

Pandemic Unemployment Fraud A Continuing Problem

September 14, 2020 - At the beginning of the economic shutdown due to COVID 19, Congress rushed through a program known as Pandemic Unemployment Assistance (PUA). Its goal was to provide income to people not normally covered by traditional unemployment insurance. Gig workers, the self employed and even those who had been offered jobs but who weren't able to start them prior to everything being closed down. All of them qualified for PUA; offered through their state unemployment departments but funded by the federal government. Unfortunately, the program had woefully inadequate safeguards in place to ensure that recipients of PUA were actually qualified to receive it.

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As with most programs that are rushed through the legislative process, PUA has some issues. In this case, the unintended consequences include fraud and quite possibly the overcounting of unemployment applications.

We won't address the overcounting issue here except to say that it is quite likely that the number of people being counted as unemployed under PUA has the potential to be much higher than the actual numbers.

With regard to fraud, PUA appears to be a criminal's dream. That's because PUA was structured to get money into the hands of the unemployed quickly. In order to do that, the standard safeguards that are normally used for unemployment claims were seriously relaxed. In many cases, claimants were able to file claims for retroactive payments covering several weeks, without having to certify that those payments were deserved under PUA rules until sometime after they had actually received the money.

This has created an environment that allows criminals to file large numbers of fraudulent claims, receive payment and then disappear without ever getting caught. To give you an ideal of the scale of the problem, all you need to do is look at Colorado's experience with PUA. The state normally has five people conducting unemployment fraud investigations. They have had to increase that group to 60 people due to PUA. On Thursday, Colorado announced that 77% of the PUA claims filed this summer were fraudulent.

There is absolutely no reason to think that Colorado is an outlier. The problems with PUA found there are plaguing other states as well. In the end, these problems will start to impact individuals. Anyone who has their identity used in a fraudulent PUA claim is likely to face issues with the IRS, their state tax agencies and could potentially run into some legal issues if their state attempts to recover money paid in their name.

Unfortunately, there doesn't seem to be an easy fix to stop the fraud. PUA is scheduled to run through the end of this year. The only way to get a handle on the fraud appears to be to follow Colorado's lead by seriously increasing the amount of scrutiny that PUA claims must endure. But most states have been slow to react. That needs to change. The money that is being stolen belongs to all Americans and the states need to start taking that seriously.

by Jim Malmberg

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