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## United States Senate

COMMITTEE ON FINANCE  
WASHINGTON, DC 20510-6200

November 30, 2020

Mr. Larry D. Turner  
Acting Inspector General  
U.S. Department of Labor  
200 Constitution Avenue, NW  
Room S-5502  
Washington, DC 20210

Dear Mr. Turner,

I request that your office conduct an investigation into California's Employment Development Department (EDD), with particular attention to fraud and to EDD's practice of mailing documents that contain individuals' social security numbers (SSNs).

In a recent letter from the California State Auditor to the Governor and Legislative Leaders of California, following up on a March 2019 audit report related to the EDD's mailing of documents with individuals' SSNs, it was revealed that the EDD has not removed SSNs from mailed documents.<sup>1</sup> Since the start of the COVID-19 pandemic, more than 38 million items of mail sent by the EDD with claimants' full social security numbers were reported by the California State Auditor. This places Californians at risk of identity theft and provides easy opportunities for fraudsters to continue to rip off the unemployment insurance system. Given that unemployment insurance involves federal-state programs, and given that California's state government officials sometimes treats federal law as optional, in your investigation please also identify whether California's EDD is in compliance with federal guidance, regulations, and laws governing SSN protection (such as the Social Security Number Fraud Protection Act of 2017, Public Law 115-59).

In a November 23 letter from a "Strike Team" of California legal and law enforcement organizations to California Governor Newsom, it was revealed that recent fraudulent unemployment claims in California amount to "what appears to be the most significant fraud on taxpayer funds in California history."<sup>2</sup> The Strike Team writes that "[i]t is no secret that fraud is

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<sup>1</sup> November 19, 2020 letter to the Governor and Legislative Leaders in California from California State Auditor Elaine M. Howle, CPA, available at <http://auditor.ca.gov/reports/2020-502/index.html>.

<sup>2</sup> November 23, 2020 letter from California "Strike Team" to Governor Newsom, available at <https://calmatters.org/wp-content/uploads/2020/11/EDD-Letter.pdf>.

widespread in the jails and prisons.” And, the magnitude of the fraud, which robs federal taxpayers and responsible Californians, reportedly could be upwards of \$1 billion.<sup>3</sup>

Fraud takes valuable resources away from those who truly need it. Fraudsters have been stealing resources from California’s EDD by exploiting the Pandemic Unemployment Assistance (PUA) program created by the CARES Act, and some alleged fraudsters have been so brazen as to essentially advertise their exploits on YouTube.<sup>4</sup> The actions of fraudsters serve to erode public support for unemployment benefits to workers and amplifies feelings of unfairness among our constituents.

Congress designed the PUA program to expand access to unemployment benefits to those who ordinarily would not be eligible, including independent contractors and self-employed workers. Taxpayers, and all workers participating in unemployment insurance programs, rightfully feel that something is wrong when they hear of fraudsters gaining access to benefits that they don’t deserve and may not need.

The CARES Act provided \$25 million to the Office of the Inspector General of the Department of Labor for audits, investigations, and oversight of unemployment insurance programs. I ask that your office conduct an investigation of the failure of California’s EDD to adequately address fraud, failure to remove SSNs from mailed documents, the evident reluctance of California’s EDD to follow recommendations of California’s State Auditor to protect citizens from identity theft and help prevent systemic fraud in unemployment insurance, including the PUA program provided under the CARES Act, and whether California’s EDD is taking steps to address fraud identified by the Strike Team.

Sincerely,

  
Charles E. Grassley  
Chairman, Committee on Finance

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<sup>3</sup> See, for example, “California inmates part of \$1B unemployment fraud schemes, prosecutors say,” by Katy Murphy, November 24, 2020, *Politico*.

<sup>4</sup> October 16, 2020 press release from the U.S. Attorney’s Office of the Central District of California, available at <https://www.justice.gov/usao-cdca/pr/rapper-who-bragged-about-unemployment-benefits-scam-music-video-arrested-allegedly>.