Chase COVID Unemployment Fraud (CCUF) Act of 2022

Provides incentives for states to recover fraudulently paid Federal and State unemployment compensation benefits, and for other purposes.

Section-by-Section

SECTION 1. SHORT TITLE. "Chase COVID Unemployment Fraud Act of 2022."

SECTION 2. FINDINGS.

- Throughout the COVID-19 pandemic criminal organizations, including international cybercrime rings and opportunistic foreign actors, exploited a national crisis to steal billions from American taxpayers. Fraud delayed legitimate payments to unemployed workers and turned thousands of Americans into unwitting identity theft victims.
- The size, scope, and severity of pandemic unemployment fraud is not fully known.
    - The Labor Department's Office of the Inspector General estimates that at least $163 billion of the $872.5 billion in Federal-State unemployment benefits paid during the pandemic could have been improperly paid, with a significant portion attributable to fraud. Just over $4 billion of these funds have been recovered.
    - The White House has estimated an 18.71 percent improper payment rate in the Federal-State unemployment insurance program in fiscal year 2021. This estimate does not include improper payments made in the Pandemic Unemployment Assistance program, nor does it include the period of greatest fraudulent activity when generous $600 weekly federal supplements made unemployment a lucrative target for fraudsters.
    - According to the Government Accountability Office, from March 2020 through October 2021, 145 individuals pleaded guilty to federal charges of defrauding unemployment insurance programs and federal charges are pending against 250 individuals.
    - As of January 2022, the Labor Department's Inspector General reported opening more than 31,000 investigative matters involving alleged unemployment fraud and reported that it assisted other federal and state agencies in identifying and recovering more than $565 million in fraudulently stolen unemployment benefits.
    - In California, State workforce officials confirmed they paid out fraudulent unemployment claims totaling $11 billion and identified another $20 billion in claims still under investigation.
    - The Pandemic Response Accountability Committee published a report compiling the results of investigations from 16 state auditors, finding $39 billion in pandemic unemployment fraud.
- There is growing evidence that criminal groups perpetrating unemployment fraud pose a threat to national security.

  - According to the Department of Justice and U.S. Secret Service, a significant amount of fraud was driven by known transnational organized criminal networks, including cartels with origins in countries such as China, Ghana, Nigeria, Romania, and Russia.
  - The Department of Justice reports that the International Organized Crime Intelligence Operations Center has referred a large number of unemployment fraud cases to the Federal Bureau of Investigation.
- The American people expect Congress to be an effective steward of taxpayer dollars and vigilant in pursuit and recovery of funds when taxpayer dollars are improperly paid.
- Congress has a responsibility to gain restitution for American taxpayers by ensuring aggressive identification, investigation, and prosecution of criminal fraud in pandemic unemployment programs.

SECTION 3. RECOVERING FEDERAL FRAUDULENT COVID UNEMPLOYMENT COMPENSATION BENEFITS.

- Incentivizes state workforce agencies to recover fraudulently paid Federal COVID unemployment compensation benefits by allowing states to retain 25 percent of federal funds recovered.
- This temporary policy applies to Federal COVID unemployment compensation from the Pandemic Unemployment Assistance, Pandemic Emergency Unemployment Compensation, Mixed Earner Unemployment Compensation; and Federal Pandemic Unemployment Compensation programs, which expired September 6, 2021.
- Allows States to use recovered funds for:
  - Modernizing unemployment compensation systems and information technology to improve accuracy of benefit payments, cybersecurity, and identity verification and validation of applicants for unemployment compensation;
  - Administrative costs incurred by the State to identify and pursue recovery of fraudulent overpayments;
  - Hiring fraud investigators and prosecutors; and
  - Other program integrity purposes approved by the Secretary.
- Extends the recovery period for overpayments from 3 to 5 years.
- Effective upon the date of enactment.

SECTION 4. PERMISSIBLE USES OF UNEMPLOYMENT FUND FOR PROGRAM ADMINISTRATION.

- Makes permanent changes to allow states to retain 5 percent of any overpayments made (that are not the result of agency error) for use in administration of the state’s unemployment compensation program. Currently, states must deposit recovered overpayments into their state unemployment trust fund. This is a recommendation made by the Labor Department’s Inspector General.

SECTION 5. PREVENTING UNEMPLOYMENT COMPENSATION FRAUD THROUGH DATA MATCHING, IDENTITY VALIDATION & INCOME VERIFICATION

- Requires States to match unemployment claims with the Data Integrity HUB, a fraud alert center, as currently recommended by the Department of Labor (DOL), but not required. The HUB helps to identify people claiming benefits in multiple states and other emergent fraud schemes.

- Requires States to use the National Directory of New Hires to verify when someone receiving unemployment becomes employed to ensure benefits are discontinued.
- Requires States to use DOL's State Information Data Exchange System to enable employers to respond to requests to verify an individual's previous employment.
- Prevents payments of unemployment benefits to incarcerated individuals.
- Requires States to compare unemployment claimants to database of deceased individuals in the Social Security Administration's Death Master File.
- States must be fully compliant with these provisions by October 1, 2024.

SECTION 6. REPORTING UNEMPLOYMENT COMPENSATION OVERPAYMENTS & FRAUD.

- Requires the Secretary of Labor to collect data from each state on the amount of overpayment recoveries waived in unemployment compensation programs, including for Pandemic Unemployment Assistance, based on a recommendation made by the Government Accountability Office.
- Requires DOL to submit a Report to Congress not later than 120 days after the date of enactment that describes the aggregate amount of pandemic unemployment compensation overpayments nationally, including the subset of overpayments made specifically due to fraud, and the total amounts recovered by federal or state agencies.

SECTION 7. PROHIBITION ON DEPARTMENT OF LABOR ALLOWING BLANKET WAIVERS OF OVERPAYMENTS.

- Prohibits the Secretary of Labor, upon the date of enactment, from issuing guidance that permits states to use blanket or categorical waivers of overpayments in Federal pandemic unemployment compensation programs and requires the Secretary to rescind or amend any such existing guidance.

SECTION 8. RESTORE STATE STAFFING FLEXIBILITY

- Extends flexibility for states to hire non-merit staff through the end of calendar year 2023. This includes hiring temporary staff or rehiring former employees on a non-competitive basis to identify, investigate, prosecute, and recover fraudulent pandemic unemployment compensation benefits.