

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

March 12, 2021

The Honorable Richard Neal
Chairman, Committee on Ways and Means
1102 Longworth House Office U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Neal:

We write to request that you immediately schedule an oversight hearing before the House Ways and Means Committee to investigate reports and revelations of fraud in unemployment insurance programs enacted in response to the COVID-19 pandemic.

As of February 27, 2021, federal spending on enhanced unemployment benefits authorized under the Families First Coronavirus Relief Act, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and Consolidated Appropriations Act exceeded \$465 billion, in a period of less than a year.¹ This includes funding for Pandemic Unemployment Assistance, Emergency Relief for government entities and non-profits, Federal Pandemic Unemployment Compensation, Pandemic Emergency Unemployment Compensation, full funding for the first week of regular compensation, and 100% federal funding for Extended Benefits.

The Labor Department's Inspector General and the Government Accountability Office have both issued repeated warnings about the vulnerability for abuse of CARES Act unemployment insurance programs.²³ The Inspector General's initial audit and investigation indicate improper payments could be at least \$63 billion, with a significant portion attributable to fraud.⁴ The Secret Service circulated a memo to its field offices last May saying an international crime ring has been filing unemployment claims in different states using Social Security Numbers belonging to identity theft victims, including first responders, government personnel and school employees.⁵ Last month, California state workforce officials confirmed that they paid out fraudulent unemployment claims totaling over \$11 billion and identified another \$20 billion in claims still under investigation.⁶ And most recently, the Department of Justice issued a warning

¹ U.S. Department of Labor: https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html

² U.S. Department of Labor, "DOL-OIG Oversight of the Unemployment Insurance program," February 3, 2021; "Alert Memorandum: The Employment and Training Administration (ETA) Needs to Ensure State Workforce Agencies (SWA) Implement Effective Unemployment Insurance Program Fraud Controls for High Risk Areas," February 22, 2021.

³ "COVID-19: Critical Vaccine Distribution, Supply Chain, Program Integrity, and other Challenges Require Focused Federal Attention," Government Accountability Office, January 28, 2021. (GAO-21-265)

⁴ U.S. Department of Labor, Office of Inspector General: <https://www.oig.dol.gov/doloiguioversightwork.htm>

⁵ "Massive Fraud Against Unemployment Insurance Programs, U.S. Secret Service, May 5, 2020, Alert: <https://www.documentcloud.org/documents/6891584-GIOC-Alert-20-027-I-State-Unemployment-Fraud-002.html>

⁶ "McCarthy, Steel, and CA Republicans Condemn Newsome Administration for Mismanagement of \$11.4 B in Taxpayer Funds," February 5, 2021.

that fraudsters are creating websites to mimic unemployment benefit websites to capture consumer's personal information.⁷

Generous unemployment benefits, including the additional \$600, and now \$300/week, are an easy target for criminals using stolen identities. We are concerned that Democrats partisan COVID reconciliation package would extend these unemployment benefits through August with no additional protections against vulnerabilities, and without having held a single hearing to determine how to prevent further fraud from occurring.

In addition, this unchecked unemployment fraud has created an added burden that will place undue stress on thousands of taxpayers when they can least afford it. A crisis is looming as tax filing season swings into full gear, millions of taxpayers have begun receiving forms indicating the amount of unemployment benefits they received in 2020. For many, this may be the first time they discover the state has issued unemployment benefits fraudulently claimed in their name. The Ohio Attorney General first alerted Congress to this issue saying they project roughly 1.7 million 1099-G tax forms will be mailed to Ohioans.⁸ Ohio suspects tens of thousands of those claims were filed fraudulently using stolen identities. In response, several Committee Republicans sent a letter to the Biden Administration to take action to protect taxpayers who were victims of unemployment fraud.⁹

During, the Committee's COVID reconciliation mark-up Committee Republicans offered an amendment to extend the deadline for states to submit these forms (1099-G) to the IRS – so they have more time to work with taxpayers to correct the forms. Upon your request and promise to work with Republicans on the Committee to look into this issue, the amendment was withdrawn.

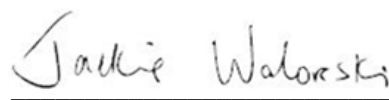
Given that commitment, Republicans continue to strongly believe this Committee has a responsibility to investigate and hold oversight hearings to determine the extent and amount of fraud in CARES Act unemployment insurance programs, including preventing further abuse and recovery of taxpayer dollars.

We look forward to your prompt response.

Sincerely,



Kevin Brady
Ranking Member
Committee on Ways and Means



Jackie Walorski
Committee on Ways and Means



Mike Kelly
Committee on Ways and Means

⁷ U.S. Department of Justice, "Justice Department Warns About Fake Unemployment Benefit Websites," March 4, 2021.

⁸ "AG Yost Asks Congress for Safe Harbor while Ohio Investigates Unemployment Fraud," January 22, 2021.

⁹ "Wenstrup Leads Letter to Administration Asking for Relief for Taxpayers that Were Victims of Unemployment Fraud," February 8, 2021, Ways and Means Republicans.