

# U.S. Department of Labor

Office of Inspector General—Office of Audit

**REPORT TO THE  
EMPLOYMENT AND TRAINING  
ADMINISTRATION**



**COVID-19: RECOVERY OF MILLIONS IN  
PANDEMIC-RELATED UNEMPLOYMENT  
INSURANCE OVERPAYMENTS  
IMPROPERLY WAIVED, INCLUDING  
FRAUD**

**DATE ISSUED: SEPTEMBER 25, 2025  
REPORT NUMBER: 19-25-009-03-315**



## BRIEFLY...

### COVID-19: RECOVERY OF MILLIONS IN PANDEMIC-RELATED UI OVERPAYMENTS IMPROPERLY WAIVED, INCLUDING FRAUD

#### WHY WE DID THE AUDIT

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act with the intent of providing expanded unemployment insurance (UI) benefits to workers who were unable to work as a direct result of the COVID-19 pandemic. The act, as amended, granted state workforce agencies (SWA or state) authority to waive the recovery of certain nonfraudulent UI overpayments. As of June 30, 2023, 47 states reported waiving the recovery of \$10.9 billion (22 percent) of \$49.6 billion in established nonfraudulent UI overpayments.

The Employment and Training Administration (ETA) was responsible for oversight of CARES Act UI programs. Based on concerns that states may have unintentionally waived the recovery of ineligible overpayments, including fraud, we performed an audit to answer the following question:

Did ETA's guidance and oversight ensure states only waived the recovery of eligible overpayments?

To answer this question, we performed in-depth testing on two of the states that reported the highest dollar amount of waived overpayment recoveries. We surveyed the other 51 SWAs.

#### WHAT WE FOUND

We found ETA's guidance and oversight did not ensure states only waived the recovery of eligible overpayments for the three key pandemic-related UI programs from March 27, 2020, to June 30, 2023. First, ETA did not detect that Michigan and Massachusetts improperly waived the recovery of overpayments that did not meet federal requirements, including those resulting from fraud. As a result, the federal government and taxpayers incurred a financial loss estimated to exceed \$240 million; see Exhibit 1 for details. We based this on the following:

To waive recovery of a non-fraud overpayment, the CARES Act, and its amendments required states to determine: (1) the overpayment was not the claimant's fault and (2) repayment would be contrary to equity and good conscience. However, Michigan and Massachusetts did not always comply with these requirements. Michigan waived recovery of an estimated 71,656 overpayments that were the claimants' fault and 17,833 that were confirmed to be fraudulent. Massachusetts waived recovery of 250 overpayments that did not meet federal waiver requirements, including 14 that were likely fraudulent. Data availability issues prevented the projection of Massachusetts' results. The deficiencies noted occurred because ETA's oversight of waivers primarily consisted of monitoring reviews that were not sufficient to detect the risk of improper decisions by states, which involved the creation and application of state laws to determine claimants' waiver eligibility.

Second, the \$10.9 billion in UI overpayment recoveries that 47 SWAs reported to ETA as waived was likely significantly understated. For instance, Massachusetts was unable to report dollar amounts waived for one pandemic-related program due to system field limitations. Other states reported challenges were due to outdated information technology systems, limited resources, and increased workloads. Without accurate reporting on recoveries waived for pandemic-related UI program overpayments—as required by ETA—the Department and the public are unaware of the total amount of this federally funded debt that was forgiven by states. ETA also needs this information to make the most informed policy decisions about guidance for future emergencies.

#### WHAT WE RECOMMENDED

We made five recommendations to ETA including the need for more frequent reviews, working with Michigan on the confirmed fraud cases, remedying at least \$240 million in questioned costs, and working with states to obtain missing waiver information. Although the Draft Report was provided to ETA in August 2025, ETA has not yet provided a response. Once available, we will post ETA's response and our analysis to our website.

#### READ THE FULL REPORT

For more information, go to:

<https://www.oig.dol.gov/public/reports/oa/2025/19-25-009-03-315.pdf>.

## TABLE OF CONTENTS

INSPECTOR GENERAL’S REPORT .....	1
RESULTS .....	4
Recovery of More Than \$240 Million in UI Overpayments, Including Fraud, Was Improperly Waived .....	6
States Reported Waiving Recovery of More Than \$10.9 Billion in Pandemic-Related UI Overpayments, but the Actual Amount Is Unknown and Likely Significantly Higher.....	20
CONCLUSION .....	25
OIG’S RECOMMENDATIONS .....	26
Analysis of Agency’s Comments .....	26
EXHIBIT 1: QUESTIONED COSTS .....	27
EXHIBIT 2: TOTAL OVERPAYMENT RECOVERIES WAIVED AND NONFRAUDULENT OVERPAYMENTS BY STATE.....	28
EXHIBIT 3: SEVEN WAIVER SCENARIOS.....	30
EXHIBIT 4: DESCRIPTION OF MASSACHUSETTS ONE-CLICK INELIGIBLE WAIVER ISSUES.....	31
APPENDIX A: SCOPE AND METHODOLOGY .....	32



## INSPECTOR GENERAL'S REPORT

Lori Frazier Bearden  
Acting Assistant Secretary  
for Employment and Training  
U.S. Department of Labor  
200 Constitution Avenue NW  
Washington, DC 20210

This report presents the results of the U.S. Department of Labor (DOL) Office of Inspector General's (OIG) audit of the Employment and Training Administration's (ETA) oversight of state workforce agencies (SWA or state) that waived the recovery of unemployment insurance (UI) benefit overpayments under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and related subsequent legislation.

Based on concerns that states may have unintentionally waived the recovery of ineligible overpayments, including those resulting from fraud, we conducted this performance audit to answer the following question:

Did ETA's guidance and oversight ensure states only waived the recovery of eligible overpayments?

To answer this question, we reviewed UI overpayments with recoveries waived for the three key pandemic UI programs: Federal Pandemic Unemployment Compensation (FPUC), Pandemic Unemployment Assistance (PUA), and Pandemic Emergency Unemployment Compensation (PEUC). These programs—authorized by the CARES Act<sup>1</sup> on March 27, 2020, expanded by the Continued Assistance for Unemployed Workers Act of 2020 (Continued Assistance Act)<sup>2</sup> and the American Rescue Plan Act of

### THREE KEY PANDEMIC UI PROGRAMS

**FPUC** provided a weekly supplement to UI benefits from 03/27/20 (\$600) and from 12/28/20 to 09/05/21 (\$300).

~

**PUA** provided UI benefits to individuals who were not traditionally eligible for UI benefits.

~

**PEUC** provided additional weeks to individuals who had exhausted their regular UI benefits.

<sup>1</sup> Section 2102 (PUA), 2104 (FPUC), and 2107 (PEUC)

<sup>2</sup> Section 201(1)(d)(4) (A) and (B)

2021—concluded on September 6, 2021.<sup>3</sup> We conducted audit procedures at both the national and state levels to assess states' compliance with federal and state waiver laws.

At the national level, we evaluated ETA's waiver guidance and oversight by reviewing Unemployment Insurance Program Letters (UIPL) and interviewing regional ETA officials. We also analyzed waiver data submitted by all SWAs<sup>4</sup> on ETA-required reports. We did this to identify states that waived overpayment recoveries in the highest dollar amounts, as well as to identify trends and irregularities in state waiver activities. At the state level, we focused on Michigan and Massachusetts, two of the states with the highest dollar amounts<sup>5</sup> of overpayment recoveries waived for FPUC,<sup>6</sup> PUA, and PEUC.

For these two states, we reviewed a sample of FPUC, PUA, and PEUC claims with overpayment recoveries waived to determine if SWAs properly applied the waivers. Additionally, we surveyed the remaining 51 SWAs to analyze states' waiver laws nationwide and capture a comprehensive view of state practices—47 SWAs<sup>7</sup> responded. Our audit period covered overpayment recovery waivers approved from March 27, 2020, to June 30, 2023 (the audit period). For more information on scope and methodology, see Appendix A.

Michigan and Massachusetts reported \$5.9 billion, or 54 percent, of the \$10.9 billion that 47 states<sup>8</sup> reported to ETA as waived for the audit period.

#### WHAT IS A UI OVERPAYMENT RECOVERY WAIVER?

An overpayment occurs when individuals receive benefits to which they are not entitled.

~

Some UI overpayments occur due to agency error, and state laws generally treat overpayments where the individual is not at fault and is not committing fraud differently.

~

Under certain circumstances, for overpayments without fault or fraud on the part of the individual, many states provide that the individual may not be liable for repayment and thus recovery is waived.

<sup>3</sup> CARES Act activities continued beyond September 6, 2021, for previous weeks.

<sup>4</sup> SWAs are the body that administers the UI program within a state, district, or territory. For the 50 states, as well as the U.S. Virgin Islands, the Commonwealth of Puerto Rico, and the District of Columbia, that administrative body is a SWA. There are, therefore, 53 SWAs.

<sup>5</sup> Florida, Ohio, and Texas also were among states with the highest dollar amount of overpayment recoveries waived. However, we did not perform in-depth testing of these states due to resource constraints.

