



CALIFORNIA
DISTRICT
ATTORNEYS
ASSOCIATION



November 23, 2020



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

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



Dear Governor Newsom:

We write today to request a meeting on an urgent matter: Widespread EDD fraud occurring in California. In addition to a meeting, we request your personal involvement in halting what appears to be the most significant fraud on taxpayer funds in California history.



District Attorneys and Federal Prosecutors, along with local, state and federal law enforcement, have discovered that there is rampant and large-scale pandemic unemployment assistance (PUA) fraud occurring in our communities, in the jails and in state and federal prisons. General estimates of the amount of money already paid due to this fraud could near \$1 billion. Undoubtedly, this money has been utilized to fund further criminal conduct.



Fraudulent unemployment claims deny those who have lost their employment, many due to COVID-19, who are legally eligible for benefits and are truly in need from getting the financial assistance they need.



We write today to request your personal involvement in halting what appears to be the most significant fraud on taxpayer funds in California history.



There is no dispute that since the pandemic began in March 2020, EDD has faced unprecedented demands for unemployment insurance. Due to these demands and challenges faced by EDD, in late July, you created an EDD "Strike Team" to create a "blueprint" for improvements to EDD. You also directed that hundreds of employees be added to help process the nearly 1 million claims that were backlogged.



In September, the "Strike Team" made several recommendations to reform EDD in a written report. Nothing in this report specifically addressed preventing or detecting fraud involving incarcerated individuals.



Scope of the Problem

Over the last several months, several media reports detailing this fraud have emerged. For instance, in Beverly Hills, police arrested over 100 people in a massive PUA scheme, totaling millions of dollars in illegally obtained benefits. In September, San Mateo County District Attorney Steve Wagstaffe filed charges against 21 jail inmates for PUA fraud amounting to \$250,000 in illegally paid benefits.

It is no secret that fraud is widespread in the jails and prisons. In fact, even incarcerated inmates have themselves made reports. On October 31, 2020, Amber Jackson, an inmate serving a life term in state prison, wrote an article for the Santa Monica Observer, entitled "California Prisons Are a Major Source of EDD fraud, Including Identity Theft." In that article, Jackson states,

I see and hear my peers talking about this [EDD fraud] all the time. It surprises me how easy this is. There are even a couple of cases I've heard of the unemployment department sending checks directly to the prisons! What?? Oh, yeah, this is an industry all it's own. Now, don't get me wrong. Some prisoners' identities are used without their knowledge or consent by their families or anyone who manages to get their personal information. Identity theft knows no boundaries.

A recent KCRA 3 investigation found, "Thousands of envelopes containing fraudulent California Employment Development Department claims that were sent to residents across the state are part of several fraud schemes The schemes involve identity theft, the dark web and possibly an international crime ring."

Individuals perpetrating this fraud are even flouting their illegal windfalls on YouTube. A link to this video can be found at <https://www.youtube.com/watch?v=niBFYeo2Ltk>.

Within the last two months, state and federal prosecutors have become keenly aware just how massive and pervasive this fraud is within our jails and prisons. Tens of thousands of local, state and federal inmates are involved. Unemployment claims have been made and paid in the names of death row inmates and include some of California's most notorious murderers such as Cary Stayner, Wayne Ford, and Isauro Aguirre.

As a result, California's Elected District Attorneys have created a Statewide EDD Fraud Task Force to combat this massive fraud. Law enforcement and the California Department of Corrections and Rehabilitation (CDCR) are critical partners within this Task Force. While EDD investigators have also assisted with these efforts, they have only 17 fraud investigators for the entire state and are therefore understandably overwhelmed by amount of work this will entail. As such, the District Attorney Investigative Divisions are assisting with these investigations. The enormity of this work cannot be underscored enough. Quite frankly, this may be the largest fraud investigation in California history.

Fraud Within State Prisons

In response to a federal subpoena, the California Department of Corrections and Rehabilitation have provided the U.S. Department of Labor (DOL) with their entire inmate population list, across all institutions. The DOL thereafter ran this data against unemployment insurance data for the period of March 2020-August 2020. This information was then provided to EDD. In the last two weeks, the results of this data have been released to the Statewide Task Force. This Task Force has extensively researched this data and found the following:

- The volume of fraud as well as the types of inmates involved is staggering
- Fraud exists in every CDCR institution
- Fraud encompasses every type of inmate
 - Death row inmates
 - Inmates sentenced to Life or Life without the possibility of parole
 - Rapists, child molesters, human traffickers and other violent criminals
- Many of the claims being paid are sent to out of state individuals

