



December 3, 2020



Governor Gavin Newsom
1303 10th Street, Suite 1173
Sacramento, CA 95814



Re: Unemployment Insurance Fraud in California Involving Tens of Thousands of Local, State and Federal Inmates and Hundreds of Millions of Dollars

Dear Governor Newsom:



Thank you for your letter in response to our concerns about widespread EDD fraud occurring in California prisons and jails. On Monday, November 30, 2020, OES Director Mark Ghilarducci convened a meeting with federal, state, and local agencies to discuss the best method to coordinate this massive investigation. It is our understanding that this meeting was set at your direction after the press conference was held Tuesday, November 24, 2020, detailing the wide-scale fraud.



We appreciate the attention that Director Ghilarducci is giving to this matter at your direction, but we believe, and the emerging data supports, that this is an urgent matter with an unprecedented scale of fraud that is bilking the State of California and its people of desperately needed financial resources. This urgent matter requires that we not have an agency start from the beginning, but rather join forces with our existing statewide District Attorneys EDD Fraud Task Force along with a federal task force that has been in place for several months to immediately stem this massive fraud scheme and bring accountability and integrity to Pandemic Unemployment Assistance (PUA) program.



During Monday's meeting, it became clear that the state participants including EDD, CDCR, and CDT suspected by early September that California was the victim of significant organized fraud. Specifically, it was known that there were pervasive system failures that enabled fraud to persist. In your letter, you noted that in August when you became aware of fraud in correctional facilities, you responded by directing EDD to take immediate steps. However, the fraud has continued. This is why we are asking for you to give the agencies clear direction to join our task force in order to expedite solving this problem.



It is unfortunate that law enforcement and prosecutors were not notified by any state agency of this pervasive fraud and had to rely on federal subpoenas to get the information. It was not until November 12, 2020, that the CDCR data with EDD claims was provided to the statewide task force. This data was provided in response to a federal Department of Labor subpoena served on CDCR in September. This information came to us from the federal government and not from the State of California, which had been previously provided with the data.

Within a matter of days, the statewide task force reviewed the data and found the staggering scope of the fraud. Earlier this week, we learned from media reports that the California Department of Labor set the inmate fraud at \$400 million. We also received unverified information that EDD has distributed at least \$1 billion dollars to *out-of-state* claimants. We are deeply concerned that the fraud will continue to grow exponentially.

We urge you to remedy this situation by using your emergency and executive powers to stop the exponential growth of this fraud.

We greatly appreciate your commitment to preventing and eliminating fraud as well as investigating and prosecuting those responsible for these crimes. We further appreciate your tasking of Director Ghilarducci with unifying efforts of all concerned.

Specifically, we are asking you for the following:

1. Emergency funding for additional resources be added to our existing task forces to help aid these investigations and prosecutions.
2. Direct funding and authorization for deployment of analytic tools to detect and aid in the investigation and prosecution of this massive fraud.
3. Expedited cross-matching of inmate data (names, SSN, and DOB) with EDD claims. It is our understanding from several state agencies that this information has not been proactively shared with EDD (an agency with law enforcement investigatory powers) under the premise that there is some statutory prohibition to this data sharing. However, California Unemployment Insurance Code section 1095(h) authorizes the EDD to release information to federal, state or local agencies to “verify or determine the eligibility or entitlement of an applicant.”

Additionally, in reviewing the United States DOJ Criminal Justice Information Services (CJIS) policy, it appears that such cross-matching is in fact authorized. Specifically, such cross-matching of can be done for law enforcement purposes as well as for the purposes consistent with the resources of the EDD.

Furthermore, in reviewing the California DOJ CLETs Policies, Practices and Procedures Guidelines, EDD has the authority to enter into a reciprocity agreement with other law enforcement agencies and provide information, including SSN and DOBs.¹ EDD has such reciprocity agreements with other law enforcement agencies. Such reciprocity agreements would allow for the cross-matching of inmate data with EDD claims.

Assuming there are some statutory limitations to cross-matching the data, we implore you to exercise your authority under the Emergency Services Act (Gov. Code, § 8550 et seq.) to take immediate action. In adopting the Emergency Services Act, the purpose was made clear:

The State has long recognized its responsibility to mitigate the effects of natural, manmade, or war emergencies that result in conditions of disaster or in extreme peril to life, property, *and the resources of the state*, and generally to protect the health and safety and *preserve the lives and property of the people of the State* to ensure that preparations within the State will be adequate to deal with such emergencies

Since the beginning of the pandemic and the declaration of the state of emergency, you have issued a variety of executive orders including those addressing financial assistance through the federal CARES Act. For instance, in April 2020, you signed an executive order to stop debt collectors from garnishing COVID-19-related financial assistance.

