

**TESTIMONY OF JEFFEY A. FICKE
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RUSSELL ALLEN PARTNER, LLC
BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON WORK AND WELFARE
February 6, 2025**

Chair LaHood, Ranking Member Davis, and members of the Subcommittee, thank you for the opportunity to testify. My name is Jeff Ficke, and I am the Founder & CEO of Russell Allen Partner located in Cincinnati, Ohio. My career has focused on technology, innovation, operations and risk management of payment solutions, in government and financial services.

Jeff Ficke Background

In the 1990s I was a founding partner of my government services company that provided payment solutions for several federally funded, state operated programs including unemployment. After the sale of that company, I moved to Fifth Third Bank led Central Operation that moved ~\$14 trillion dollars annually via ACH, Wire, Cash, Check and Card. Then I led the Fifth Third's Commercial Payments Line of Business for the last six years of my banking career.

Before presenting my thoughts on opportunities between these agencies and the financial services industry I want to discuss my role during the pandemic on unemployment. At that time the Pandemic Unemployment Assistance (PUA) program was being deployed to help those not eligible for traditional unemployment. Ohio was experiencing cybercriminal attacks that resulted in Ohio reporting \$1.8 billion in fraudulent overpayments, \$1.4B in PUA, \$433M in traditional.

Ohio's Public Private Partnership (P3)

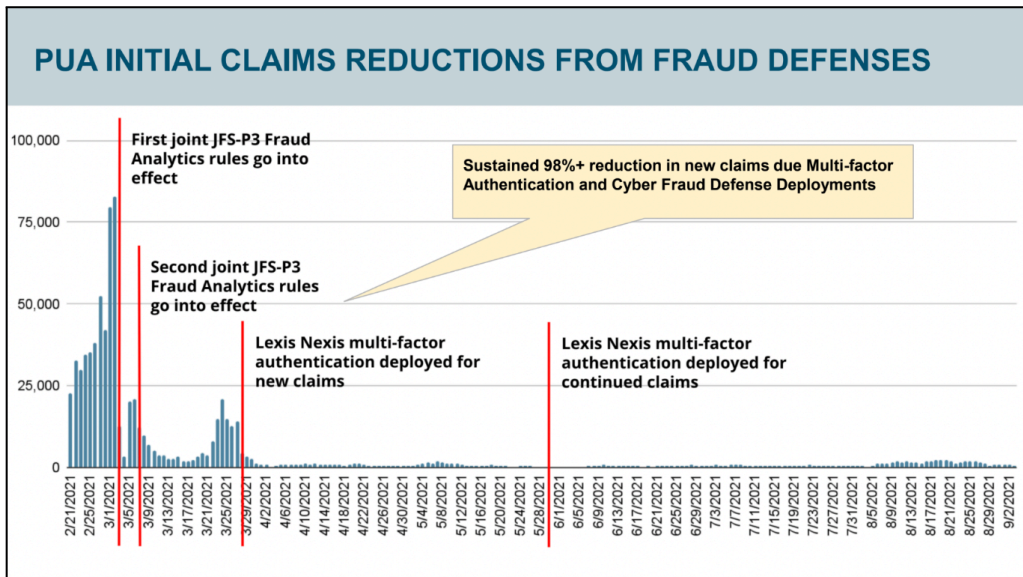
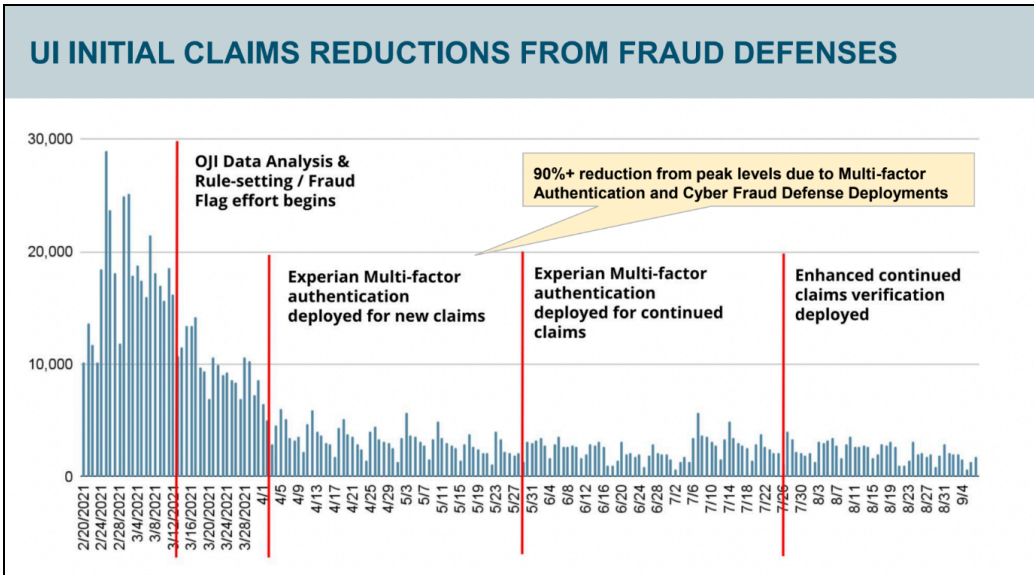
My involvement started in Ohio in February, 2021. My expertise in government services and banking payments aligned well with Ohio's needs. I was named to lead Ohio's Public Private Partnership Task Force (P3). The volume of fraudulent claims was skyrocketing, the unadjudicated claims backlog was growing out of control and citizen inquiries to the agency were overwhelming.