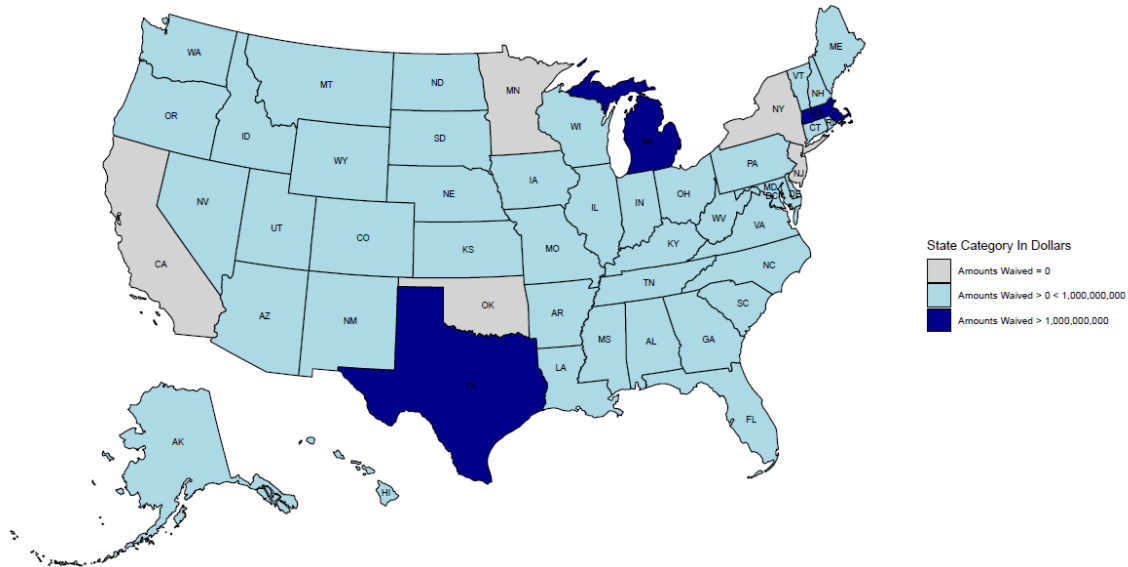
<sup>6</sup> FPUC's selection amount included supplements for regular state UI, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Servicemembers. There were other FPUC supplements for additional programs such as Extended Benefits PUA, PEUC, and others.

<sup>7</sup> Kentucky, Rhode Island, Tennessee, and the U.S. Virgin Islands did not respond.

<sup>8</sup> Of the 53 SWAs, 6 reported no waiver activity for the three key CARES Act UI programs: California, Minnesota, New Jersey, New York, Oklahoma, and Puerto Rico.

Figure 1 depicts overpayment recoveries waived in the United States by state. Refer to Exhibit 2 for details of waived recoveries of overpayments (\$10.9 billion) and nonfraudulent overpayments (\$49.6 billion)<sup>9</sup> by state.

**Figure 1: Pandemic UI Overpayments Waived by States**



Source: OIG analysis of state waiver data published by ETA.

### Challenges Presented by the COVID-19 Pandemic

The COVID-19 pandemic presented ETA and states with significant challenges, exposing critical vulnerabilities within the UI system. According to ETA, decades of underinvestment in state UI program administration left many states struggling with outdated technology and insufficient staffing when the pandemic struck. States had to rely on aging information technology (IT) systems or were amid modernization efforts, making it difficult to adapt quickly to the surge in UI claims. As the country responded to the health crisis, states had to shift to fully remote operations, further straining their limited resources. The sudden and dramatic increase in claims volume created a dual challenge—delivering timely assistance to those in need while ensuring the accuracy of payments.

ETA and states made substantial efforts under extreme circumstances. However, according to ETA, the unprecedented demand for benefits stretched states' IT systems beyond capacity, leading to widespread overpayments. Millions of Americans filed for UI benefits, and in many cases, received payments they may not have been eligible for through no fault of their own. These challenges contributed to \$49.6 billion in nonfraudulent UI benefit overpayments as of

<sup>9</sup> Overpayments net of fraudulent activities.

June 30, 2023.

### Authority to Waive the Recovery of Pandemic-Related UI Overpayments

Federal law<sup>10</sup> provided SWAs with the authority to waive recovery of a nonfraudulent pandemic-related UI overpayment if: (1) the individual was not at fault and (2) repayment would be contrary to equity and good conscience. Generally, ETA authorized two categories of waiver approvals:

- Regular Waiver:<sup>11</sup> Assessed individually on a case-by-case basis.
- Blanket Waiver: Allowed states to waive the recovery of overpayments for multiple eligible claimants at once.

By February 2022, ETA had approved seven scenarios under blanket waivers. See Exhibit 3 for a description of blanket waiver scenarios. Additionally, states could request approval of additional blanket waiver scenarios.

Congress expressed concerns about the use of blanket waivers and ETA's potential lack of adequate oversight and controls, possibly allowing the waiving of recovery of ineligible overpayments.

## **RESULTS**

We found ETA's guidance and oversight did not ensure states only waived the recovery of eligible overpayments for the three key pandemic-related UI programs during the audit period. First, ETA did not detect that Michigan and Massachusetts improperly waived the recovery of overpayments that did not meet federal requirements, including those resulting from fraud. As a result, the federal government and taxpayers incurred a financial loss estimated to exceed \$240 million. We identified this loss as questioned costs<sup>12</sup> (see Exhibit 1). We based this on the following:

---

<sup>10</sup> In March 2020, the CARES Act outlined these circumstances for FPUC and PEUC, and the Continued Assistance Act expanded those waiver provisions to include PUA in December 2020.

<sup>11</sup> ETA uses the terms waiver and blanket waiver. This report refers to waiver as regular waiver.

<sup>12</sup> Questioned costs are costs: (A) resulting from an alleged violation of a law, regulation, contract, grant, or other document or agreement governing the use of Federal funds; (B) that are not supported by adequate documentation (also known as an unsupported cost); or (C) that appear unnecessary or unreasonable.



Michigan waived the recovery of an estimated 71,656<sup>13</sup> overpayments that were the claimants' fault, including an estimated 17,833<sup>14</sup> overpayments that Michigan confirmed<sup>15</sup> to be fraudulent. In addition, Massachusetts waived the recovery of 250 overpayments that did not comply with federal waiver requirements, including 14 that were likely fraudulent. Data availability issues prevented the projection of Massachusetts' results.<sup>16</sup> The deficiencies noted occurred because ETA's oversight of waivers primarily consisted of monitoring reviews that were not sufficient to detect the risk of improper decisions by states, which involved the creation and application of state laws to determine claimants' eligibility for waivers.

Second, the total recoveries that 47 SWAs reported waiving—\$10.9 billion (or 22 percent of \$49.6 billion in overpayments established during the audit period)—is likely significantly understated. For instance, Massachusetts was unable to report dollar amounts waived for the FPUC program due to system field limitations. Other states reported challenges were caused by outdated IT systems, limited resources, and increased workloads. Without accurate reporting on recoveries waived for pandemic-related UI program overpayments—as required by ETA—the Department and the public are unaware of the total amount of this federally funded debt that was forgiven by states. ETA also needs this information to make the most informed policy decisions for future guidance.

---

<sup>13</sup> This estimate is a projection based on data Michigan submitted for 760,228 UI claims that included regular and blanket waivers of overpayment recoveries under the FPUC, PUA, or PEUC programs from March 27, 2020, to June 30, 2023. From this data, we created two universes: 29,090 blanket waivers totaling \$101.8 million and 731,138 regular waivers totaling \$4.1 billion. From a stratified random sample of 400 claims (195 blanket and 205 regular), we found that 68 waivers were improperly applied—specifically, 50 blanket waivers (25.6 percent of the blanket sample) and 18 regular waivers (8.8 percent of the regular sample). Based on these results, we projected that \$172.9 million was improperly waived, with a 95 percent confidence interval and a precision level of  $\pm 7$  percent.

<sup>14</sup> This projection is based on Michigan data for 731,138 unemployment insurance (UI) claims that received regular overpayment recovery waivers under FPUC, PUA, or PEUC, totaling \$4.1 billion from March 27, 2020, to June 30, 2023. From a stratified random sample of 205 regular waiver claims, five (2 percent) were confirmed by the state as fraudulent. Based on this sample, we projected that 17,833 regular waiver claims (2 percent) in the full universe were confirmed fraudulent. The projected total of confirmed fraudulent waiver dollars was \$65.8 million, with a 95 percent confidence interval and a precision level of  $\pm 7$  percent. No blanket waivers were confirmed as fraudulent.

<sup>15</sup> Confirmed fraud consists of claims where overpayment waivers were validated as fraudulent by Michigan, establishing that fraudulent overpayments were waived.

<sup>16</sup> For details about Massachusetts' data availability issues, see Appendix A, Sampling.



---

## **Recovery of More Than \$240 Million in UI Overpayments, Including Fraud, Was Improperly Waived**

---

ETA's guidance and limited oversight did not ensure states only waived the recovery of eligible overpayments. During the audit period, Michigan and Massachusetts both waived ineligible claims, including (for Michigan) claims it determined to be fraudulent and (for Massachusetts) claims approved under revisions to its state waiver laws which OIG did not find evidence that ETA reviewed for potential concerns. ETA's oversight was not sufficient to detect that Michigan and Massachusetts waived the recovery of ineligible overpayments estimated to exceed \$240 million or to detect fraudulent claims in the waiver process.

