



January 30, 2026

MEMORANDUM FOR: HENRY MACK
Assistant Secretary
for Employment and Training

FROM: ANTHONY P. D'ESPOSITO 
Inspector General

SUBJECT: **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

The purpose of this memorandum is to alert you to an urgent concern regarding the potential upcoming loss of more than half a billion dollars the Office of Inspector General (OIG) has identified through its ongoing work with financial institutions. During the COVID-19 pandemic, certain financial institutions contracted with state workforce agencies (SWA) to disburse unemployment insurance (UI) benefits on prepaid debit cards. Currently, a substantial amount of these funds remains unspent, including upwards of \$76,000 on a single prepaid card account. These funds are being held by the respective financial institutions with significant amounts linked to potential fraud. The OIG assesses that—if swift action is not taken—taxpayers risk losing these funds.¹

Many SWAs provided financial institutions with information on improper UI payments, including fraud, in accordance with Employment and Training Administration (ETA) guidance. However, SWAs do not appear to have adequately managed millions of prepaid card accounts with remaining balances from COVID-19-era UI claims. Continued inaction will likely result in SWAs not fulfilling their programmatic responsibilities to prevent and detect improper payments and recover potential overpayments, including fraud. Further, this situation is worsened as the funds on these prepaid cards may still be targeted by capable adversaries or the funds may have to be escheated (surrendered) to

¹ The OIG assessed the share of state versus federal UI funding by examining UI Program Letter (UIPL) 13-25, Attachment 1: State Reimbursements - Program Allocation Chart. This examination of the 53 SWAs' UI funding mix showed approximately 22 percent of pandemic-related UI funding sourced from state UI funds and 78 percent of pandemic-related UI funding sourced from three key pandemic UI programs: Pandemic Unemployment Assistance, Pandemic Emergency Unemployment Compensation, and Federal Pandemic Unemployment Compensation.

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state unclaimed property administrators,² as some funds have already been, further complicating potential overpayment recovery.

Background: OIG Work to Combat the UI Fraud Crisis

In March 2020, among other relief, the Coronavirus Aid, Relief, and Economic Security (CARES) Act created three key temporary UI programs: Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), and Federal Pandemic Unemployment Compensation (FPUC).³ Later, the Continued Assistance for Unemployed Workers Act of 2020 and the American Rescue Plan Act of 2021 reauthorized and extended these programs. The OIG has previously reported more than \$888 billion in total federal and state UI benefits were paid for benefit weeks during the pandemic period.⁴

While providing relief to eligible workers affected by the COVID-19 pandemic, these benefits were distributed amidst a perfect storm—millions of claims, a vulnerable system, and motivated offenders. CARES Act UI programs became a high-value, low-risk target for criminal actors. For example, the U.S. Department of Labor reported an improper payment rate of 35.9 percent for the life of the PUA program. Further, criminal enterprises took advantage of the situation, increasing their fraud schemes with readily available stolen identities. According to Inspector General Congressional Testimony, of the \$888 billion in UI benefits, at least \$191 billion could have been improper payments, including more than \$76 billion paid to fraudsters.⁵

Starting in April 2020, to combat this crisis, the OIG initiated over 200,000 investigative matters to bring perpetrators to justice. Further, the OIG conducted targeted audits, issuing reports with recommendations to mitigate program vulnerabilities. As of September 30, 2025, the OIG's pandemic UI-related criminal investigations have resulted in more than: 2,300 individuals charged, 1,700 convictions, 42,000 months of incarceration, and \$1.6 billion in monetary results. Further, the OIG's pandemic UI-related audit activities have resulted in

² In this alert memorandum, the term escheatment refers to the mandatory obligation for financial institutions to surrender unclaimed funds. These requirements and their deadlines vary by state, and funds from a single account may not be transferred all at once but rather determined by the date of deposit against the state's required time period. These funds are not surrendered directly to SWAs, but instead go to state unclaimed property administrators.

³ While this alert memorandum refers to PUA, PEUC, and FPUC, the OIG's concern extends to outstanding UI funds in all UI programs, including pandemic UI-related state programs.

⁴ "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>

⁵ "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>

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over 100 UI program recommendations and more than \$75 billion in monetary results. Access to CARES Act UI program data and associated financial data from financial institutions has been vital to the OIG's pandemic UI-related oversight.

OIG's Findings regarding UI Funds Still Held by Financial Institution 1

Based on the OIG's continued work with various financial institutions responsible for administering prepaid cards during the pandemic, the OIG learned Financial Institution 1 and three other financial institutions were the largest prepaid card providers and significant UI funds: (1) are still being held and soon may be escheated or (2) have already been escheated.

