

EXHIBIT 15



Post

New Report Details Lessons from Massive Pandemic Unemployment Fraud

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AEIdeas

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A new report ("[Examining Widespread Fraud in Pandemic Unemployment Relief Programs](#)") authored by the majority staff of the US House Committee on Oversight and Accountability spotlights the massive fraud and abuse inflicted on unemployment benefits during the pandemic. More importantly, it identifies why the abuse occurred, where the misspending was at its worst, and what steps are needed to prevent a repeat of such massive ripoffs.

The [report](#), released as the committee conducted a [hearing](#) on next steps to address pandemic fraud, recounts official government fraud and misspending figures that, while [not new](#), are nonetheless astonishing:

- *[T]he U.S. Government Accountability Office (GAO) estimates that about 11 to 15 percent of total benefits paid during the pandemic were fraudulent, totaling between \$100 to \$135 billion.*

- *The Department of Labor (DOL) Office of Inspector General (OIG) estimated that at least \$191 billion in pandemic UI [unemployment insurance] payments could have been improperly paid, with a significant portion attributable to fraud.*
- *In August 2023, DOL reported that the PUA program had a total improper payment rate of 35.9 percent.*

Unofficial estimates suggest improper unemployment benefit payments may have reached twice the official level, potentially costing taxpayers **\$400 billion** or “about a 40 percent loss rate.”

The report cites multiple factors contributing to elevated fraud and misspending, including outdated IT systems, staffing shortages, and simply the unprecedented crush of benefit claims during the pandemic. But it highlights that “Congress and executive branch actions created problems for states and the economy” while placing special blame on the flawed design of the Pandemic Unemployment Assistance (PUA) program Congress hastily created in March 2020:

The design of the PUA program led to massive fraud. During the program’s first nine months, claimants did not have to provide any evidence of earnings which made the program susceptible to fraud. Only when Congress reauthorized the PUA program in December 2020, did states require applicants to provide proof of prior employment and wages.

Beyond federal mistakes, the report reviews states where misspending was greatest, and reserves its most detailed criticisms for California. Early in the pandemic, Julie Su led California’s Labor and Workforce Development Agency (LWDA), which oversees the Employment Development

Department (EDD) that pays unemployment benefits.

President Biden has since nominated Su to be DOL Secretary, although her nomination remains stalled despite Democratic control of the Senate.

As the report notes,

EDD, under the leadership of LWDA Secretary Julie Su, made the decision early in the pandemic to ‘pay and chase’ after Su was informed that keeping integrity checks in place would lead to backlog in processing claims largely due to EDD’s outdated IT....

This led to many bad actors like international organized crime and individual criminals cashing in while eligible claimants were unable to obtain their benefits. Initial reports about the amount of UI fraud being committed in California were so extreme some industry experts wondered if hackers had gained control of EDD’s outdated IT... Despite repeated warnings from OIG and ETA [Employment and Training Administration], EDD did not make any substantive changes to its fraud detection practices until late July 2020 when it finally began automating stopping payment on suspicious claims.

The results included lengthy delays in accessing benefits for deserving California residents alongside tens of billions of dollars in improper payments to criminals.

The report includes a number of worthy recommendations to improve future emergency responses, several of which track recommendations Amy Simon and I proposed in our January 2024 [report](#) on unemployment benefit fraud:

- *All future temporary UI benefits programs must require claimants to provide proof of prior work before claims will be reviewed for eligibility.*

- *All future temporary UI benefits programs must require state workforce agencies to cross-check claimant PII [Personally Identifiable Information] against all available databases, such as federal prisoner databases, as recommended by OIG and law enforcement, prior to approving benefits.*
- *States and state workforce agencies should prioritize modernizing IT systems to process UI claims.*
- *Congress should strongly weigh the long-term implications of any proposal to expand regular UI to include those groups of individuals eligible for PUA benefits, including the self-employed, gig workers, and independent contractors, as it is simply too difficult to verify that those individuals are unemployed through no fault of their own, are ready, willing, and able to work, and are actively seeking work as required by federal UC programs.*

As bad as the massive abuse inflicted on taxpayers during the pandemic was, the only thing that would be worse is if lawmakers failed to recognize the causes of those losses and simply repeated past mistakes. The committee's report offers a detailed guidebook of what went wrong during the pandemic, which future lawmakers should heed both in administering regular unemployment benefits and especially in designing future emergency responses.

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