### **Michigan and Massachusetts Did Not Comply with Federal Requirements When Waiving the Recovery of UI Overpayments**

According to the CARES Act, Continued Assistance Act, and UIPL 20-21, a state could only waive the repayment<sup>17</sup> of an FPUC, PUA, or PEUC overpayment if it determined that: (1) the payment of such compensation was without fault on the part of the individual and (2) such repayment would be contrary to equity and good conscience. Despite these requirements, we found both Michigan and Massachusetts improperly waived the recovery of overpayments as follows:

- Michigan approved regular waivers and blanket waivers for which overpayments were the claimants' fault,
- Michigan waived the recovery of fraudulent overpayments,
- Massachusetts approved waivers that did not comply with federal requirements including issues that were the claimants' fault, and
- Massachusetts approved waivers for claims with a high probability of fraud.

---

<sup>17</sup> The CARES Act used the terminology "waive repayment," while UIPL 20-21 used the term "recovery".

## Michigan

### Michigan Waived the Recovery of Overpayments that Did Not Comply with Federal Requirements

From March 27, 2020, to June 30, 2023, Michigan waived the recovery of UI overpayments that totaled approximately \$4.2 billion (760,228 claims). We stratified the universe and selected 400 sample claims, (205 regular and 195 blanket<sup>18</sup> waivers) totaling \$1.8 million.

Michigan law,<sup>19</sup> the Social Security Act,<sup>20</sup> and applicable sections of the CARES Act required that UI claimants must be able and available for work to be considered eligible for benefits. Claimants were required to recertify their eligibility biweekly and had to answer “yes” to being able and available for work.

Of the 400 claims we tested, there were 68 claims<sup>21</sup> from individuals that answered “yes” and received benefits but were subsequently found ineligible by Michigan because they did not meet the able and available for work requirement.<sup>22</sup> Accordingly, Michigan issued determination letters to the claimants informing them of their ineligibility for unemployment benefits and weeks of overpayments. However, Michigan waived recovery of the overpayments, despite the overpayment letters containing statements indicating the claimants were at fault. For example, one letter stated:

Your class schedule conflicts with the normal hours of your usual occupation. You are not willing to drop or rearrange your classes in order to accept suitable full-time work.

Prior to granting the waivers, Michigan had to establish that: (1) the overpayments were no fault of the claimants and (2) recoveries would be “against equity and good conscience,” in accordance with the CARES Act and UIPL 20-21. However, we found no evidence that Michigan made these determinations.

Therefore, the 68 claimants should not have been granted waivers that extinguished their obligation to repay federally funded debt.

---

<sup>18</sup> We tested 195 blanket waivers included in two batches; that totaled 29,090 claims. Michigan approved the first batch on July 17, 2022 (13,570) and the second batch on October 25, 2022 (15,520).

<sup>19</sup> Michigan Employment Security Act 421.28

<sup>20</sup> Section 303(a)(12)(16)

<sup>21</sup> Of the 68 claims, we identified 33 in FPUC, 16 in PUA, and 19 in PEUC.

<sup>22</sup> There were 98 additional claimants whose overpayments were waived under several executive orders.

In total, Michigan improperly waived approximately \$126,000 related to the 68 sampled claims, which amounted to a projected total of nearly \$173 million related to able and available issues (see Table 1).

**Table 1: Michigan’s Ineligible Waivers, Able and Available Issues**

<b>Waiver Type</b>	<b>Amount Waived from Sample</b>	<b>Total Projected Amount</b>	<b>Total Claims</b>
Regular	\$42,491	\$160,639,407	18
Blanket	\$83,954	\$ 12,288,136	50
<b>Totals</b>	<b>\$126,445</b>	<b>\$172,927,543</b>	<b>68</b>

Source: Generated by the OIG using data from Michigan

Michigan officials maintained that the 68 claimants were not subject to the requirement for being able and available for work. While Michigan law<sup>23</sup> specifies requirements associated with being able and available for work, Michigan issued Executive Order 2020-24 (followed by a series of 12 rescissions and extensions) that suspended compliance with this law from March 16, 2020, through September 4, 2020. However, the overpayment issues related to the 68 claims occurred after September 4, 2020.

#### Michigan Waived the Recovery of Fraudulent Overpayments

In its guidance,<sup>24</sup> ETA specified that under no circumstances may a state waive recovery activities for a fraudulent overpayment. The OIG expressed concerns about states unintentionally waiving the recovery of fraudulent overpayments in its *Semiannual Report to Congress* for the period October 1, 2022, to March 31, 2023.<sup>25</sup> This audit’s data analysis and case reviews confirmed those concerns were valid.

Specifically, we tested 400 sampled claims and identified those that were potentially fraudulent using a fraud indicator analysis previously used and

<sup>23</sup> Michigan Employment Security Act 421.28(1)(c)

<sup>24</sup> UIPL 21-20, Change 1

<sup>25</sup> *Semiannual Report to Congress*, Vol. 89 (October 2022–March 2023), [https://www.oig.dol.gov/public/semiannuals/89\\_rev.pdf](https://www.oig.dol.gov/public/semiannuals/89_rev.pdf)

reported by the OIG.<sup>26</sup> This analysis flags claims with fraud indicators such as claimants applying for benefits in multiple states, claimants using suspicious or temporary emails, and claims involving the Social Security numbers (SSN) of deceased persons. However, some of these indicators may also appear in claims involving identity theft victims where fraudsters use the personal information of innocent persons to file UI claims.

We analyzed the sampled claims against an OIG database containing UI claims data for all 53 SWAs. This allowed us to identify suspicious patterns in the claims data—such as the same SSN, email, or bank account being used across multiple claims in different states—which pointed to organized fraud. For example, if a single SSN was used to file claims in multiple states with shared bank account information, it was likely the work of fraudsters directing funds to one account they controlled.

From our analysis, we identified 14 claims that totaled \$87,277, with a high probability of fraudulent activities, which we refer to as likely fraudulent. Examples included:

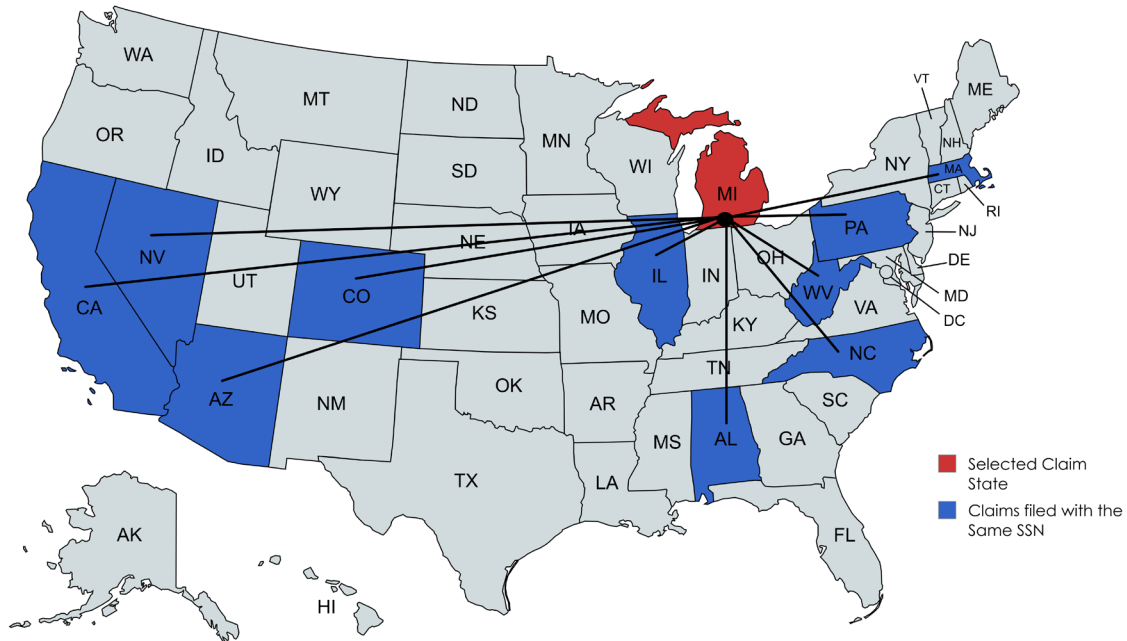
- one claim (\$4,500) was filed with an SSN used to file 11 claims in different states, with a physical address shared by 4 additional claims. In total, this SSN was linked to claims filed in 11 states,<sup>27</sup> as shown in Figure 2.

---

<sup>26</sup> Alert Memorandum: Potentially Fraudulent Unemployment Insurance Payments in High-Risk Areas Increased to \$45.6 Billion, Report No. 19-22-005-03-315 (September 21, 2022), <https://www.oig.dol.gov/public/reports/oa/2022/19-22-005-03-315.pdf>

<sup>27</sup> The claimant filed claims in Michigan, Alabama, Arizona, California, Colorado, Illinois, Massachusetts, North Carolina, Nevada, Pennsylvania, and West Virginia; however, only Alabama and Michigan paid UI benefits on the claims.

**Figure 2 – One SSN Used to File Multiple Claims in 11 States**



Source: OIG data analysis of SWA claims data

- another claim (\$1,280) was filed with an SSN used to file 2 claims in different states, with emails, bank account information, physical address, and phone numbers linking it to 21 additional claims. In total, this SSN was linked to claims filed in three states.<sup>28</sup>

We referred the 14 likely fraudulent claims to Michigan for confirmation. Michigan state officials verified 5 of the 14 claims were confirmed to be fraudulent. Specifically, Michigan reported:

- three claims had pending investigations resulting in overpayments being waived prior to completion of the investigations that confirmed fraud,
- one claim was determined to be fraudulent by Michigan based on an out of state SSN, Alabama address, no reported wages, and incorrect Social Security Administration information, and
- one claim had an identity verification and a fraud investigation added by Michigan's system. The claimant was determined to be ineligible based on identity theft. Michigan waived recovery of the overpayment a year later.

