18 saying in this case the media has got it completely
19 wrong?

20 SECRETARY BERRIER: Yes. There are
21 inaccurate news reports out there, especially --

22 MAJORITY CHAIRPERSON COX: I've heard
23 that.

24 SECRETARY BERRIER: Yes.

25 MAJORITY CHAIRPERSON COX: I've seen

1 that over some time, they don't always get it
2 right, so --

3 SECRETARY BERRIER: Especially from the
4 western part of the state, you have a news outlet
5 who is reporting inaccuracies on the amount of
6 fraud. We are in (inaudible) that information with
7 them.

8 MAJORITY CHAIRPERSON COX: Okay.

9 I've got some constituents who follow
10 this more closer than others and they're number
11 crunchers and things like that. The outstanding
12 balances from any of the CARES Act stuff, that is
13 not going to be -- that's not going to impact
14 Pennsylvania taxpayers, correct?

15 SECRETARY BERRIER: Correct.

16 MAJORITY CHAIRPERSON COX: Do you have
17 any feel -- You mentioned there's a disconnect
18 between media reporting and the actualities. Do
19 you have idea what still might be out there, or is
20 it just a matter of how many other fraudulent
21 claims continue to rear their heads?

22 SECRETARY BERRIER: And I think that's
23 the important thing to note as we get fraud reports
24 or receive fraud reports, you know, that will
25 provide us some more accurate accounting.

1 But I think I mentioned earlier that the
2 reports we're receiving currently have been pretty
3 much cut in by two-thirds from what when we went
4 live with the system, and we're continuing to see
5 that number dwindle. We're hoping that number will
6 not rise much greater than what it is.

7 MAJORITY CHAIRPERSON COX: Okay.

8 Do we have any other members that I've
9 missed that would like to jump in with questions
10 online or otherwise?

11 (No response).

12 MAJORITY CHAIRPERSON COX: All right.

13 I, too, would like to thank you for
14 joining us today. The testimony you've offered,
15 the input, and we look forward to continuing the
16 relationship working with you to try to resolve
17 these issues and get the system back where everyone
18 knows it can be, and get things on the right track.

19 We also look forward to, as
20 Representative McKenzie mentioned, we got the
21 larger trust fund issues and we need to begin on a
22 solution there, so we look forward to those
23 discussions as well.

24 With that, I'm going to close out this
25 morning's hearing. Again, thank you for your

1 testimony and have a good day.

2 (At 11:42 a.m., the hearing concluded).

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C E R T I F I C A T E

I, Karen J. Meister, Reporter, Notary Public, qualified in and for the County of York, Commonwealth of Pennsylvania, hereby certify that this transcript was recorded from a Zoom videoconference to the best of my ability.

I further certify that I am not a relative or employee of counsel or the parties hereto. This certification does not apply to any reproduction of the same by any means unless under my direct control and/or supervision.

Dated this 27th day of February, 2022.

Karen J. Meister
Reporter, Notary Public

Karen J. Meister

*Karen J. Meister – Reporter
Notary Public*

