

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

Congressional Testimony



**Testimony before the U.S. House of Representatives
Committee on Ways and Means,
Subcommittee on Work and Welfare**

**Hearing Title:
"Reclaiming 'Forgotten' Fraudulent Pandemic Unemployment Funds
Frozen by Banks"**

**Testimony of Anthony P. D'Esposito
Inspector General
Office of Inspector General
U.S. Department of Labor**

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Good morning, Chairman LaHood, Ranking Member Davis, and distinguished Members of the Committee. Thank you for the opportunity to testify on the work of the U.S. Department of Labor (Department or DOL), Office of Inspector General (OIG) to combat waste, fraud, and abuse in the unemployment insurance (UI) program.

For more than 20 years, including during the pandemic, the OIG has reported on systemic weaknesses in the Department's ability to measure, report, and reduce UI program-related improper payments, including fraud. These long-standing issues became particularly evident during the pandemic when \$888 billion in total federal and state UI benefits for the millions of eligible workers impacted by COVID-19.¹ In the resulting perfect storm, federal law enforcement saw a historic surge in fraud perpetrated against the UI system nationwide as a result of a vulnerable system combined with motivated fraudsters, including international criminal organizations. The OIG estimated at least \$76 billion was lost to fraudsters located both here at home and abroad.² Further, in September 2023, the Government Accountability Office estimated that the total amount of fraud across all UI programs (including the new emergency programs) during the COVID-19 pandemic was likely between \$100 billion and \$135 billion of the total UI benefits paid out during the pandemic.³

In response to this historic fraud, the OIG initiated more than 200,000 investigative matters to bring perpetrators to justice. We also: (1) spearheaded the creation of a first-ever National Unemployment Insurance Task Force, (2) became integral members of the U.S. Department of Justice's (DOJ) COVID-19 Fraud Enforcement Task Force, (3) helped stand up and committed resources to six DOJ Pandemic Fraud Strike Forces across the nation, (4) participated in national initiatives to stamp out money mules, (5) participated in a violent offender pilot program to explore the intersection of benefits fraud and domestic street gangs, and (6) have fostered unprecedented relationships with domestic and international partners. These efforts and more paid dividends in the areas of: lead generation and case coordination, intelligence sharing, public alerting, and national and regional law enforcement messaging. As a result of this work and our field investigations, the OIG's pandemic UI-related criminal investigations have resulted in more than: 2,300 individuals charged; 1,800 convictions; 55,000 months of incarceration; and \$2.2 billion in monetary results.

Additionally, the OIG conducted targeted audits, resulting in reports with recommendations to mitigate program vulnerabilities. Our pandemic UI-related audits

1 "The Greatest Theft of American Tax Dollars: Unchecked Unemployment Fraud," Hearing, Statement for the Record of Larry D. Turner, Inspector General, U.S. Department of Labor, House Committee on Ways and Means (February 8, 2023), available at: <https://www.oig.dol.gov/public/testimony/02082023.pdf>

2 "Waste, Fraud, and Abuse Go Viral: Inspectors General on Curing the Disease," Hearing, Statement for the Record of Larry D. Turner, Inspector General, U.S. Department of Labor, House Committee on Oversight and Accountability, Subcommittee on Government Operations and the Federal Workforce (March 9, 2023), available at: <https://www.oig.dol.gov/public/testimony/03092023.pdf>

3 GAO, Unemployment Insurance: Estimated Amount of Fraud During Pandemic Likely Between \$100 Billion and \$135 Billion, GAO-23-106696 (September 12, 2023), available at <https://www.gao.gov/products/gao-23-106696>

made over 100 UI program recommendations with more than \$75 billion in monetary results. Among these audits is a 2025 report that revealed that waiver authority was misused, resulting in more than \$240 million in improperly waived overpayments, including fraud that the federal government will never recover.

Access to Coronavirus Aid, Relief, and Economic Security (CARES) Act UI program data and associated financial data from financial institutions has been vital to pandemic UI-related oversight.

Most recently, my office issued two alert memoranda (January 2026⁴ and February 2026⁵) to DOL's Employment and Training Administration (ETA) advising ETA of a potential future loss of approximately \$912 million in taxpayer dollars the OIG identified through data analytics and work with financial institutions. During the COVID-19 pandemic, certain financial institutions contracted with state workforce agencies (SWA) to disburse UI benefits on prepaid debit cards. As reported in the recent alert memoranda, a substantial amount of these funds remain unspent, with a significant amount of the funds remaining on these debit cards linked to potential fraud.