<sup>28</sup> The claimant file claims in Arizona, Pennsylvania, and Michigan; however, only Michigan paid UI benefits on the claims.

These instances of confirmed fraud demonstrated Michigan’s system did not consistently prevent waiving the recovery of fraudulent overpayments. Based on our statistical sample, we projected Michigan waived recoveries totaling over \$65 million for 17,833 claims related to confirmed fraudulent overpayments.

Despite guidance prohibiting waivers for the recovery of fraudulent overpayments, waivers were issued for UI claims that resulted from fraud. Without adequate controls at the state and federal level, SWAs and ETA faced increased risk of waiving recovery of fraudulent overpayments.

## **Massachusetts**

### **Massachusetts Waived the Recovery of Overpayments that Did Not Comply with Federal Requirements**

During the audit period, Massachusetts waived the recovery of UI overpayments that totaled approximately \$1.1 billion (232,687 claims). From the universe of \$1.1 billion, we randomly sampled 441 claims (196 regular waivers,<sup>29</sup> 195 blanket waivers,<sup>30</sup> and 50 one-click waivers,<sup>31</sup> totaling \$3.6 million).<sup>32</sup>

We tested 121 PUA regular waiver samples—totaling approximately \$1.8 million in overpayments—to which Massachusetts applied state law to waive recoveries. States were permitted to waive recovery of overpayments under federal or state authority if two federal criteria were met—no fault of the claimant and against equity and good conscience. While the 121 overpayments met the no fault criteria, we found no evidence these claims met the second requirement: against equity and good conscience.

To determine whether the claimants met the criteria for against equity and good conscience, Massachusetts required the submission of waiver applications that included hardship sections. Massachusetts state law defined against equity and good conscience as:

...recovery of an overpayment will be considered inequitable if an

---

<sup>29</sup> Of the 196 regular waivers, 75 were subsequently determined to be one-clicks, for a total of 121 regular waivers and 125 one-clicks.

<sup>30</sup> We tested 195 waivers included in one batch of 21,888 claims, approved by Massachusetts on April 19, 2022.

<sup>31</sup> The Massachusetts Department of Unemployment Assistance created a simplified one-click waiver to make it easier for the claimant to apply for debt forgiveness for 2020 and/or 2021 for no-fault overpayments received during the pandemic.

<sup>32</sup> We were unable to project the results of our testing for Massachusetts due to data availability issues. For details about Massachusetts’ data availability issues see Appendix A, Sampling.

overpaid claimant, by reason of the overpayment, relinquished a valuable right or changed his or her position for the worse. In reaching such a decision, the overpaid claimant's financial circumstances are irrelevant.

The relevancy of a claimant's financial circumstances did not negate the state's requirement for information to support hardship, and we found no evidence that Massachusetts assessed whether the required conditions were met. Although applications included hardship statements, Massachusetts did not verify the statements made or determine whether claimants relinquished a valuable right or changed positions for the worse. In doing so, Massachusetts did not ensure waivers met the required federal and state standards for "against equity and good conscience.

Furthermore, Massachusetts' waiver regulations<sup>33</sup> state that in any proceedings under these regulations, the overpaid claimant shall have the burden of proving entitlement to a waiver. Instead, Massachusetts officials said claimants' financial hardship waivers did not include a set calculation utilized in determining claimants' request for a waiver due to financial hardship; essentially, they used an honor system in making the determinations.

We questioned the entire \$1.8 million in overpayments associated with the 121 claims tested. Massachusetts did not provide documentation to support claimants' hardship assertions and relied solely on unverified statements in claimants' waiver applications. This increased the risk that ineligible overpayments were waived, compromising the integrity of the overpayment recovery waiver process.

According to GAO's Standards for Internal Control in the Federal Government, documentation is a necessary component of an effective internal control system. It supports the design, implementation, and operational effectiveness of internal controls<sup>34</sup>. Without adequate documentation, Massachusetts could not demonstrate its waiver decisions met federal requirements.

*Massachusetts Waived Overpayment Recoveries without Completing the Requirement for Claimant Notification*

We tested 195 blanket waivers totaling approximately \$1.3 million. We found Massachusetts waived recovery of overpayments totaling \$27,216 for 4 claimants who had not been notified of their overpayments as required by

---

<sup>33</sup> 430 CMR 6.05 Waiver of Recovery Overpayments

<sup>34</sup> OV4.08, Documentation Requirements



ETA's UIPL 20-21.<sup>35</sup> Notifying the claimants would have triggered applications for waivers. However, Massachusetts waived the claimants' overpayments in blanket waivers, which negatively impacted the potential recovery of federal funds. This confirms Congress' program integrity concerns regarding blanket waivers. We questioned the \$27,216 in overpayments.

### *Massachusetts Expedited One-Click Waiver Process*

As noted, Massachusetts introduced a one-click option in 2022 as a simplified waiver request process for UI overpayments. This initiative aimed to provide relief to claimants with outstanding nonfraudulent overpayments. Under the simplified waiver process, claimants did not have to submit a traditional waiver application. Massachusetts informed claimants of the regulation changes<sup>36</sup> and the new process as follows:

The Department of Unemployment Assistance (DUA) has created a simplified one-click waiver to make it easier for you to apply for debt forgiveness. **It is important to note that YOU must ask for this debt forgiveness by applying for a waiver** of your 2020 and/or 2021 non-fault overpayment received during the pandemic.

### **Applying for a waiver is quick and easy!**

1. Log onto your PUA Online Account at <https://ui-cares-act.mass.gov/PUA/> /
  2. Click the "More" tab
  3. Select on "Apply for an Overpayment Waiver"
  4. Click "Submit"
- That's it! You're done.

### Massachusetts One-Click Issues

We tested 125<sup>37</sup> one-click waivers totaling approximately \$427,579 in overpayments. We asked Massachusetts officials for documentation to support their one-click waiver decisions—including determinations of no fault and against equity and good conscience. Massachusetts officials informed us there was no documentation to support any of the one-click decisions. Additionally, letters

---

<sup>35</sup> UIPL 20-21 outlines federal law requirements for identifying and establishing overpayments, which include promptly contacting the individual to whom the potential overpayment was made and providing the individual a reasonable amount of time to be heard before making an official determination that the payment is improper.

<sup>36</sup> Change to 430 CMR 6.00 and 430 CMR 6.16 Special Relief for Pandemic Overpayments

<sup>37</sup> Contains 75 waivers initially regular and subsequently determined to be one-clicks

notifying the claimants of their overpayments indicated the claimants were potentially at fault (see Table 2).

**Table 2: Massachusetts, Potential At-Fault Issues with One-Click Waivers**

Number	Issue Type	Total Waived	Total Claims
1	PUA Eligibility	\$143,318	28
2	Voluntarily Quit	\$101,800	20
3	Employed	\$50,150	12
4	Able and Available	\$43,200	31
5	Gross Earning	\$33,345	25
6	Without Good Cause	\$27,900	2
7	Late Appeal	\$16,341	2
8	Employment Discharge	\$9,125	4
9	Suitable Work	\$2,400	1
<b>All</b>	<b>Totals</b>	<b>\$427,579</b>	<b>125</b>

Source: Generated by the OIG using data from Massachusetts

Because Massachusetts officials could not support that they made the two determinations required by the CARES Act, we questioned waivers for the entire \$427,579 in overpayment recoveries associated with the 125 claims tested. See Exhibit 4 for a description of each issue type.

Furthermore, our survey results showed Massachusetts was not the only state that used one-click waivers. Of the 47 SWAs that responded to the survey, New Hampshire indicated it used a one-click waiver process.

### Massachusetts Waived the Recovery of Overpayments that Had a High Probability of Fraud

We also tested Massachusetts' waiver universe and identified potentially fraudulent claims using a fraud indicator analysis that had been previously used and reported<sup>38</sup> by the OIG in September 2022.

We analyzed the potentially fraudulent claims against an OIG database to identify patterns consistent with organized fraud, enabling examination of associated UI claims across the 53 SWAs to detect fraudulent activities. Our analysis identified 14 likely fraudulent claims<sup>39</sup> with overpayments totaling \$191,928. For example, we identified four claims with multistate fraud flags:

- One PUA claim (\$6,804) involved an SSN used for 2 claims in different states with different names and with a phone number shared by 23 additional claims. In total, this claim was linked to claims filed in three states;<sup>40</sup>
- One PUA claim (\$6,804) involved an SSN used for 4 claims in different states, with a physical address shared by 4 additional claims. In total, this claim was linked to claims filed in four states;<sup>41</sup>
- One PUA claim (\$8,004) involved an SSN used for 2 claims in different states, with a physical address and email address shared by 4 additional claims. In total, this claim was linked to claims filed in two states;<sup>42</sup> and
- One PEUC claim (\$9,300) involved an SSN used for 2 claims in different states using the same name, with the only variation being the email address. The username remained identical, but the domain changed. Changing the email address domain is consistent with common fraud

---

<sup>38</sup> In September 2022, the OIG reported a cumulative \$45.6 billion paid in four high-risk areas that represented increased risks of UI fraud. Multistate claimants—\$29 billion—was the largest. Alert Memorandum: Potentially Fraudulent Unemployment Insurance Payments in High-Risk Areas Increased to \$45.6 Billion, Report No. 19-22-005-03-315 (September 21, 2022), <https://www.oig.dol.gov/public/reports/oa/2022/19-22-005-03-315.pdf>

<sup>39</sup> Including 1 FPUC waiver, 12 PUA waivers, and 1 PEUC waiver

<sup>40</sup> The claimant filed claims in Massachusetts, Michigan, and Pennsylvania; however, only Massachusetts and Michigan paid UI benefits on the claims.

