



Wisconsin Legislature

P.O. Box 8952, Madison, WI 53708

April 21, 2022

Secretary-designee Amy Pechacek
201 E. Washington Ave.
A400
Madison, WI 53707

****Delivered Electronically****

Dear Secretary-designee Pechacek,

As Chairs of the Assembly Workforce Development and Labor and Integrated Employment Committees, we continue to have serious concerns about the ability of this administration to protect state and federal tax dollars from Unemployment Insurance (UI) fraud. Our concerns are based on decisions by Governor Evers to veto a non-partisan legislative audit of the UI program, decisions to not criminally prosecute those who commit fraud, and of the continued reluctance to provide a complete picture about how much UI fraud occurred during the pandemic. While other states have been transparent with the public, like Democrat Governor Whitmer in neighboring Michigan by creating a UI Fraud response teams, Wisconsin citizens continue to be left in the dark.

It is widely known that state unemployment systems around the country have been under attack by criminals attempting to take advantage of the pandemic to obtain illegal funds. If the estimates from the US Department of Labor's Office of Inspector General are correct, nearly \$700 million in Unemployment Insurance benefits in Wisconsin alone could have been distributed fraudulently during the pandemic. This is a staggering amount of taxpayer money, and it must be addressed.

These are funds that were designed to help people who lost their job through no fault of their own. However, numerous Wisconsin legislative audits since the start of the pandemic have exposed the shortcomings and a lack of foresight by this agency in the handling of the Unemployment Insurance program during the pandemic. This mismanagement has eroded the public's confidence in the program's ability to help those who need it. We also have serious worries, as reports mention that fraudulent unemployment payments could have made their way into foreign crime syndicates in Russia, China, and Nigeria.

That is why the Legislature was proactive and acted to address the issue of fraud in the UI system and passed a number of bills to help correct the problem - only to have the governor veto them. These vetoes send the signal that this administration is not serious about preventing fraud in our state and wants to keep what is going on in the UI system behind a curtain, away from the public.

For example, the Legislature passed Assembly Bill 938, which contains many provisions that would have helped strengthen the integrity of the UI system by requiring a non-partisan legislative audit "to detect and prevent fraud and to recover overpayments that occurred as a

result of fraud.” It also included provisions to require the UI program to conduct various cross-matches for fraud and increase identity verification when applying for benefits based on recommendations under President Biden’s US Department of Labor. This also included a requirement for DWD to follow USODL recommendations surrounding identity verification of claimants when they start a claim in Wisconsin.

In addition to fraud, we have serious concerns that the agency is not being transparent regarding its efforts to ensure people on UI are looking for employment to help them find their next career in Wisconsin. As you know, according to the US Department of Labor, your department’s UI overpayment rate is nearly 50% higher than the national average. The largest reason for this is the lack of individuals properly completing their work searches. This high improper rate could be related to this administration’s lack of focus on ensuring people on UI continue to look work. Thankfully, the Legislature stepped in and stopped the policy of never-ending work search holidays, but it seems that even with them reinstated, you are not enforcing it, or if you are, you are not auditing individuals to make sure they are completed correctly. With businesses throughout the state looking for workers, enforcing this action will help people find their next career in our state, and find it faster.

There is also a state statute directing your agency to annually issue a report summarizing “the department’s activities related to detection and prosecution of unemployment insurance fraud in the preceding year.” Your agency did submit its report for 2021 activities, but as we have unfortunately come to expect, it was incomplete and did not fulfill the requirements within state statute, such as including information about the number of work search audits performed and their results per 108.14 (19).

What actions or inactions is your department trying to hide?

Given the serious nature of the concerns that we have, and this Governor’s insistence to not putting common-sense fraud prevention measures in state statute, we must request that the Department reply to our offices with answers to the following questions:

1. How many fraudulently filed unemployment claims has the Wisconsin Department of Workforce Development paid since January 27, 2020? What is the total number and amount of these fraudulent payments?
2. What fraud detection services have been put in place since warnings of fraud emerged in April 2020? When were these detection services put into place? Were any fraud detection services suspended in the last 3 years?
3. Your fraud report indicates that there were 0 new cases of criminal prosecution for UI fraud in 2021. Please provide a list and the number of all cases that were considered for referral to the Wisconsin Department of Justice or local District Attorneys in 2020 and 2021 by DWD staff relating to UI fraud, the amounts of fraud in question, and which ones were forwarded to the Wisconsin Department of Justice or a local District Attorney for consideration and/or further investigation. Please include what your standards are for referring cases for prosecution and have they changed in the 4 years.
4. What steps did DWD take to eliminate the backlog of payments during the pandemic? Were any fraud prevention tools or investigation methods bypassed or disabled by DWD or a third party to expedite claims?
5. Per state statute, how many work search audits were performed in 2020 and 2021, and what were their results in 2020 and 2021?

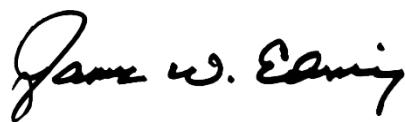
6. As reported in previous fraud reports, but were omitted by DWD this year, please provide the data on how many non-fraud overpayments were detected by DWD in 2020 and 2021, including the number of cases and the average overpayments.
7. Please provide all information, including shortcomings identified and suggestions and recommendations, that the US Department of Labor made to the DWD following their “Tiger Team” Audit, which was designed to help states identify “fraud prevention measures, including identification verification subscription costs, establishing and expanding data analytics and implementing cybersecurity defense strategies.”

Hopefully, your department will judiciously furnish answers shortly, so we can continue to ensure that Wisconsin’s Unemployment Insurance funds are being used properly and securely to help restore our citizen’s confidence in this program.

Sincerely,



Warren Petryk
State Representative
93rd Assembly District



James Edming
State Representative
87th Assembly District