In August 2025, the OIG issued subpoenas on several financial institutions that served as the largest UI prepaid debit card vendors for SWAs for pandemic-related UI claims. We requested the information to identify potentially fraudulently obtained pandemic-related funds that either: (a) remaining on prepaid debit cards or (b) had already been surrendered to state unclaimed property administrators. Using our data analytics capacity, OIG investigators and data scientists analyzed more than 6.5 million prepaid debit cards and identified more than \$1 billion in affected funds.

Of that amount, the OIG found potentially fraudulently obtained funds totaling about: (1) \$720 million still being held on the prepaid debit cards and (2) \$192 million that was surrendered to state unclaimed property administrators. Combined, the OIG identified approximately \$912 million in potentially fraudulently obtained funds at serious, time-sensitive risk of loss.

The OIG has alerted ETA that, absent swift action, U.S. taxpayers risk losing hundreds of millions of dollars. An opportunity exists for ETA to quickly issue guidance to SWAs to commence engagement with ETA and relevant financial institutions to assess these findings. This will allow SWAs to detect improper payments and recover potentially

4 "Alert Memorandum: The Employment and Training Administration Needs to Ensure State Workforce Agencies Take Action to Recover Significant Unemployment Insurance Holdings Still Held by Financial Institution 1's Prepaid Card Program" (January 30, 2026), available at https://www.oig.dol.gov/public/Press%20Releases/PUBLIC%20ALERT%20MEMO_Financial%20Institution%201.pdf

5 "Alert Memorandum: The Employment and Training Administration Needs to Ensure State Workforce Agencies Take Action to Recover Significant Unemployment Insurance Holdings Still Held by Financial Institution 2's Prepaid Card Program" (February 10, 2026), available at https://www.oig.dol.gov/public/Press%20Releases/PUBLIC%20ALERT%20MEMO_Financial%20Institution%202.pdf

fraudulently obtained UI funds held by financial institutions or various state unclaimed property administrators. In doing so, taxpayers may be able to recover these funds.

While the recovery of these funds would be a significant step in the right direction, there is still much to do to combat UI fraud and return fraudulently obtained funds to the U.S. Treasury. For the OIG to continue its vital work in this area, we specifically request: (1) additional resources and tools, (2) extension of the statute of limitations (SOL), and (3) legislative authority in asset forfeiture.

The OIG needs additional resources to continue our oversight work, such as continued identification of potentially fraudulently-obtained funds remaining on prepaid debit cards. Over the past 5 fiscal years, on average, every dollar invested in the OIG resulted in a return on investment of around \$164 to the federal government and American taxpayers. Additional funding would allow the OIG to deploy more investigative and audit resources to address the ongoing fraud and to help DOL address systemic issues ahead of the next crisis, such as a disaster requiring significant federal funding.

The statute of limitations (SOL) for many of the OIG's pandemic-related UI fraud investigations have begun expiring. Unless Congress acts quickly, the opportunity to extend the SOL associated with pandemic-related UI fraud will soon be lost entirely. Even with the OIG's tireless efforts, a failure to extend the current SOL associated with UI fraud means federal law enforcement will have to stop short of fully investigating and prosecuting some of the most egregious cases of pandemic UI fraud. With an extension of the SOL, and appropriate resources, the OIG could continue to vigorously pursue those who defrauded pandemic UI programs, particularly by means of large-scale identity theft schemes.

Additionally, granting the OIG statutory authority for asset forfeiture would enable investigators to recover illicit proceeds from UI fraud and other financial crimes. When done effectively, asset forfeiture can deprive bad actors of criminal proceeds, break the financial backbone of organized criminal syndicates, and recover property that may be used to compensate victims. This critical legal authority may also deter future criminal activity.

Mr. Chairman, the OIG remains committed to serving the American people, DOL, and Congress to combat UI fraud through investigations and audits. As Inspector General, I will direct our team to continue leveraging strong partnerships across federal, state, and local law-enforcement agencies and take a coordinated, enforcement-driven approach to safeguarding public funds and ensuring that criminals are held accountable.

Thank you for the opportunity to testify at today's hearing. I would also like to take a moment to thank the dedicated OIG staff, who selflessly support the agency and our vital oversight mission. I would be pleased to answer any questions you or the other members of the Committee may have.