

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY

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<https://oversight.house.gov>

January 13, 2023

Ms. Nancy Farias
Director
California Employment Development Department
Employment Development Department
800 Capitol Mall
Sacramento, CA 95814

Dear Director Farias,

The Committee is investigating the state of California’s unemployment insurance (UI) system based on reports of billions of dollars of payments made by the state for fraudulent claims.¹ With estimated figures ranging from \$20 billion to \$32.6 billion in fraudulent claims paid by the state,² California had “more fraud...than there was in any other state in the country.”³ In fact, going back almost two years, it was suspected that “[a]s much as \$31 billion in California unemployment funds have been paid out to scammers.”⁴ As the former California Secretary of Labor and Workforce Development noted at the time, “[t]here is no sugar coating the reality, California did not have sufficient security measures in place to prevent this level of fraud.”⁵ We request documents and communications to assist the Committee in its investigation into the rampant fraud in California’s UI system.

Despite the unexpected and unprecedented nature of the coronavirus pandemic, California’s problems cannot be blamed on COVID alone. The California Employment Development Department (EDD) “has known for years that it was unprepared for widespread job losses.”⁶ A January 2021 audit released by California State Auditor Elaine Howle blamed Governor Gavin Newsom’s administration “for ‘significant missteps and inaction’ costing taxpayers \$10.4 billion and counting.”⁷ Governor Newsom and agency officials tried to deflect by blaming the federal government for expanding unemployment benefits during the pandemic and loosening eligibility rules,⁸ but as State Auditor Howle reported, “the federal government

¹ David Manoucheri, *Analysis Shows California EDD fraud at \$32.6 Billion and Counting*, KCRA 3 Sacramento (October 6, 2022).

² *Id.*

³ *Id.*

⁴ *California EDD Admits Paying as Much as \$31 Billion in Unemployment Funds to Criminals*, ABC7 San Francisco (January 25, 2021).

⁵ *Id.*

⁶ *EDD's Old Tech Blamed for New Problems as Jobless Claims Soar*, Industry Insider (April 26, 2020).

⁷ *Audit: California Unemployment Agency Was Warned of Fraud, Did Little* – CBS NEWS Sacramento (January 28, 2021).

⁸ *Id.*

warned the state at least three times in the early months of the pandemic to beef up its fraud protections.”⁹

Perhaps more disturbing are reports of unemployment benefits being doled out in the names of convicted murderers such as Scott Peterson and serial killer Cary Stayner.¹⁰ A California task force discovered that between March and August 2020, more than 35,000 payments were sent in the name of state prisoners, totaling over \$140 million, with nearly \$500,000 disbursed in the names of 133 death row inmates.¹¹ In a letter to Governor Gavin Newsom, the task force wrote, “[t]he volume of fraud as well as the types of inmates involved is staggering.”¹² Additionally, according to the CEO of a major data and analytics company, 70 percent of the fraudulent claims paid by California left the state and “went to transnational criminal groups that have used that money for nefarious purposes to harm our democracy.”¹³ In other words, California is funding criminal organizations by failing to adequately prevent UI fraud.

To assist our investigation into the rampant fraud and improper payments in California’s UI system, please provide the following documents and communications, covering the time period March 1, 2020 to the present, no later than January 27, 2023:

1. All processes and procedures related to the disbursement of unemployment insurance benefits during the pandemic, including policies and procedures intended to ensure payments are made to the proper individual, and to ensure that the individual is a qualified recipient of unemployment insurance;
2. All documents and communications between employees of the California EDD and employees of the U.S. Department of Labor regarding the state’s UI benefit program;
3. All documents and communications related to efforts to prevent payment of fraudulent UI claims;
4. All documents and communications related to efforts to recoup UI claims paid improperly; and
5. All documents and communications related to identifying the total number of improperly paid UI benefits and documents sufficient to show whether those funds remain in the United States or were transferred to entities outside the United States.

⁹ *Id.*

¹⁰ Shawn Hubler, *Unemployment Scam Using Inmates’ Names Costs California Hundreds of Millions*, *The New York Times* (November 20, 2020).

¹¹ *Id.*

¹² *Id.*

¹³ *Supra*, n.1.

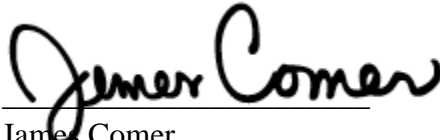
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To schedule the delivery of responsive documents or ask any follow-up or related questions, please contact Committee staff at (202) 225-5074. The Committee on Oversight and Accountability is the principal oversight committee of the U.S. House of Representatives and has broad authority to investigate “any matter” at “any time” under House Rule X. Thank you in advance for your cooperation with this inquiry.

Sincerely,

A handwritten signature in black ink that reads "James Comer". The signature is written in a cursive style with a horizontal line underneath the name.

James Comer

Chairman

Committee on Oversight & Accountability

cc: The Honorable Jamie Raskin, Ranking Member
Committee on Oversight & Accountability