Ohio's Governor Mike DeWine made a decision to engage the private sector for support. He worked directly with the Ohio Business Roundtable, a group of about one hundred of Ohio's largest public company CEOs, to engage his membership for their expertise. OBRT was run by former US Congressman Pat Tiberi. Governor DeWine recognized that the private sector leaders had the experience in crisis situations. My role as the leader of the P3 team was to coordinate all activities between Ohio Department of Job and Family Services personnel and the private sector SMEs.



We provided advice and guidance during the execution of these recommendations. We had access to senior experts from companies like Fifth Third Bank, Western Southern, Keybank, Nationwide Insurance, Encova, Worldpay, Marathon. I also presented multiple times at a legislative subcommittee formed to address the pandemic unemployment situation.

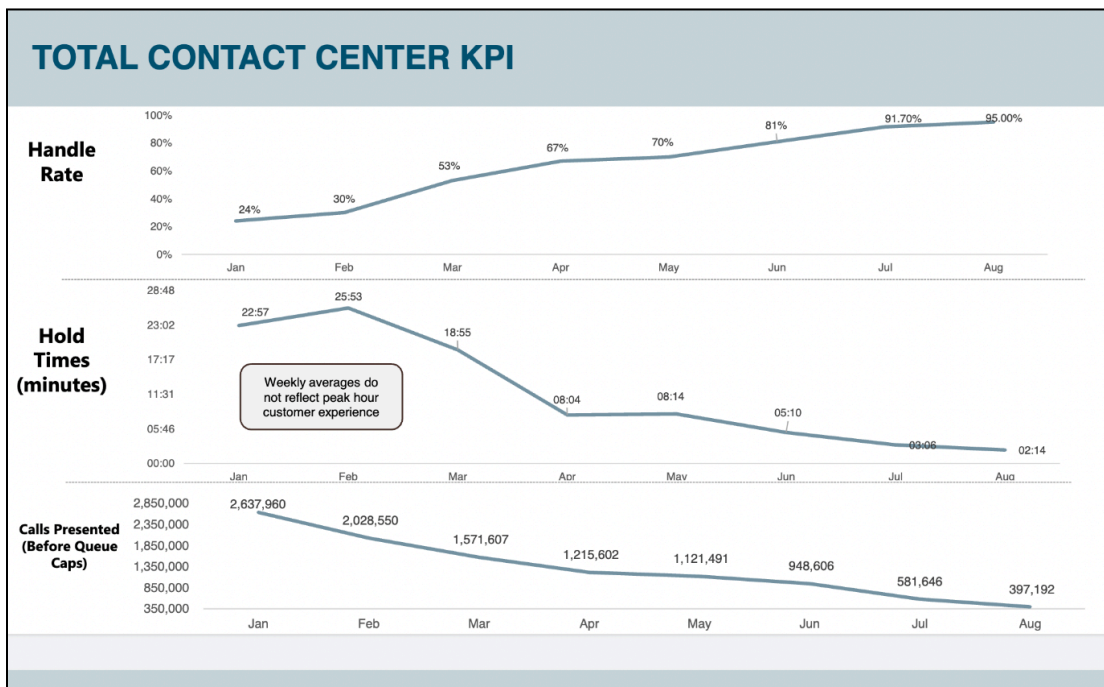
Governor Dewine and ODJFS Director Matt Damschroder gave three very clear objectives and desired outcomes. The first goal was to stop fraudulent claims from being submitted. In early 2021 the state received over 1,000,000 new applications per month for traditional unemployment and the PUA claims. With advice from the private sector and the ODJFS team we were able to deploy a new stack of fraud within 60 days. The results were a reduction in new claims volume of just 25,000 per month, a 97% reduction. Lexis Nexis Fraud solutions suite was one of the key fraud prevention solutions deployed.