<sup>41</sup> The claimant filed claims in Arizona, California, Massachusetts, and Nevada; however, only Arizona, California, and Massachusetts paid UI benefits on the claims.

<sup>42</sup> The claimant filed claims in Massachusetts and New York; however, only Massachusetts paid UI benefits on the claims.

tactics used to evade detection. In total, this claim was linked to claims filed in two states.<sup>43</sup>

The remaining 10 claims totaling \$161,016 were flagged due to SSNs used to file claims in multiple states, along with suspicious email patterns—such as reuse of the same email across multiple UI applications, use of temporary email addresses, or addresses consistent with common fraud techniques.

We asked Massachusetts state officials about efforts to ensure claims were nonfraudulent prior to waiving recovery of the established overpayments. Massachusetts officials informed us they had not identified any of the 14 claims as fraudulent. The claimants had been previously approved for benefits and received payments for multiple weeks before Massachusetts determined the claims were ineligible—and therefore overpayments. When establishing an overpayment, ETA required states to determine who is at fault, including whether the overpayment was caused by claimant fraud.

Of the 14 SSNs, 5 were on a list of claimants who filed potentially fraudulent claims ETA had transmitted to Massachusetts in response to the OIG's reports on high-risk areas, issued September 2022. ETA also provided instructions and requirements for investigations and due process regarding the list of claimants. According to Massachusetts officials, they did not conduct any subsequent investigations because they had already denied the claims and established the overpayments prior to receiving the list in March 2023. Neither denying payment of the claims nor establishing overpayments and waiving recoveries negated the email from ETA requiring Massachusetts to investigate the SSNs.

Massachusetts' UI systems<sup>44</sup> did not detect the 14 claims were potentially fraudulent, which leads us to question the systems' effectiveness to identify potentially fraudulent claims. Massachusetts had one of the highest maximum weekly benefit amounts during the pandemic—\$823 per week—with some claimants receiving an additional \$600 in pandemic-related payments for a total of over \$1,400 per week. These high-dollar amounts made Massachusetts an attractive and high-value target for fraudsters. Most of the 14 claims were PUA, the pandemic-related UI program with the highest risk of fraud.

We identified 10 of 14 claims as ineligible for waivers based on non-fraud reasons previously discussed and included them in our questioned costs.<sup>45</sup>

---

<sup>43</sup> The claimant filed claims in California and Massachusetts; however, only Massachusetts paid UI benefits on the claims.

<sup>44</sup> Of the 14 claims, Massachusetts processed 12 claims using its current FAST system and 2 claims using Unemployment Insurance Online.

<sup>45</sup> The cost associated with the remaining 4 likely fraudulent claims—\$29,016—was not questioned because Massachusetts could not confirm the claims were fraudulent.

However, Massachusetts' failure to determine if the claims were fraudulent prior to waiving recoveries of the overpayments increased the likelihood that fraudsters were enriched by ineligible waivers and could avoid criminal prosecution.<sup>46</sup>

### **ETA's Guidance and Oversight of States' Processes for Waiving the Recovery of UI Overpayments Was Insufficient**

Federal law granted states the authority to waive the recovery of UI benefit overpayments financed with federal funds in accordance with their own state waiver laws if two federal criteria were met. As such, federal funds were at increased risk of undue financial loss due to decisions being made at state levels, without adequate consideration or concern for the negative financial impact on the federal government. Accordingly, ETA needed to develop, implement, and enforce more stringent guidance and controls to safeguard federal funds from the risk of fraud, waste, and abuse.

In October 2020, ETA outlined its oversight of state waiver activities for its regional offices in Employment and Training Order 1-21.<sup>47</sup> This order and attachments provided detailed information and instructions for the types of oversight required for FPUC, PUA, and PEUC, including program reviews with waiver questions to identify states' waiver issues. However, the frequency and requirements of the reviews were insufficient to detect the waiver issues we identified.

During the audit period, ETA conducted 5 monitoring reviews for Michigan. Review results were documented in reports dated February 2021<sup>48</sup> and July 2021 with no waiver issues identified. The waiver issues we found—FPUC, PUA, PEUC—occurred after September 2021 and should have been detected by ETA during the next 2 monitoring reviews that had results published in reports dated February 2022 and December 2023. However, the reports contained no findings or waiver-related areas of concern.

Also, during the audit period, Massachusetts received a monitoring review that resulted in a report dated February 2022. While the report contained CARES Act findings spanning our audit scope, it did not indicate examination of

---

<sup>46</sup> As it stands, the statute of limitations for many pandemic-related UI fraud cases has begun to expire, as the statutes most often used to prosecute UI fraud have five-year limitations.

<sup>47</sup> National and Regional Office Responsibilities in Managing, Monitoring, and Overseeing State Grants for the Unemployment Insurance (UI) Programs Created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, issued on October 2, 2020

<sup>48</sup> Two monitoring review reports were dated February 2021 (February 10 and February 24).

Massachusetts' waiver process. Although ETA examined Massachusetts' CARES Act activity, it did not have sufficient controls in place to ensure the propriety of decisions—that culminated in waiving the recovery of \$1.1 billion in UI overpayments.

Furthermore, although ETA stated it intended to review any proposed or created state statutes or regulations regarding the waiver of CARES Act program overpayment recoveries, Massachusetts enacted emergency regulations in April 2022. We found no evidence that ETA had reviewed emergency regulations. The new regulations allowed the state to take actions that resulted in the state's approval of ineligible waivers using the one-click process.

According to ETA, it provided states with multiple forms of guidance and support, including three webinars between May 2021 and July 2022 on UIPL No. 20-21 and CARES Act reporting requirements. Additionally, ETA provided funding through UIPL No. 28-20, Change 4, to help states address administrative and reporting challenges. However, despite these efforts, of the 47 survey respondents, 15 SWAs (32 percent) responded they received no CARES Act technical assistance from their respective ETA regional offices.

### **Millions in Federal Funds Lost Due to Improperly Waived UI Overpayment Recoveries**

As a result of ETA's insufficient oversight of Michigan's and Massachusetts' waiver activities, the federal government and taxpayers incurred a financial loss estimated to exceed \$240 million in financial loss (see Table 3).

**Table 3: Amounts of Recoveries Waived for Ineligible Overpayments, Michigan (MI) and Massachusetts (MA)**

<b>State and Issue</b>	<b>Total Amount</b>
MI: Able and Available Issue	\$172,927,543
MI: Confirmed Fraud	\$65,781,593
<b>Michigan: Total (Projected)</b>	<b>\$238,709,136</b>
MA: Did Not Meet Federal Requirement (Against Equity and Good Conscience)	\$1,803,425
MA: Did Not Meet Claimant Notification Requirement	\$33,744
MA: At-Fault One-Click Waivers	\$427,579
<b>Massachusetts: Total</b>	<b>\$2,264,748</b>
<b>TOTAL BOTH STATES</b>	<b>\$240,973,884</b>

Source: Generated by the OIG using data from Michigan and Massachusetts

Had we been able to project the amount of UI overpayment recoveries improperly waived by Massachusetts, the financial loss estimated to exceed \$240 million would have likely been significantly higher. Furthermore, \$191,928 of Massachusetts' ineligible overpayments were likely fraudulent.

### **ETA's Guidance Limits Reconsideration of Waivers Under Finality Laws**

In December 2023, ETA's UIPL 05-24 allowed states to apply their finality laws to CARES Act claims, restricting their ability to revisit waiver decisions. For example, Michigan's law permits reconsideration only within 1 year for nonfraud cases. Similarly, Massachusetts allows reconsideration within 1 year for errors or new claimant information. As a result, it is likely that the non-fraud waiver issues we identified in Michigan and Massachusetts will not be revisited due to these states' finality laws.

By permitting states to forego revisiting waiver decisions after applicable established timeframes, ETA is preventing the correction of errors or the recovery of federal funds even when issues with eligibility, claim accuracy, or administrative error are later identified. Consequently, the application of finality laws in waiver decisions contributes to unrecoverable debt owed to the federal government, reinforcing the need for robust initial oversight and controls to detect improper payments in state UI programs.



---

## **States Reported Waiving Recovery of More Than \$10.9 Billion in Pandemic-Related UI Overpayments, but the Actual Amount Is Unknown and Likely Significantly Higher**

---

Under state CARES Act agreements and ETA guidance, SWAs were required to report overpayment activities, including the total dollar amount of overpayment recoveries waived, with an emphasis on accuracy, uniformity, and comparability in reported information. According to state reporting on ETA's website, 47 SWAs reported waiving the recovery of \$10.9 billion in FPUC, PUA, and PEUC overpayments; however, this information was incomplete.

