

**TESTIMONY OF
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**BEFORE THE
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON WORK AND WELFARE
UNITED STATES HOUSE OF REPRESENTATIVES**

**HEARING ON:
RECLAIMING “FORGOTTEN” FRAUDULENT
PANDEMIC UNEMPLOYMENT FUNDS FROZEN BY BANKS**

March 5, 2026

Chairman LaHood, Ranking Member Davis, and distinguished Members of the Subcommittee:

Thank you for the privilege of testifying before you today. I am honored to contribute to the Subcommittee's ongoing and sustained efforts to confront one of the most consequential episodes of government program fraud in American history.

I want to begin by commending Chairman LaHood and the members of this Committee for your unwavering commitment to holding the federal government accountable for pandemic-era unemployment insurance (UI) fraud. This is not the first time this Committee has tackled this issue, and I know it will not be the last. Since the early days of the pandemic, the Committee on Ways and Means has kept the spotlight trained on pandemic UI oversight, by convening hearings and working to ensure that the American people understand the true scope of what happened. That record of oversight matters enormously, and I commend you for it.

I appear before you today as the President of the Program Integrity Alliance, a nonprofit organization committed to advancing actionable research and independent analysis to help policymakers and practitioners manage integrity risks across federal programs. More fundamentally, I appear before you as someone who has spent over 20 years on the front lines of government fraud risk management—and who was directly involved in confronting the pandemic UI fraud crisis from its earliest days.

PROFESSIONAL BACKGROUND

My career in fraud prevention began at the Government Accountability Office (GAO), where I served for a decade, rising to Assistant Director. During that time, I led the development of GAO's Framework for Managing Fraud Risks in Federal Programs, a foundational document that provides guidance to federal managers on proactively preventing, detecting, and responding to fraud. I also worked closely with Congressional staff to help draft the Fraud Reduction and Data Analytics Act of 2015, and I served on the task force that developed the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Fraud Risk Management Guide for the private sector.

After leaving GAO, I joined Grant Thornton, LLP, and later Guidehouse, where I continued to advise private sector companies, federal agencies and state governments on fraud risk management practices. But perhaps the experience most directly relevant to today's hearing came in 2020, after I was appointed Deputy Executive Director of the Pandemic Response Accountability Committee (PRAC). The PRAC was established by Congress to conduct oversight of the approximately \$5 trillion in emergency pandemic relief spending. I served in that role through June 2021, making me one of the few individuals who was genuinely on the front lines of pandemic UI fraud oversight from the very beginning. I watched this crisis unfold in real time. I saw the warning signs early. And I have spent every year since working to ensure that what happened is never allowed to happen again.

In July 2024, I co-founded the Program Integrity Alliance to ensure that policymakers have access to rigorous, independent research on program integrity risks. Prior to my government career, I competed as a member of the U.S. National Rowing Team at the 2000 Olympic Games in Sydney.

THE LARGEST THEFT OF TAXPAYER DOLLARS IN AMERICAN HISTORY

Let me be direct: the fraud perpetrated against the pandemic unemployment insurance system was the largest theft of taxpayer dollars in the history of the United States.

When the CARES Act was enacted in March 2020, Congress acted swiftly and rightly to provide relief to millions of Americans who had lost their livelihoods almost overnight. The Act created three major temporary UI programs: Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), and Federal Pandemic Unemployment Compensation (FPUC). These were extended by the Continued Assistance for Unemployed Workers Act of 2020 and the American Rescue Plan Act of 2021. In total, more than \$888 billion in federal and state UI benefits were paid during the pandemic period.

But those benefits were distributed into a perfect storm. The system faced millions of simultaneous claims, a decades-old administrative infrastructure never designed for such

volume, and an eligibility verification framework that was deliberately weakened statutorily in the name of speed. At the same time, criminal enterprises—both domestic and foreign—recognized an unprecedented opportunity. Armed with vast databases of stolen identities, they flooded state systems with fraudulent claims.

The result was catastrophic. According to the DOL Inspector General's (OIG) Congressional testimony, of the \$888 billion in UI benefits paid, at least \$191 billion could have been improper payments, including more than \$76 billion paid directly to fraudsters. The total amount of stolen UI benefits is almost certainly higher than the OIG's estimates, given the volume of funds that moved through money mule accounts without being detected.