Our second goal was to clear the backlog which was approaching 5 million claims issues. We took advantage of prior work completed by InnovateOhio, a data analytics platform deployed by Lt. Governor Jon Husted, who now serves as US Senator Husted. The P3 team engaged SMEs from the private sector and big tech solutions to analyze the millions of unadjudicated claims and

segment them based on fraud risks. Within 90 days of the project start, all 'fraud free' claims from Ohio citizens had been adjudicated and the proper payments were being sent to recipients in need of benefit payments.

The third goal was to answer the enormous volume of service requests from citizens. Many Ohioans were victims of cybercriminals, while others who needed UI benefits were not being processed because of the backlog generated in part by the criminal activity. During this period the service centers were overwhelmed. Citizens experienced difficulties in getting into the call queue and for those that did, the wait time could be over six hours. Combining the impact of stopping new fraudulent claims, clearing the backlog and deploying new call center solutions, the wait time was reduced to an average of 3 minute hold time.

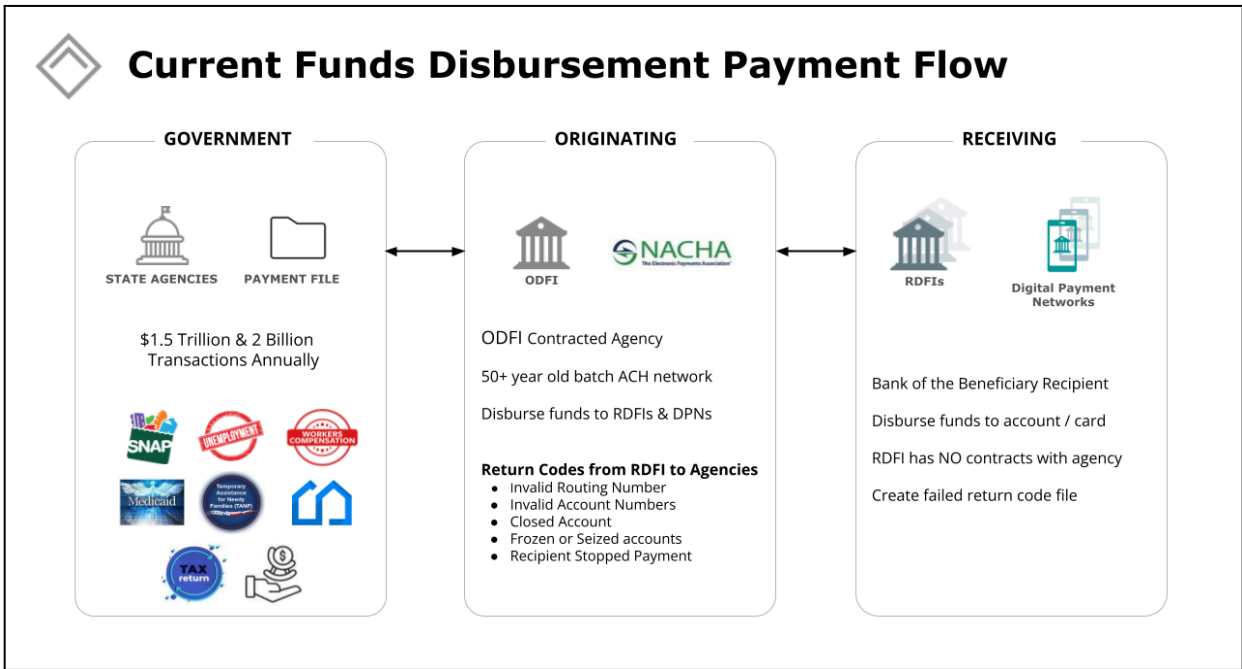


Governor DeWine’s vision to seek advice and collaboration with Ohio’s largest private sector companies proved to be an outstanding decision. I also want to acknowledge the ODJFS employees who welcomed the support of the P3 team, worked endless hours to deliver and truly cared about every citizen who needed support during this period of time.