There is perhaps no greater need to protect the resources of the state than to immediately prohibit payment unemployment benefit claims made in the names of state, federal and local inmates. Furthermore, there is critical and urgent need to provide financial assistance to those legally entitled to these benefits. With the significant backlog of EDD claims pending, immediately implementing a cross-match system will expedite and assist in aiding the payment of legitimate claims to those in urgent need of financial assistance.

In addition to an executive order, we ask that urgency legislation be immediately introduced to allow the future cross-matching of data between correctional facilities and EDD. With such legislation, California will align with the overwhelming number of states that have done cross-matching for years. As such, we thereby have the necessary tools to prevent the massive fraud that is currently occurring in our state.

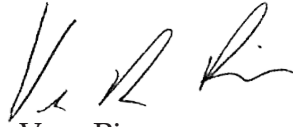
Thank you for your immediate attention to this and commitment to working together to stopping this massive fraud in order to protect the state's precious resources to be able to provide much needed assistance to legitimate claimants.

1. <https://oag.ca.gov/sites/default/files/cllets-ppp%2012-2019.pdf>

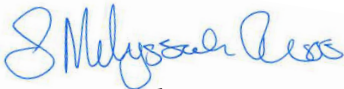
Sincerely,



Anne Marie Schubert
Sacramento District Attorney
Chair, Statewide EDD Fraud Task Force



Vern Pierson
El Dorado District Attorney
President, CDAA



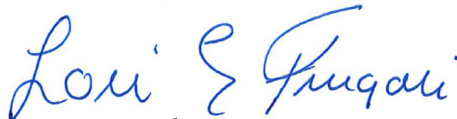
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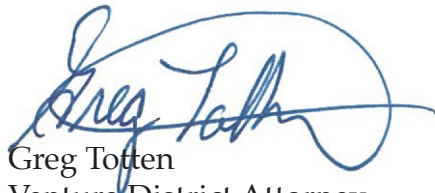
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Greg Totten
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Enclosure: Information bulletin sent to every law enforcement agency in California on November 13 and 23, 2020

cc: Mark Ghilarducci, Director, OES
Xavier Becerra, Attorney General
Kathleen Allison, Secretary, CDCR
Sharon Hilliard, Director, EDD



FRAUD ALERT: **STATEWIDE INMATE UNEMPLOYMENT INSURANCE FRAUD**



CALIFORNIA
DISTRICT
ATTORNEYS
ASSOCIATION

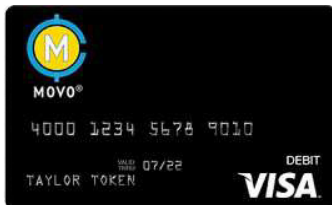
Federal and State Law Enforcement (LE) Agencies along with the Employment Development Department (EDD) have begun investigations into multiple statewide fraudulent claims. The investigations thus far have revealed potential fraud in excess of \$100 million dollars.

Fraudulent claims have been made by Federal, State and County inmates with the fraudulent funds being sent to accomplices living outside of the jail systems. We have determined that many of these fraudulent claims are connected to various sophisticated criminal enterprises.

Federal, State and Local Agencies have established regional task forces to work on these EDD Fraud Cases.

Unemployment Insurance (UI) Benefits are Federal and State funded and administered by State Workforce Agencies (SWA) such as EDD. UI Benefits in California are paid through Bank of America Debit Cards and direct deposits. Fraudsters often opt to receive their fraudulent proceeds deposited onto Green Dot cards, and/or digital bank accounts such as Cash App, MOVO Cash, etc. These cards shown below may have funds upwards of \$20 thousand dollars on them.

Fraudsters are perpetrating numerous lucrative UI Fraud schemes, which have substantially increased during the COVID-19 pandemic. Common criminal schemes include individuals or groups who file fraudulent UI claims by creating false identities, creating fictitious companies, and/ or using stolen identities.



During a traffic stop, arrest/search warrant, or an investigation, an Officer/Detective may come across:

- Suspect in possession of multiple UI Debit Cards in other people's names
- Multiple prepaid cards (Green Dot, My Vanilla, etc) loaded with UI benefits
- Multiple mailings from EDD in other people's names
- Bank account statements showing multiple deposits in a short time period (one month)
- Logs/ledgers with multiple identities (Names, SSN, DOB)
- UI Debit Cards from other states (look for the name and state on the card or some type of symbol that reflects that particular state)
- Electronic evidence (e.g., web history showing multiple hits to EDD login site: <https://edd.ca.gov/login.htm>)

If you find any of these cards and feel them to be fraudulent, please contact your local District Attorney's Office or United States Attorney's Office. The information will be forwarded to your regional task force.

For Law Enforcement Use Only