States mainly attributed the waiver reporting challenges to outdated IT systems. States also cited inadequate guidance and technical support from ETA to assist with the submission of accurate and complete reports. Without accurate and complete data, policymakers, program administrators, and the public could not make informed decisions or hold states accountable for administering their UI programs. Incomplete reporting also hampered ETA's efforts to measure the effectiveness of pandemic-related UI programs.

### **ETA Required States to Report Overpayment and Waiver Information**

To receive CARES Act funds, SWAs signed agreements requiring compliance with all ETA guidance and operating instructions. These agreements obligated SWAs to provide any information and reports that ETA deemed necessary. ETA issued the following related UIPLs:

- (April 2020) UIPL 16-20,<sup>49</sup> requiring states to submit PUA monthly ETA 902P reports through which states could provide information on PUA overpayment activity and administration;

---

<sup>49</sup> Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Pandemic Unemployment Assistance (PUA) Program Operating, Financial, and Reporting Instructions (April 5, 2020), [https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2020/UIPL\\_16-20.pdf](https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2020/UIPL_16-20.pdf)

- (April 2020 and June 2020) UIPL 17-20 and UIPL 15-20, Change 2,<sup>50</sup> specifically requiring states to document FPUC and PEUC overpayment detection, prevention, recovery, and waiver activities using quarterly ETA 227 reports;
- (January 2021) UIPL 16-20, Change 4,<sup>51</sup> updating the ETA 902P report to include: additional overpayment data items for tracking and assessing state overpayment recovery efforts; informing policymakers about PUA; determining the effectiveness of identity theft prevention efforts; and assessing additional program integrity needs; and
- (September 2021) UIPL 16-20, Change 6,<sup>52</sup> adding the requirement for states to report overpayment recovery waivers for the PUA program.

### **\$10.9 Billion in Waived Overpayment Recoveries Is Likely Significantly Understated**

Although 47 SWAs reported waiving recovery of \$10.9 billion in overpayments for FPUC, PUA, and PEUC, this amount is highly likely incorrect because some SWAs reported waiver information that was likely inaccurate.<sup>53</sup> For example, Massachusetts reported zero waived FPUC amounts to ETA for 5 quarters.<sup>54</sup> The state could not report FPUC dollar amounts waived due to system field limitations. It also reported zero waived PEUC amounts for quarters ending June 2020 and September 2020. According to Massachusetts personnel, the state did not begin to process waivers until the quarter ending December 2020.

---

<sup>50</sup> Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Pandemic Emergency Unemployment Compensation (PEUC) Program Operating, Financial, and Reporting Instructions (April 10, 2020),

[https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2020/UIPL\\_17-20.pdf](https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2020/UIPL_17-20.pdf); and Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—New Data Collection Instrument and Revised Reporting Instructions for Federal Pandemic Unemployment Compensation (FPUC) (June 15, 2020),

[https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2020/UIPL\\_15-20\\_Change\\_2.pdf](https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2020/UIPL_15-20_Change_2.pdf)

<sup>51</sup> Continued Assistance to Unemployed Workers Act of 2020—Pandemic Unemployment Assistance (PUA) Program: Updated Operating Instructions and Reporting Changes (January 8, 2021), [https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2021/UIPL\\_16-20\\_Change\\_4.pdf](https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2021/UIPL_16-20_Change_4.pdf)

<sup>52</sup> Pandemic Unemployment Assistance (PUA) Program: Updated Operating Instructions and Reporting Changes (September 3, 2021), [https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2021/UIPL\\_16-20\\_Change-6.pdf](https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2021/UIPL_16-20_Change-6.pdf)

<sup>53</sup> Some states reported zero waived amounts for FPUC, PUA, and PEUC when they should not have. Additionally, some states were unable to report accurately due to IT system limitations.

<sup>54</sup> Quarters ending June 2020 through March 2021 and June 2023.

In addition, we identified discrepancies between SWAs' survey responses and required recovery waiver reporting. For example, New York, one of the states we surveyed, informed us that it waived the recovery of overpayments. However, New York reported zero waived amounts for the three pandemic UI programs reviewed, which they attributed to ongoing IT system modernization efforts. In total, 14 SWAs acknowledged waiving recovery of overpayments; however, their required reporting showed zero waived amounts for specific pandemic-related programs. For the audit period, we found the following discrepancies for the 14 respondent states:

- California, New Jersey, New Hampshire, New York, Oregon, Puerto Rico, and West Virginia acknowledged waiving recoveries for pandemic-related UI program overpayments but reported zero waived amounts for FPUC.
- Alabama, California, Connecticut, Delaware, Kansas, New Jersey, New York, Puerto Rico, Vermont, and Washington acknowledged waiving recoveries for pandemic-related UI program overpayments but reported zero waived amounts for PUA.
- Alabama, California, Mississippi, New Jersey, New York, Oregon, and Puerto Rico acknowledged waiving recoveries for pandemic-related UI program overpayments but reported zero waived amounts for PEUC.

Furthermore, eight of the respondent states<sup>55</sup> indicated they did not fully report the total dollar amount waived for overpayment recoveries. Of these, 5 states – California, New Jersey, New York, Vermont, and Washington – reported zero waived amounts for one or more of the pandemic-related UI programs reviewed. Notably, information on the SWAs' websites showed all eight states had programs waiving recovery of pandemic-related UI overpayments.

### **Insufficient IT Systems and Technical Support Led to Incomplete Reporting**

States cited various factors leading to incomplete and inaccurate reporting of overpayment recoveries waived. Of 47 survey respondents, 23 reported facing challenges in reporting total waived dollar amounts for CARES Act UI overpayments on ETA 227 (FPUC and PEUC) and ETA 902P (PUA) reports. Of these 23, 12 attributed their challenges to IT issues, including outdated UI

---

<sup>55</sup> The eight surveyed states were: California, Indiana, Maine, New Jersey, New Mexico, New York, Vermont, and Washington.

systems, limited technical and business resources, and difficulties in updating overpayment processes to meet federal reporting requirements. According to ETA, its monitoring alone was not sufficient to correct these situations.

States reported that core system limitations and legacy mainframes hindered accurate data separation and reporting. Multiple states reported incorrect data, necessitating manual corrections. Programming complexities, such as the need to program each overpayment type and waiver decision, further complicated the process. Specific examples of IT challenges included:

- Arizona: Challenges with separating data for ETA 227 reports due to the state's antiquated UI system;
- Georgia: Limited resources to update overpayment system processes and develop federal reporting requirements timely, including CARES Act programs and extended benefit changes;
- New Jersey: Legacy mainframe system limitations prevented separate reporting;
- Pennsylvania: Mainframe limitations caused difficulties in reporting waived nonfraudulent FPUC and PEUC overpayments;
- Texas: Programming challenges due to the volume needed for ETA 227 reports across multiple programs (FPUC and PEUC); and
- Vermont: Outdated systems and challenges with staffing and program development.

Non-IT-related challenges added further complications that included vendor issues, competing priorities, high workloads, legal constraints such as statutes of limitations, and law modifications. States also faced challenges differentiating between program rules and aligning with reporting guidance. Despite ETA issuing UIPLs, hosting webinars, and providing funding opportunities, a lack of oversight led to inconsistencies in reporting waived recoveries.

Furthermore, ETA did not sufficiently address system limitations, hindering states' ability to report large dollar amounts waived. For example, Michigan initially did not report the amount of waived overpayment recoveries due to a system limitation that prevented entry of large dollar amounts, which triggered fatal errors in the ETA 227 reporting system. This issue was fixed by ETA, in September 2023, 2 years after the first transmission was prevented.

## **Incomplete Reporting Created a Barrier to Assessing Recoveries of Waived Overpayments**

The states' failure to report complete overpayment amounts with recoveries waived prevents UI program stakeholders from fully understanding the performance of pandemic-related programs. In addition, it impairs the ability of policymakers and program administrators to make informed decisions and hold states accountable for administering their UI programs and managing taxpayer dollars. Furthermore, these reporting deficiencies contributed to DOL receiving its fourth consecutive qualified opinion on its consolidated financial statements.<sup>56</sup>

ETA's policies emphasize the need for accuracy, uniformity, and comparability in UI data to monitor program effectiveness. However, states' current reporting does not provide sufficient data to accurately assess the full scope of pandemic-related UI overpayment recoveries waived, negatively affecting the ability to gauge their impact on the recovery of UI overpayments. Incomplete and inaccurate reporting also hinders ETA's ability to: (1) ensure the integrity of overpayment recovery processes and (2) better prepare for similar future emergencies.

### **Lack of Detail in Waiver Data**

Adding to these challenges, ETA did not require states to report blanket waivers separate from their reporting of regular overpayment waivers, complicating any assessment of effectiveness of each waiver type.

According to GAO's Standards for Internal Controls in the Federal Government, management should use quality information to achieve the entity's objectives. Under the standards, management should change information requirements as needed to meet modified objectives and address modified risks.<sup>57</sup>

On February 18, 2022, Congressional stakeholders asked the Secretary of Labor to provide an overall estimate for the number and dollar value of claims that fell into each of the five new waiver categories (scenarios) and a state-by-state breakdown for each of the 53 UI systems. ETA responded,

---

<sup>56</sup> Near the end of each calendar year for the preceding fiscal year, the OIG issues an Independent Auditors' Report on DOL's Consolidated Financial Statements. The reports (available by clicking on the respective year) for fiscal years [2021](#), [2022](#), [2023](#), and [2024](#) each issued a qualified opinion. Before the 2021 report, DOL had not received a qualified opinion in 25 years.