In August 2025, to further examine the nature of these UI holdings, the OIG issued Inspector General subpoenas to these four financial institutions pursuant to its authority under the Inspector General Act of 1978, as amended. The OIG sought financial institution records pertaining to: (1) all prepaid cards with remaining UI balances and (2) prepaid card balances already escheated to state unclaimed property administrators. In late September 2025, Financial Institution 1 provided records to the OIG that detailed remaining and escheated balances specific to client SWAs.

With these records, the OIG assessed both available and escheated UI balances for potential fraud via comparative analysis with the OIG's UI claimant data. Specifically, the OIG's analysis included crossmatching against high-risk indicators, including those the OIG has used in previous work.⁶

As of October 2025, OIG data analytics had identified the following information in relation to Financial Institution 1's holdings based on the provided records. Overall, the OIG analyzed more than 5 million prepaid card accounts and identified \$1,005,329,311 in affected funds. Specifically, the OIG examined two categories of affected funds: (1) funds remaining on the prepaid card accounts and (2) funds that have been escheated to state unclaimed property administrators. The OIG found:

- \$738,475,819 remained on 4,369,061 prepaid card accounts (see Attachment, Table 1) and

Overall, the OIG Identified about \$715 Million in Potential Fraud

The OIG found \$522,499,034 (about 71 percent of \$738,475,819) in potentially fraudulently obtained funds was being held on 2,679,741 Financial Institution 1 prepaid cards, and

The OIG found \$192,127,263 (about 71 percent of \$266,853,492) in potentially fraudulently obtained funds have been escheated to state unclaimed property administrators.

⁶ COVID-19: ETA Needs to Improve Its Oversight of States' Efforts to Identify Multistate UI Fraud, Report No. 19-25-004-03-315 (August 4, 2025), <https://www.oig.dol.gov/public/reports/oa/2025/19-25-004-03-315.pdf>

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- \$266,853,492 in already escheated UI funds from 914,527 prepaid card accounts (see Attachment, Table 2).

Further, these findings include \$351,992,389 in taxpayer dollars (48 percent of the \$738,475,819 not yet escheated) about which the OIG had previously notified ETA in September 2022 after flagging the underlying claim as suspicious (see Attachment, Table 3).⁷

In summary, a total of \$714,626,297 in potentially fraudulently obtained funds was held or is currently being held on 3,139,091 UI prepaid card accounts and require swift action to recover those taxpayer dollars.

**\$714,626,297 of These UI Funds Being Held Were
Potentially Fraudulently Obtained and
Require Swift Action to Recover Taxpayer Funds**

Conclusion

As a result of this analysis, the OIG assesses a substantial risk of potential loss of taxpayer funds. An opportunity exists for ETA to issue guidance within 30 days to SWAs to commence engagement with ETA, the OIG, and relevant financial institutions to assess these findings. This will allow SWAs to detect improper payments and recover potentially fraudulently obtained UI funds held by financial institutions or various state unclaimed property administrators. In doing so, taxpayers may be able to recover these taxpayer funds.

The OIG provided a draft of a non-public version of this alert memorandum to ETA for technical review. ETA responded timely with no corrections or other comments on the draft. We also issued further details to ETA. We look forward to continuing to work with ETA personnel on this urgent concern and appreciate the cooperation and courtesies ETA has extended to us.

Attachment

⁷ 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>

The following three tables are sourced from OIG Data Analysis, Crossmatching of 2025 Financial Institution 1 Data and OIG UI Data Warehouse.

Table 1: Financial Institution 1 UI Funds Held on Prepaid Cards (Not Yet Escheated), March 1, 2020–September 30, 2021*

Total	Number of Prepaid Cards with Balance	Total Current Balance on Prepaid Cards	Number of Prepaid Cards Related to OIG-Identified Potential Fraud	Total Balance Related to OIG-Identified Potential Fraud
Total	4,369,061	\$738,475,819	2,679,741	\$522,499,034

*The sums may not total due to rounding.

Table 2: Financial Institution 1 UI Funds Escheated to State Unclaimed Property Administrators, as of September 25, 2025*

Total	Number of Prepaid Cards with Escheated Funds	Total Escheated Funds from Prepaid Cards	Number of These Prepaid Cards with OIG-Identified Potential Fraud	Total Balance Related of Escheated Funds with OIG-Identified Potential Fraud
Total	914,527	\$266,853,492	459,350	\$192,127,263

*The sums may not total due to rounding.

Table 3: Not Yet Escheated UI Funds on Financial Institution 1 Cards OIG Identified in 2022

Total	Number of Prepaid Cards Related to Claims OIG Identified as Potential Fraud in 2022	Total Balance on these Cards Related to Claims OIG Identified as Potential Fraud in 2022
Total	950,227	\$351,992,389