

*U.S. Department of Labor
Office of Inspector General*

Member Briefing



**Member Briefing before the U.S. House of Representatives
Committee on Oversight and Reform
Subcommittee on Government Operations**

**Opening Statement of Scott S. Dahl
Inspector General
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U.S. Department of Labor**

**June 1, 2020
12 p.m.**

Thank you, Mr. Chairman. Good afternoon.

More than 40 million unemployment claims were filed over the last few months, and tens of millions of people are struggling through this pandemic without the economic security and health coverage of full employment. This is why the Department of Labor must exercise strong oversight of the unemployment insurance, or UI program, along with delivering on other vital DOL programs.

UI is a joint federal-state program that provides benefits to those who have lost their jobs. DOL directs and oversees this nationwide system, and individual states administer it. The OIG provides independent oversight through audits to strengthen the program and criminal investigations to combat large-scale fraud. Over the past 10 years, our UI work has resulted in more than 3.7 billion dollars in monetary accomplishments – an estimated return of 32 dollars for every dollar taxpayers invested in the OIG.

Let me quickly highlight several concerns about challenges that the Department and states are facing relating to the UI program.

First, as a result of the unprecedented increase in unemployment claims, states are struggling to pay claimants as quickly as possible, at the same time ensuring that benefits are paid properly. We reminded DOL of previously identified program weaknesses, including inadequate state staffing and outdated IT systems. Though the Department and states have taken steps to improve these areas, we remain concerned about the effectiveness of their efforts.

Second, the enormous expansion of UI benefits by more than 260 billion dollars under the CARES Act also substantially increases fraud risk, with criminals easily exploiting system vulnerabilities. For example, we are currently investigating the alleged theft and fraudulent use of over 3 dozen frontline healthcare workers' identities that were stolen while they were combatting COVID-19. Fraudsters allegedly used these victims'

identities to file fraudulent unemployment claims in multiple states. This is just one example of more than 300 investigative matters involving UI fraud we are aggressively pursuing.

The Department has estimated that about 10% of UI payments are improper under the best of times, and we are in the worst of times. That means at least 26 billion dollars will be wasted and a large portion of that will be pocketed by fraudsters instead of going to legitimate workers.

To help DOL and states address these challenges, we recently issued several important reports and alerts.

Last week we issued an alert about self-certifications for Pandemic Unemployment Assistance authorize by the CARES Act. This assistance is for self-employed, gig workers, and others not covered under the regular UI programs. We alerted the Department that states' reliance solely on self-certification to determine eligibility significantly increases the risk of fraud – and we have seen evidence of this in recent investigations. DOL should seek clarification from Congress or request legislative action to curtail this fraud.

The OIG also issued a fraud alert about scammers taking advantage of people applying for benefits by falsely offering to help them file claims only to misuse their personal and financial information in stealing these payments. We sent this alert to state workforce agencies and DOJ to warn the public not to fall prey to such scams.

We are coordinating with the National Center for Disaster Fraud, US Attorneys' Offices, state workforce agencies, and our law enforcement partners on pandemic related fraud, and we just conducted UI fraud training to more than 300 of these partners nationwide. Further, as a member of the Pandemic Response Accountability Committee, we are

working with other OIGs to detect and prevent fraud and mismanagement of the trillions of dollars provided by the CARES Act and other legislation.

In addition, we are reviewing the pandemic response efforts of other DOL agencies, including OSHA's actions to protect health care workers on the front lines of this pandemic, and OSHA's guidance to help employers prevent COVID-19 infections in the workplace.

We appreciate the subcommittee's continued support of our independent oversight work. Thank you for the opportunity to provide this briefing today.