

Congress of the United States
Washington, DC 20515

February 5, 2021

The Honorable Gavin Newsom
Governor
State of California
1303 10th Street, Suite 1173
Sacramento, California 95814

The Honorable Xavier Becerra
Attorney General
State of California
1300 I Street
Sacramento, California 95814

The Honorable Julie Su
Secretary
California Labor & Workforce Development
Agency
800 Capitol Mall, Suite 5000
Sacramento, California 95814

Rita Saenz
Director
California Employment Development
Department
722 Capitol Mall, Suite 5098
Sacramento, California 95814

Dear Governor Newsom, Attorney General Becerra, Secretary Su, and Director Saenz:

We are writing to express our strong concern regarding fraudulent COVID-related unemployment assistance payments made by the State of California and uncovered in a recent audit.

As you are aware, in response to the economic challenges presented by COVID, Congress has provided federal funding to states to help support the availability of unemployment assistance to individuals laid off as a result of this pandemic. Last year, Congress funded a new program called Pandemic Unemployment Assistance (PUA), which was designed to provide unemployment assistance to individuals who typically would not be eligible for unemployment benefits, such as gig workers, independent contractors, or self-employed individuals.

The California Employment Development Department (EDD) recently confirmed that it has paid out fraudulent unemployment assistance claims totaling over \$11.4 billion, mostly through the new PUA program, and an estimated \$20 billion in unemployment assistance payments are still under investigation. In an attempt to reduce fraud, on December 31, 2020, the EDD suspended the processing of roughly 1.4 million unemployment assistance claims in order to verify the identities of claim applicants. This action was taken with no warning and there has been little follow-up clarification on which unemployment assistance claims were found to be fraudulent and which were legitimate, nor how EDD is making such determinations. In addition, the EDD has recently confirmed that the backlog of Californians who are still waiting for their unemployment assistance claims to be processed remains at roughly 900,000 individuals.

Let us be clear - the mismanagement of taxpayer dollars in the amount of \$11.4 billion is absolutely unacceptable and the delay in processing Californians' legitimate COVID-related unemployment assistance claims is also absolutely unacceptable.

This is all the more grievous given that the State of California received over \$318 million for the administration of all COVID-related unemployment assistance programs and an additional \$2.4 million in emergency funding to help the State combat fraudulent COVID-related unemployment assistance claims, in addition to the multiple guidance documents issued by the U.S. Department of Labor to assist states with the administration of these programs. Adding insult to injury, California State Auditor Elaine Howle reported last month in an audit that the federal government warned California multiple times about the threat of fraud, but states California continued "to pay claims despite having evidence that they are very likely fraudulent."

California had the resources to combat rampant fraud in these unemployment assistance programs and appears to have been warned repeatedly about the possibility of fraudulent unemployment assistance payments being made. So, it is unconscionable that Secretary Su would claim that the federal government did not provide adequate resources or funding for the administration of COVID-related unemployment assistance programs – a clear attempt to deflect blame and accountability for these failures from the Newsom Administration.

In addition to the implications that high levels of unemployment assistance fraud in California has for all American taxpayers, we are also concerned about the impacts that this fraud will have on many California taxpayers whose personal information has been stolen by criminals seeking to collect COVID-related unemployment assistance with their identities. Many of these Californians have received or will receive 1099-G tax forms from the IRS at the request of the EDD and will suddenly be responsible for paying taxes on fraudulent unemployment assistance taken out in their names that they never received.

The lack of awareness, or even deliberate ignoring of repeated warnings of fraud, while administering the COVID-related unemployment assistance programs is gravely concerning. This is compounded by the massive claims backlog and the State suddenly suspending processing of many COVID-related unemployment assistance claims, especially given that this aid is not currently in the hands of people who depend on it after being laid off or finding themselves unemployed due to California's ever-changing lockdown and reopening metrics.

Accordingly, we request responses to the following questions:

1. How is the EDD assessing fraudulent COVID-related unemployment assistance claims and what is the State doing to ensure this never happens again?
2. How many individuals falsified identities and illegally received COVID-related unemployment assistance benefits?
3. How does California plan to recover the over \$11 billion in fraudulent COVID-related unemployment assistance benefit payments made by the EDD?
4. As Congress continues to debate additional pandemic relief, how is the State ensuring that future COVID-related unemployment assistance benefits only go to qualified

individuals and not local bad actors, criminals, prisoners, or international criminal enterprises?

5. What plan does California have in place to provide individuals who are victims of identity theft and had unemployment assistance benefits fraudulently issued in their names with the support and resources to obtain corrected 1099-G forms?
6. When will California citizens, who are legally entitled to legitimate COVID-related unemployment assistance benefits but are still waiting to receive them, be issued said payments?

As California faces daunting challenges due to COVID, it is critical that Californians can trust their state government to effectively administer integral unemployment assistance programs, including those created by the CARES Act, which are traditionally administered by the states. Without any accountability mechanisms in place or plan to recover fraudulent COVID-related unemployment assistance payments, we fear that there will be a continued decline in taxpayers' faith in California's ability to administer other critical pandemic relief programs, such as vaccine distribution. Federal and California taxpayers deserve answers to our questions, assurances that their tax dollars will not continue to be wasted, and to be reimbursed for the \$11.4 billion the State of California has lost.

It is our hope the Newsom Administration will not continue to abuse American taxpayer dollars – our constituents' tax dollars – through continued failure to administer COVID-related unemployment assistance programs and failure to recoup fraudulent unemployment assistance payments made by the EDD. If the Newsom Administration fails to act, you can be assured that we will.

Thank you for your attention to this matter. We look forward to your timely response.

Sincerely,



MICHELLE STEEL
Member of Congress




KEVIN McCARTHY
House Republican Leader



DAVID VALADAO
Member of Congress



DEVIN NUNES
Member of Congress



MIKE GARCIA
Member of Congress



KEN CALVERT
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DOUG LaMALFA
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