This data revealed the following:

Overall CDCR Data

Number of Claims Filed	35,003
Number of Claims Already Paid	20,150
Highest Single Claim	\$48,600
Highest Claims for a Single Inmate	16
Total Amount Paid*	\$140,253,207

**Only covers March-August claims*

Death Row Data

There are currently over 700 inmates on death row. They represent the worst of all murderers. An extensive review of the data of death row inmates revealed the following:

Number of Death Row Inmates Named in Claims	133
Claims Filed Under Those 133 Inmate Names	158
Highest Single Claim Paid	\$19,676
Total Amount Paid through August	\$421,370

Fraud in County Jails

There are 58 counties in California. Early data shows that fraud within the county jails is also rampant. Much like the state prisons, it is anticipated that fraud will exist in every county jail facility. Even small county jails have identified losses in the millions. Statewide the fraud within the jails could balloon to hundreds of millions of dollars.

Fraud in Other Detention Facilities

The Task Force is additionally concerned that this fraud may also have permeated other facilities, including State Hospitals that house the following types of inmates or patients:

- Not Guilty by Reason of Insanity
- Incompetent to Stand Trial
- Sexually Violent Predators
- Other civil commitments related to mental health

In addition to this shocking information, Task Force members discovered that EDD has no crossmatch system to stop the continued payment to incarcerated inmates. California is the most populous state in the country. It has been hailed as the center of technology. Yet, the EDD's lack of technology to cross match incarceration data is costing this state hundreds of millions of dollars.

In 2016, the National Association of State Workforce Agencies conducted a national survey to gather data to improve the integrity of unemployment insurance benefits around the country. In response to queries related to cross-matching incarceration data against each state's Unemployment Insurance Agency, the survey found:

- Thirty-five states cross match claimants against state prison rolls. Many states do these cross checks on a weekly basis to root out fraud.
- Twenty-eight states cross match between claimants and county jail data.
- Six states cross match claims against federal prison data.

Sadly, California does not crossmatch. While the latest EDD improvements with "ID.me" should be applauded, they can be easily overcome by co-conspirators manipulating this system. Thus, widespread scale fraud will continue. Undoubtedly, millions more will be paid to those who are not entitled to such benefits.

Undoubtedly, those lawfully entitled to benefits will continue to suffer at the hands of these criminals.

Addressing the Problem

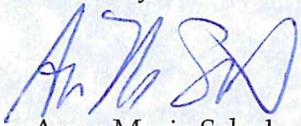
Based upon the clear data demonstrating widespread fraud within correctional facilities, we respectfully request the following steps immediately:

- Add significant resources and investigative staff to assist the Statewide Task Force in the investigation and prosecution of those involved in this fraud.
- Employ a crossmatch system to ensure that incarceration data is routinely matched against EDD claims so no further funds are paid to or on behalf of incarcerated individuals. If legislative action is necessary, seek urgency legislation.

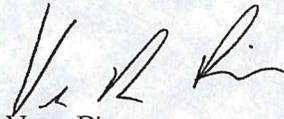
By immediately addressing these systemic issues, those rightfully entitled to and desperately in need of unemployment benefits will obtain the assistance needed.

The California District Attorney's Statewide EDD Fraud Task Force continues to vigilantly work against fraudulent conduct that has so horrifically impacted law abiding, legally entitled recipients from receiving their benefits. We stand ready to assist in any way to address these challenges and collaborate with your office, EDD, CDCR, and other law enforcement partners to stop these injustices and hold these offenders accountable for their crimes.

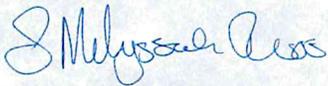
Sincerely,



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



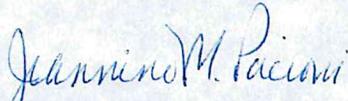
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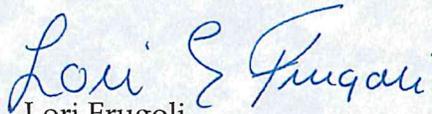
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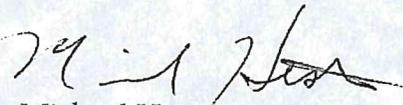
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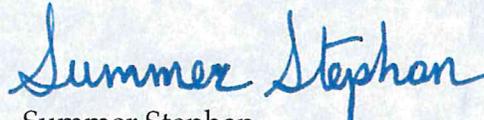
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