



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>.