Government & Financial Services Collaboration

I want to now focus on an important topic of enabling collaboration between these agencies and the financial services industry. Our team continued to support Ohio for two years. One of the key initiatives launched at the direction of Director Damschroder was to understand if any of the funds disbursed through fraud networks could be recovered. The answer was yes, so please let me explain the process.

We started by confirming our understanding of how money flowed from the initial claim to benefit payments processed through the banking network.



Traditional unemployment and the Pandemic Unemployment Assistance solutions required claim adjudication that included collection of information from the claimant and their employers, as well as collecting prior claim history and conducting fraud prevention checks. The program checks are focused on claimant identity and work verification. Once a claim is approved, the payments are sent to the UI program's bank or ODFI (Originating Depository Financial Institution). There is a contract between the states and the ODFI to support disbursements through direct deposit via the ACH network, debit card processing or check.

The ODFI uses these payment networks to send the funds to what the industry calls RDFI (Receiving Depository Financial Institution). In simplest terms the RDFI is the bank who holds the claimant's checking account. Benefits in every state are disbursed to hundreds of RDFIs. While there are regulatory guidelines that the banks follow in funds flow from ODFI to RDFI, there is no contractual relationship between the state and RDFIs.

Our team analyzed the disbursement of funds to each RDFI from the state. We coordinated outreach to each bank with a focus on the top 25 financial institutions who received funds. All financial services organizations have strong regulatory requirements to prevent funds from flowing to fraud networks or terrorist organizations. Many of these requirements were made more stringent post 911.

The banking industry has invested in advanced analytics, fraud solutions and case managers to prevent fraudulent money flow. However, the banks look at the suspicious activity in an account when there is suspicious payment activity. The bank's fraud teams can see accounts receiving dozens of UI claims, multiple state claims activities, large overseas fund transfers and unusual

spending activity. All of this resulted in banks stopping the release of funds.

Our work for Ohio was complex. We worked one-on-one with bank executives, coordinated data sharing between the state and the bank, and confirmed the amount of funds each bank was holding. Before we could enable the funds to be returned to the state the legal teams on both sides had to coordinate agreements that are called hold harmless contracts. Basically, with no contract in place this enabled the bank to return the funds but still be able to recover funds in the event the bank's account holder was a real claimant. As documented in a June 2022 Ohio press release, \$397 million in funds were returned from the banking network.

Recommendations for Future Improvements

Based on my experience in this process I have thoughts and recommendations. First, banks and state agencies are both accountable to federal and state regulations. This centers on privacy of claimant information by the state and bank account activity for the bank customers. Every bank we worked with had varying degrees of comfort sharing information without a contract with the agency.

Secondly, the evolution of digital or mobile payment networks, as a result of FinTech innovation, adds a new tier of complexity. Paypal & Venmo had their own fraud prevention teams that returned Ohio nearly \$70 million. However, other payment networks were not as mature in their risk prevention and allowed significant funds to flow through them into the hands of fraudsters.

Third, there is an opportunity to establish a digital network that enables sharing of suspicious payment transactions between disbursement agencies and the banking networks. This would enable information sharing on a secure platform to better prevent and accelerate the recovery of funds.

Fourth, the banks follow escheatment law for held funds. This requires the banks to return the funds through Unclaimed Funds guidelines. These vary by state and my understanding is this could be between 3 and 7 years. I'm also unclear who the unclaimed funds would be returned to. It could be in the fraudsters name, returned to the state where the bank is headquartered. I do not have a full understanding of how this would be executed.

Next, I understand that statute of limitations on prosecuting COVID-era pandemic unemployment fraud expires on March 27, 2025. I would encourage you to extend that based on outstanding opportunities. I would encourage the passage of House Bill 1163. This allows states to retain a percentage of the Pandemic Unemployment Assistance funds recovered to support resources and analysis required to successfully complete the recoveries.

Russell Allen has spoken on this topic at NASWA and UWC. We have collaborated with the Secret Services and Federal IG in this work. We have conducted work in multiple other states to perform initial assessments of funds that still could be returned. Opportunities still exist to recover pandemic funds and new policies to prevent cybercriminals from attacking these funds in the future.

Thank you for your attention and commitment to building a stronger, more secure future for our country.