<sup>57</sup> Principle 13

ETA has not estimated the number and dollar value of claims that fall into the approved blanket waiver scenarios as states are only required to report the total amount of overpayments for which recovery is waived.

This reporting limitation complicated our ability to assess states' waiver activities. Specifically, we were unable to determine and report the extent to which SWAs used regular waivers and blanket waivers, the amounts waived under each type, or overall effectiveness of waiver types nationwide. For this audit, we obtained CARES Act program data directly from Michigan and Massachusetts UI systems, which allowed us to identify overpayment recoveries waived by waiver type. This allowed us to assess and demonstrate risks presented by regular and blanket waivers—and to detect the existence of other waiver types.

Questions from Congress and media highlight the need for more transparent and detailed data on overpayment recovery waivers. Of survey respondents, 20 of 47 SWAs (43 percent) indicated being able to distinguish amounts waived based on waiver type. Understanding these distinctions is essential for assessing the utilization and effectiveness of waivers and ensuring transparency in UI program reporting—for improved program integrity.

## **CONCLUSION**

Pandemic-related federal funds were at increased risk of undue financial loss due to decisions made by SWAs to waive the recovery of UI overpayments under federal and state laws. Our audit found 2 states—representing 54 percent of total dollars waived during the audit period—improperly waived recovery of pandemic-related UI overpayments estimated to exceed \$240 million, including an estimated more than \$65 million in confirmed fraud. That is out of a likely significantly underreported \$10.9 billion in waiver activities by SWAs nationwide. Because of inadequate federal oversight, billions of dollars in federal funds are at increased risk of having been inappropriately waived and going unrecovered. Addressing weaknesses in federal oversight of states' UI waiver activities is critical to adequately protecting federal funds from the risk of fraud, waste, and abuse during future emergencies.

## OIG'S RECOMMENDATIONS

We recommend the Administrator for the Office of Unemployment Insurance:

1. Work with states to strengthen waiver approval processes to prevent the improper waiving of UI overpayment recoveries when federal dollars are at stake.
2. Work with the Office of the Chief Financial Officer (OCFO) to develop and implement a specific process designed to detect when states have improperly waived UI overpayment recoveries, providing time for states to course correct and minimize the risk of financial loss.
3. Work with Michigan to ensure proper post-investigative actions are taken for the five confirmed fraud cases identified in this report.
4. Remedy the \$240,973,884 in questioned costs.
5. Work with state workforce agencies to ensure they retroactively submit accurate and complete information related to overpayment recovery waiver amounts for FPUC, PUA, and PEUC, for all pandemic-related reporting periods.

---

### Analysis of Agency's Comments

---

The OIG issued a draft of this report to ETA officials for comment in August 2025. ETA has not yet provided a response. As such, we are issuing the final report without ETA's response. Upon receipt of a response from ETA, we will post it, along with our analysis of management's comments, on our website.

We appreciate the cooperation and courtesies ETA extended to us during this audit.



Laura B. Nicolosi  
Assistant Inspector General for Audit



**EXHIBIT 1: QUESTIONED COSTS**

**Table 4: Questioned Costs for Michigan and Massachusetts**

<b>Description</b>	<b>Amount</b>
Michigan	\$238,709,136
Massachusetts	\$2,264,748
<b>Total Questioned Costs</b>	<b>\$240,973,884</b>

Source: Generated by the OIG using data from Michigan and Massachusetts

## EXHIBIT 2: TOTAL OVERPAYMENT RECOVERIES WAIVED AND NONFRAUDULENT OVERPAYMENTS BY STATE

**Table 5: Total Overpayment Recoveries Waived and Nonfraudulent Overpayments by State, March 27, 2020, to June 30, 2023<sup>58</sup>**

State	Total Overpayment Recoveries Waived <sup>59</sup>	Total Nonfraudulent Overpayments
<b>National Total</b>	10,898,158,066	49,565,815,310
Alabama	194,044	272,065,629
Alaska	5,583,284	74,542,266
Arizona	275,300,494	312,724,372
Arkansas	941,689	63,723,471
California	-	14,093,157
Colorado	324,847,797	2,317,705,378
Connecticut	6,401,990	18,265,169
Delaware	303,565	14,458,264
District of Columbia	360,122	89,604,180
Florida	760,817,520	3,866,830,593
Georgia	14,041,549	101,943,396
Hawaii	3,499,807	23,816,779
Idaho	9,320,835	27,111,637
Illinois	90,414,027	2,724,258,847
Indiana	112,473,997	1,142,871,451
Iowa	25,266,451	107,596,562
Kansas	44,673	23,302,584
Kentucky	9,034,096	29,560,850
Louisiana	29,587,190	210,001,714
Maine	802,716	83,686,639
Maryland	267,621,606	3,995,762,834
Massachusetts	1,225,743,668	2,992,242,502
Michigan	4,680,065,138	10,658,759,053

<sup>58</sup> A hyphen (-) is applied in cells where states reported "0" for required overpayment reporting.

<sup>59</sup> Overpayment and recovery amounts are based upon publicly available state reporting on the ETA 227 (FPUC), ETA 902P (PUA), and ETA 227 (PEUC) report. Information found at: <https://oui.doleta.gov/unemploy/DataDownloads.asp>.

<b>State</b>	<b>Total Overpayment Recoveries Waived<sup>59</sup></b>	<b>Total Nonfraudulent Overpayments</b>
Minnesota	-	55,508,372
Mississippi	3,434,813	351,064,169
Missouri	82,751,677	495,331,722
Montana	778,751	76,224,552
Nebraska	1,347,878	56,519,932
Nevada	18,213,182	1,703,984,238
New Hampshire	8,675,203	164,635,784
New Jersey	-	107,166,709
New Mexico	41,118,446	512,158,622
New York	-	216,281,079
North Carolina	31,533,025	797,738,076
North Dakota	657,052	78,047,583
Ohio	416,413,264	5,405,208,419
Oklahoma	-	58,380,373
Oregon	7,235,153	117,447,843
Pennsylvania	13,882,193	2,999,339,881
Puerto Rico	-	169,340,768
Rhode Island	8,025,557	46,256,851
South Carolina	1,223,189	159,790,319
South Dakota	3,419,707	21,412,579
Tennessee	2,325,281	78,010,270
Texas	2,123,233,040	3,662,928,355
Utah	519,264	50,703,203
Vermont	1,987,753	8,825,594
Virginia	237,036,121	919,701,863
Virgin Islands	3,852	3,966,082
Washington	28,505,851	1,806,752,334
West Virginia	390,238	81,460,608
Wisconsin	19,905,591	177,799,644
Wyoming	2,875,727	18,902,159

Source: OIG analysis of public overpayment and recovery data, retrieved March 27, 2024.

### EXHIBIT 3: SEVEN WAIVER SCENARIOS

In UIPL 20-21 (May 2021) and UIPL 20-21, Change 1 (February 2022),<sup>60</sup> ETA provided states with guidance on applying blanket waivers to certain types of overpayments. The following seven types of overpayments qualify for these waivers, provided they occurred through no fault of the individual receiving benefits and repayment would be contrary to equity and good conscience:

1. An individual was eligible for payment for a given week, but, through no fault of the individual, was paid incorrectly under either PUA or PEUC at a higher weekly benefit amount;
2. An individual, through no fault of their own, was paid a minimum weekly benefit amount under PUA based on the incorrect ETA guidance;
3. An individual responded “no” to being able and available for work, and the state issued payment for PUA or PEUC without adjudicating the eligibility issue;
4. An individual was eligible for payment, and the state issued payment at a higher rate than the weekly benefit amount under PUA or PEUC;
5. An individual responded “no” to being unemployed, partially unemployed, or unable or unavailable to work due to approved COVID-19-related reasons, and the state paid PUA. When asked to self-certify, the individual did not respond or confirmed no approved COVID-19-related reasons applied. The state issued payment, resulting in overpayment for the week;
6. An individual submitted required proof of earnings used to calculate the PUA weekly benefit amount, and the state incorrectly processed the calculation, resulting in a higher weekly benefit amount under PUA; or
7. An individual submitted proof of self-employment earnings to establish eligibility for the Mixed Earners Unemployment Compensation Program, and the state incorrectly processed the information, resulting in overpayment.

---

<sup>60</sup> In January 2025, ETA provided new guidance ending applications for approval of additional blanket waiver scenarios, available at:

<https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2021/UIPL%2020-21%20Change%202/UIPL%20No.%2020-21%20Change%202.pdf>

#### **EXHIBIT 4: DESCRIPTION OF MASSACHUSETTS ONE-CLICK INELIGIBLE WAIVER ISSUES**

- **PUA Eligibility Requirements** – A claimant did not meet PUA eligibility requirements.
- **Voluntarily quit** – A claimant left their job under circumstances determined to be voluntary and without good cause.
- **Employed** – A claimant was not deemed unemployed because they did not meet the criteria for either "partial unemployment" or "total unemployment."
- **Able and available** – A claimant did not meet able and available for work requirements.
- **Gross earnings** – A claimant failed to accurately report gross earnings for the week. The claimant was not entitled to UI benefits for any week in which more than the allowable amount was earned.
- **Without good cause/did not comply with registration and filing requirement** – A claimant did not meet the registration and filing requirements.
- **Late appeals** – A claimant who did not file an appeal within 30 calendar days from the issue date of the determination letter.
- **Employment Discharge** – A claimant was discharged for deliberate misconduct in willful disregard of the employer's interest.
- **Suitable work** – A claimant refused an offer of suitable work without good cause and therefore was not entitled to receive benefits.

