

**Congress of the United States**  
Washington, DC 20515

February 11, 2021

The Honorable Carolyn Maloney  
Chairwoman  
Committee on Oversight and Reform  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairwoman Maloney:

We write to urge you to immediately schedule a hearing before the House Oversight and Reform Committee to investigate recent reports and revelations of between \$11 - \$31 billion in fraudulent unemployment benefits granted by the California Employment Development Department (EDD), which administers California's unemployment insurance (UI) program.<sup>1</sup>

The federal government's response to COVID-19 has included significant funding toward administering and enhancing unemployment benefits, including \$117 billion from the Families First Coronavirus Relief Act and \$12 billion in Coronavirus Aid, Relief, and Economic Security (CARES) Act.<sup>2</sup> In December 2020, Congress further extended the Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensations by an additional 11 weeks, and Federal-State Extended Duration (FED-ED) for up to 20 weeks of benefits.<sup>3</sup>

According to reports issued on January 26 and January 28, 2021, by California State Auditor Elaine Howle,<sup>4</sup> EDD was unprepared to prevent payment for fraudulent claims filed under the names of incarcerated individuals—which the EDD estimated to total about \$810 million.<sup>5</sup> The reports also stated that “[e]ven as late as December 2020, EDD was allowing claimants to continue to collect benefits using suspicious addresses because it did not establish payment blocks

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<sup>1</sup> *CA EDD admits paying as much as \$31 billion in unemployment funds to criminals*, ABC7NEWS, Jan. 25, 2021, available at <https://abc7news.com/california-edd-unemployment-fraud-ca-scam-insurance/10011810/>.

<sup>2</sup> *Federal COVID-19-Related Funding to California*, Legislative Analyst's Office, Apr. 28, 2020, available at <https://lao.ca.gov/Publications/Report/4226>.

<sup>3</sup> *Federal Provisions for Unemployment*, Employment Development Department, Jan. 6, 2021, available at [https://www.edd.ca.gov/about\\_edd/coronavirus-2019/cares-act.htm#:~:text=Pandemic%20Emergency%20Unemployment%20Compensation%20\(PEUC,available%20beginning%20December%2027%2C%202020](https://www.edd.ca.gov/about_edd/coronavirus-2019/cares-act.htm#:~:text=Pandemic%20Emergency%20Unemployment%20Compensation%20(PEUC,available%20beginning%20December%2027%2C%202020).

<sup>4</sup> See, e.g., *Employment Development Department: EDD's Poor Planning and Ineffective Management Left It Unprepared to Assist Californians Unemployed by COVID-19 Shutdowns*, Auditor of the State of California, Jan. 2021, available at <https://www.bsa.ca.gov/pdfs/reports/2020-128and628.1.pdf>.

<sup>5</sup> *Significant Weaknesses in EDD's Approach to Fraud Prevention Have Led to Billions of Dollars in Improper Benefit Payments* at 23, Auditor of the State of California, Jan. 2021, available at <http://auditor.ca.gov/pdfs/reports/2020-628.2.pdf>.

for their claims.”<sup>6</sup> Therefore, there is every reason to be concerned that this unprecedented fraud may be ongoing even today. Improper payments have long been a direct concern of this Committee, and identifying waste, fraud, and abuse of taxpayer money is at the core of this Committee’s mission.

Additional reports verify the state paid more than 35,000 claims under state prisoners’ names,<sup>7</sup> with one inmate collecting nearly \$49,000. California also paid more than \$421,000<sup>8</sup> to 133 Death Row inmates—including Scott Peterson,<sup>9</sup> a San Quentin prisoner found guilty of killing his wife and unborn child. Still more fraudulent payouts went to organized crime sources in Russia, China and other countries.<sup>10</sup> The Sacramento County District Attorney called it “perhaps the biggest fraud of taxpayer dollars in California history.”<sup>11</sup>

According to the Howle audit, “these payments happened despite warnings from the U.S. Department of Labor (DOL).” The DOL Inspector General cautioned EDD that California was likely to see at least \$1.2 billion in potential fraud. The real amount of fraud, however, appears to be ten to twenty times that amount. The oversight California conducted was by all accounts too late and wholly insufficient. In fact, on New Year’s Day, the EDD paused benefits to 1.5 million claims, haphazardly looking to correct months of neglect. As a result, unsuspecting law-abiding Californians, locked at home by Governor Newsom, were no doubt put through additional stress.

Needless to say, the evidence of unprecedented fraud, waste, mismanagement and incompetence is too voluminous to briefly reference. By any objective measure, we believe this Committee is obligated to schedule a public hearing to comprehensively examine what went wrong in California, the steps being taken to recover the improper payments, and the steps being taken to prevent it from happening again.

We look forward to your prompt response.

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<sup>6</sup> *Id.* at 9.

<sup>7</sup> *Id.* at 27.

<sup>8</sup> Adam Beam, ‘*The Inmates are mocking us*’: California OK’d unemployment aid in name of more than 20K prisoners, including Scott Peterson, USA TODAY, Nov. 24, 2020, available at <https://www.usatoday.com/story/news/nation/2020/11/24/california-unemployment-aid-prisoners-death-row-inmates/6417711002/>.

<sup>9</sup> Adam Beam, *At Least 35,000 Unemployment Claims Filed on Behalf of California Prison Inmates – Including Scott Peterson*, NBC, Nov. 24, 2020, available at <https://www.nbclosangeles.com/news/local/at-least-35000-unemployment-claims-filed-on-behalf-of-california-prison-inmates-including-scott-peterson/2470169/>.

<sup>10</sup> *California COVID-19 benefits fraud could reach \$9.8 billion*, ASSOC. PRESS, Jan. 16, 2021, available at [https://apnews.com/article/coronavirus-pandemic-crime-california-china-russia-b8674c13a031af41efdde1282a8976aa#:~:text=LOS%20ANGELES%20\(AP\)%20E2%80%94%20California,hired%20to%20investigate%20the%20fraud..](https://apnews.com/article/coronavirus-pandemic-crime-california-china-russia-b8674c13a031af41efdde1282a8976aa#:~:text=LOS%20ANGELES%20(AP)%20E2%80%94%20California,hired%20to%20investigate%20the%20fraud..)

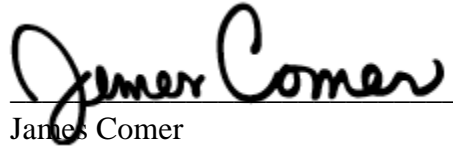
<sup>11</sup> Beam, *supra* note 9.

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Sincerely,



Darrell Issa  
Member of Congress



James Comer  
Ranking Member  
Committee on Oversight and Reform



Gary Palmer  
Member of Congress