

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

February 22, 2022

Delivered via E-mail

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 the size, scope, and severity of criminal fraud in pandemic unemployment insurance (UI) programs enacted in response to COVID-19.

Despite repeated calls for oversight hearings, including a [letter](#) we sent you on March 15, 2021, which received no response, Democrats continue to turn a blind eye to what is possibly the greatest theft of taxpayer dollars in American history, allowing cybercriminals and international crime rings to rob the American people and divert funds from unemployed workers.

The White House recently estimated an astounding 19 percent improper payment rate in the Federal-State UI program equating to nearly \$80 billion in lost funds in fiscal year 2021 alone. This partial estimate does not include the period of greatest fraudulent activity when generous federal supplements made unemployment a lucrative target for fraudsters.

Yet, Congressional Democrats have failed to hold even a single oversight hearing on unemployment fraud.

Republicans strongly believe this Committee has a responsibility to 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.

In the absence of action from Democrats, [today](#) Committee Republicans are holding our [second](#) roundtable on pandemic unemployment fraud to hear from federal agencies investigating the size, scope, and severity of unemployment fraud, including ongoing efforts to prosecute and recover stolen funds. Our roundtable will include testimony from the Government Accountability Office, Pandemic Response Accountability Committee, and the U.S. Secret Service.

As of February 12, 2022, 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 \$850 billion, in a period of less than two years.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.

It is well documented that throughout the pandemic, criminal organizations, including international cybercrime rings and opportunistic foreign actors, used stolen identities to falsely claim unemployment benefits. Fraud delayed legitimate payments to unemployed workers and turned thousands of Americans into unwitting identity theft victims who are now on the hook for taxes and unable to reach a backlogged IRS.

Since the summer of 2020, repeated alerts from federal law enforcement agencies warned of targeted efforts to obtain fraudulent unemployment 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 Labor Department’s Inspector General’s initial audit and investigation indicate improper payments could be at least \$87 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
- 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
- Department of Justice issued a warning that fraudsters are creating websites to mimic unemployment benefit websites to capture consumer’s personal information.⁷

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/doloiguoversightwork.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.

⁷ Department of Justice, “Justice Department Warns About Fake Unemployment Benefit Websites,” March 4, 2021.

Now, the Biden Administration has taken unilateral action to sweep suspected fraud under the rug, releasing new guidance allowing states to waive large numbers of suspicious claims and forgo restitution for taxpayers. Recent [guidance](#) issued by the Department of Labor allows states to apply blanket waivers to forgo recovery of overpayments using seven different loopholes, including failure to provide documentation of eligibility. Allowing use of blanket waivers lets states off the hook for due diligence and fact finding for large volumes of suspicious unemployment claims potentially involving billions of fraudulently obtained taxpayer dollars.

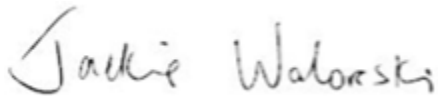
In the absence of leadership from the majority, we will continue to highlight and investigate pandemic unemployment fraud to provide the transparency and government accountability that American taxpayers deserve.

We look forward to your prompt response.

Sincerely,

A handwritten signature in black ink that reads "Kevin Brady". The signature is stylized with a large, sweeping "K" and "B".

Rep. Kevin Brady
Ranking Member

A handwritten signature in black ink that reads "Jackie Walorski". The signature is written in a cursive, flowing style.

Rep. Jackie Walorski
Ranking Member, Subcommittee on Worker and Family Support

A handwritten signature in blue ink that reads "Tom Rice". The signature is written in a cursive, flowing style.

Rep. Tom Rice
Ranking Member, Subcommittee on Oversight

Cc: Rep. Danny Davis, Chair, Subcommittee on Worker and Family Support
Rep. Bill Pascrell, Chair, Subcommittee on Oversight