Source: Generated by the OIG using Massachusetts Determination Letters

## **APPENDIX A: SCOPE AND METHODOLOGY**

### **Scope**

Our audit focused on the impact of waivers on the recovery of UI overpayments, including fraud, and covered the period March 27, 2020, to June 30, 2023.

The objective of the audit was to determine if ETA's guidance and oversight ensured states only waived the recovery of eligible overpayments. Specifically, this audit focused on: whether waived overpayments met eligibility requirements; and the extent to which improper waivers impacted the recovery of UI overpayments and the pursuit of fraud in the three key pandemic-related UI programs: FPUC, PUA, and PEUC.

### **Methodology**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

This performance audit included our review of ETA's guidance (UIPLs) for UI overpayment recoveries waived by states for the three new key pandemic UI programs from March 27, 2020, to June 30, 2023. We judgmentally selected two focus states—Michigan and Massachusetts—based on a risk assessment discussed below. We interviewed ETA regional personnel responsible for oversight of Michigan and Massachusetts and state officials.

We evaluated claims with the recovery of overpayments waived for Michigan and Massachusetts to determine whether the claimants were eligible to have the recoveries of their overpayments waived. Additionally, we surveyed the remaining 51 SWAs, identified those with waiver laws, and analyzed the applicable states' laws. We coordinated with OIG data scientists to compare the two focus states' data with data from the OIG Office of Investigations' data warehouse to identify the extent to which waived overpayment recoveries contained potentially fraudulent claims in three high-risk areas, specifically, individuals who filed claims using: the same SSN in multiple states, SSNs of deceased persons, and suspicious email accounts.

### Data Reliability

We assessed the reliability of data provided by Michigan and Massachusetts through a series of analytical tests and evaluations of IT controls. We collaborated with OIG data scientists to validate the sufficiency, relevance, validity, reliability, completeness, and accuracy of the data, using tools such as Statistical Analysis Software for testing missing values and outliers. We examined state-level controls over pandemic-related UI programs and IT systems. Additionally, we corroborated state data with external sources, such as public reports, and traced data back to claimant case files to verify accuracy and validity. Based on these procedures, the data was assessed as sufficiently reliable for the audit objective.

### Internal Controls

We obtained an understanding of internal controls for ETA, Michigan, and Massachusetts, including IT systems, that were considered significant to the audit objective and in planning and designing procedures to perform the audit. We did not provide assurance on their internal controls. Therefore, we did not express an opinion on ETA's or the two states' internal controls.

### Sampling

To perform our audit, we initially judgmentally selected five states for in-depth analysis. To determine which states to select, we performed a risk assessment that identified the states that waived the highest dollar amount of overpayment recoveries. Specifically, we stratified the states by the total dollar amounts waived, from lowest to highest, for the FPUC,<sup>61</sup> PUA, and PEUC programs combined. We then selected the five states with the highest dollar amounts. Based on this assessment, we initially selected Michigan, Massachusetts, Florida, Ohio, and Texas. We then added an additional two states, Arizona and Pennsylvania, based on risk factors such as the percent of overpayment recoveries waived and the use of blanket waivers to forgive a substantial amount of overpayments. We focused our first round of in-depth testing on Michigan and Massachusetts, the two states with the highest dollar amount waived. Due to resource constraints, we did not perform further in-depth testing.

For Michigan's and Massachusetts' claims testing, we designed a sampling plan under the assumption of high risk. For Michigan, we used stratified sampling for the FPUC, PUA, PEUC programs and obtained samples from

---

<sup>61</sup> FPUC data was limited to the supplements for regular state UI, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Servicemembers. There were other FPUC supplements for additional programs such as Extended Benefits, PUA, PEUC, and others. However, data for these categories were not apparent.



regular and blanket waiver universes (760,228) with a 95 percent confidence level and 7 percent relative precision. We stratified the universe and selected 400 sample claims, (205 regular and 195 blanket waivers).

For Massachusetts, we used stratified sampling for the regular universe (123,348) and for the one-click universe (58,071) we randomly selected a judgmental sample<sup>62</sup> size of 50 with a 95 percent confidence level and 5 percent relative precision. In addition, we used a simple random sampling for Massachusetts blanket universe (21,888) with a 95 percent confidence level and 7 percent relative precision. We did not project the amount of Massachusetts' improper waiver activity due to data availability issues.

Specifically, after selecting a sample of 441 claims (195 blanket waivers, 196 regular waivers, and 50 one-click waivers) from Massachusetts and completing our testing, we discovered the regular waiver sample included one-click waivers. In consultation with the OIG statistician, we decided (due to time constraints and limited resources) to use the testing that had been performed. This decision resulted in the 195 blanket waivers, 121 regular waivers, and 125 one-click waivers with the inability to project our results.

### Criteria

- American Rescue Plan Act, Title IX, Part 1 – Extension of CARES Act Unemployment Provisions (March 11, 2021)
- Coronavirus Aid, Relief, and Economic Security (CARES) Act, Public Law 116-136 (March 27, 2020)
- Consolidated Appropriations Act, 2021, including Division N, Title II, Subtitle A, the Continued Assistance for Unemployed Workers Act of 2020 (December 27, 2020)
- Employment and Training Order 1-20
- Employment and Training Order 1-20, Change 1
- GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014)
- Michigan Employment Security Act (December 24, 1936)
- Massachusetts Unemployment Insurance Law, Chapter 151A (1941)
- Massachusetts 430 CMR 6.00 Waiver Regulations (April 5, 2019)
- Massachusetts Emergency Regulation Change to 430 CMR 6.0 Expanded Definitions and 430 CMR 6.16 Special Relief for Pandemic Overpayments (July 15, 2022)

---

<sup>62</sup> Judgmental sampling is a non-probability sampling technique in which the sample members are chosen based on the auditor's knowledge and judgment.

- UIPL No. 15-20, Change 2, CARES Act of 2020, New Data Collection Instrument and Revised Reporting Instructions for Federal Pandemic Unemployment Compensation (FPUC) (June 15, 2020)
- UIPL No. 16-20, Change 6, To Provide states with additional operating instructions in processing PUA claims and updated instructions for reporting PUA program activities (Attachment IV) (September 3, 2021)
- UIPL No. 17-20, CARES Act of 2020, Pandemic Emergency Unemployment Compensation (PEUC) Program Operating, Financial, and Reporting Instructions (April 10, 2020)
- UIPL 20-21, States Instructions for Assessing Fraud Penalties and Processing Overpayment Waivers under the CARES Act, as Amended (May 5, 2021)
- UIPL 20-21, Change 1, Additional State Instructions for Processing Waivers of Recovery of Overpayments under the CARES Act, as Amended (February 7, 2022)

#### Prior Relevant Coverage

During the last 4 years, the OIG has issued 6 reports of significant relevance to the subject of this report. Those reports include the following:

1. CARES Act: Initial Areas of Concern Regarding Implementation of Unemployment Insurance Provisions, Report No. 19-20-001-03-315 (April 21, 2020), available at: <https://www.oig.dol.gov/public/reports/oa/2020/19-20-001-03-315.pdf>
2. COVID-19: More Can Be Done to Mitigate Risk to Unemployment Compensation under the CARES Act, Report No. 19-20-008-03-315 (August 7, 2020), available at: <https://www.oig.dol.gov/public/reports/oa/2020/19-20-008-03-315.pdf>
3. COVID-19: States Struggled to Implement Cares Act Unemployment Insurance Programs, Report No. 19-21-004-03-315 (May 28, 2021), available at: <https://www.oig.dol.gov/public/reports/oa/2021/19-21-004-03-315.pdf>
4. Alert Memorandum: The Employment and Training Administration Needs to Ensure State Workforce Agencies Report Activities Related to CARES Act Unemployment Insurance Programs, Report No. 19-22-004-03-315 (August 2, 2022), available at: <https://www.oig.dol.gov/public/reports/oa/2022/19-22-004-03-315.pdf>

5. Alert Memorandum: Potentially Fraudulent Unemployment Insurance Payments in High-Risk Areas Increased to \$45.6 Billion, Report No. 19-22-005-03-315 (September 21, 2022), available at: and <https://www.oig.dol.gov/public/reports/oa/2022/19-22-005-03-315.pdf>
6. ETA and State Workforce Agencies Need to Do More to Recover Pandemic UI Program Improper Payments Report No. 19-25-003-03-315 (April 1, 2025), available at: <https://www.oig.dol.gov/public/reports/oa/2025/19-25-003-03-315.pdf>

**REPORT FRAUD, WASTE, OR ABUSE  
TO THE DEPARTMENT OF LABOR**

---

**Online**

<https://www.oig.dol.gov/hotline.htm>

**Telephone**

(800) 347-3756 or (202) 693-6999

**Fax**

(202) 693-7020

**Address**

Office of Inspector General  
U.S. Department of Labor  
200 Constitution Avenue NW  
Room S-5506  
Washington, DC 20210