

Congress of the United States
Washington, DC 20515

May 10, 2021

The Honorable Martin Walsh
Secretary
U.S. Department of Labor
200 Constitution Avenue, Northwest
Washington, D.C. 20210

Dear Secretary Walsh:

Since the enactment of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and subsequent legislation, including the American Rescue Plan Act (ARPA), the federal government has pumped billions of dollars into state unemployment programs. While unemployment insurance has been a lifeline to those who have been sidelined by the pandemic, the amount of money and new programs in unemployment have become easy targets for criminals and criminal enterprises. There has been a major surge in fraud, concurrently extending to international organized crime rings and foreign actors. This is incredibly concerning.

For example, California's unemployment agency has reportedly lost nearly \$32 billion¹ to fraud since the pandemic began in 2020. Conservatively assuming an improper payment rate of 10 percent for extended federal benefits under the CARES Act and subsequent legislation, at least \$89 billion of the estimated \$896 billion in UI program funds could be paid improperly, with a significant portion attributable to fraud.² In addition, ID.me, a company that works directly with 22 states to verify the identity of unemployment claimants, notes that the total amount of fraud could be between \$200 and \$300 billion.³

Section 9032 of ARPA contains a provision providing \$2 billion for fiscal year 2021 to be appropriated to the Secretary of Labor and used to "detect fraud and prevent fraud, promote equitable access, and ensure the timely payment of benefits with respect to unemployment compensation programs...."⁴ Given the current amount of fraud in unemployment programs nationwide, strengthening unemployment programs to detect fraud and prevent improper payments needs to be a high priority, and is key to ensuring those who need unemployment are receiving their benefits in a timely manner.

We are concerned, Secretary Walsh, about your recent testimony before the House Appropriations Committee describing the Department's FY 2022 budget request, wherein you

¹ <https://fox40.com/news/local-news/timeline-from-backlogged-claims-to-billions-lost-a-look-at-the-edd/>

² The OIG's initial pandemic audit and investigate work indicate UI program improper payments, including fraudulent payments, will be higher than 10 percent. <https://www.oig.dol.gov/doloiguioversightwork.htm>

³ <https://www.idtheftcenter.org/unemployment-benefits-fraud-totals-could-be-over-200-billion/>

⁴ Public Law 117-2, Section 9032.

stated that between \$600 million and \$700 million of the \$2 billion, or more than a third of the total funding designated for fraud prevention, is slated for technical assistance for the states. Given the amount of unemployment fraud, including within the Pandemic Unemployment Assistance (PUA) program, it is important for us as Ranking Members on the Senate Finance Committee and House Committee on Ways and Means, and in our duty to perform oversight, to gain an understanding of how you plan to spend the \$2 billion; any amounts you may have already spent; how much of any unspent funds you will devote to detection and prevention of fraud; and how funds spent on technical assistance to states will specifically lead to prevention, detection, and recovery of fraudulent payments.

This country needs timely, targeted investments to stop fraud now. For example, the Department should act to implement commonsense policies to stop the “pay and chase” model of unemployment administration, like requiring states to verify identity and prior employment of applicants before authorizing benefits. Wholesale changes to state IT systems, while often a necessary investment to make, are unlikely to generate the fraud detection and prevention efforts that are needed now, given lags between such investments and improved outcomes. Devoting a majority of the \$2 billion provided in Section 9032 of ARPA to elastically-defined “technical assistance” efforts runs the risk of allowing widespread fraud to continue to fester, with fraudsters lining their pockets with taxpayer funds that Congress intends to be in the hands of deserving unemployment compensation beneficiaries.

Therefore, please provide the following by May 27, 2021:

1. Evidence of outlays from the \$2 billion provided in ARPA for, among other things, fraud detection and prevention.
2. A detailed spending plan with a description of what fraud detection and prevention measures you are currently funding, amounts spent on those measures to date, and amounts you intend to fund moving forward.
3. A detailed description, including amounts already spent and amounts of intended spending moving forward, on efforts:
 - a. At the Department of Labor in Washington, D.C.; and
 - b. In each state and territory.
4. A timeline for, and metrics by which you will measure the efficacy of, spending on fraud and detection, as well as fraud prevention efforts.
5. A detailed description of amounts spent, and when the expenditures occurred, on provision of “technical assistance for the states” and precisely what activities such assistance represents.
6. A list of meetings Department of Labor officials have had on fraud detection and fraud prevention since the inception of the CARES Act with officials and investigators from the Department of Labor’s Office of Inspector General.

We appreciate your attention to this matter.

Sincerely,



Mike Crapo
Ranking Member
Senate Committee on Finance



Kevin Brady
Republican Leader
Committee on Ways and Means