The Department of Labor itself reported an improper payment rate of 35.9 percent for the life of the PUA program alone. Organized criminal networks, including foreign-based syndicates, funneled enormous sums of stolen funds overseas. But as the recent DOL-OIG alert memoranda make clear, despite the vast sums that left the country through organized fraud, a substantial amount of that money has been identified and there is still a meaningful opportunity to recover it.

STRUCTURAL VULNERABILITIES THAT ENABLED THE FRAUD

How did this happen? The answer lies at the intersection of program design decisions, policy choices, and administrative failures that, taken together, opened the floodgates to criminal exploitation.

First, the CARES Act UI programs were deliberately designed with reduced eligibility verification requirements to move money quickly. Attestation-based claims processing for some programs—in which applicants simply stated they were eligible without substantive documentation—became the default in many states. This made fraud not only possible but easy. A criminal with stolen identity information could file claims from the comfort of their own home, often using automated tools to file hundreds or thousands of claims simultaneously.

Second, the scale of claims overwhelmed state systems that were simply not equipped to perform meaningful fraud detection, especially while building new pandemic programs wholesale. State workforce agencies were processing an unprecedented volume of claims while simultaneously operating under public and political pressure to distribute funds rapidly. In some cases, fraud controls that had been in place for normal times were suspended or bypassed.

Third, and critically, the federal government failed to provide adequate guidance and oversight to ensure that states were taking appropriate measures to prevent fraud and improper payments. The Employment and Training Administration (ETA) at the Department of Labor bears significant responsibility for allowing the situation to

deteriorate as far as it did, and for the subsequent failure to aggressively pursue recovery, which I will address shortly.

The result was that CARES Act UI programs became, in the words of the DOL-OIG, a high-value, low-risk target for criminal actors. The OIG initiated over 200,000 investigative matters beginning in April 2020. As of December 31, 2025, those investigations have resulted in more than 2,300 individuals charged, 1,800 convictions, 55,000 months of incarceration, and \$2.2 billion in monetary results. That is meaningful accountability. But it represents only a fraction of the total fraud that was committed, and the OIG's recent alert memoranda demonstrate that there are still hundreds of millions of dollars sitting in financial institutions right now, waiting to be recovered.

THE DOL-OIG ALERT MEMORANDA: FINDINGS REGARDING FINANCIAL INSTITUTIONS 1 AND 2

The two alert memoranda issued by DOL Inspector General Anthony D'Esposito in January and February 2026 represent a critical and time-sensitive opportunity. Beginning in August 2025, the OIG issued Inspector General subpoenas to four major financial institutions that had served as prepaid card providers for pandemic UI benefits. During the pandemic, as in other times, states contracted with these financial institutions to disburse UI benefits on prepaid debit cards. These cards offer an administratively convenient mechanism to distribute payments, but, as we now know, during the pandemic they also created a significant vulnerability by concentrating large amounts of potentially fraudulent funds in a form that was difficult to trace and recover.

Financial Institution 1 (Alert Memorandum, January 30, 2026). The OIG analyzed more than 5 million prepaid card accounts associated with Financial Institution 1 and identified over \$1 billion in affected funds. The findings are staggering:

- \$739 million remained on 4.4 million prepaid card accounts—of which about \$522 million or approximately 71 percent, was assessed by the OIG as potentially fraudulently obtained, sitting on 2.7 million prepaid cards.
- \$267 million had already been escheated to state unclaimed property administrators from approximately 915,000 prepaid card accounts—of which \$192 million or approximately 71 percent, was assessed as potentially fraudulently obtained.
- In total, the OIG identified approximately \$714 million in potentially fraudulently obtained funds across Financial Institution 1's holdings, requiring swift action.
- Critically, \$352 million of those funds—representing 48 percent of the amounts not yet escheated—were on accounts that the OIG had already flagged as suspicious and reported to ETA back in September 2022. ETA and the state workforce agencies took limited, if any, action.

Financial Institution 2 (Alert Memorandum, February 10, 2026). The OIG analyzed more than 1.5 million prepaid card accounts associated with Financial Institution 2 and identified \$304 million in affected funds:

- \$304 million remained on about 1.5 million prepaid card accounts—of which \$198 million, or approximately 65 percent, was assessed as potentially fraudulently obtained, sitting on about 773,000 prepaid cards.
- \$209,000 had already been escheated from 968 prepaid card accounts, of which \$48,059 was assessed as potentially fraudulently obtained.
- In total, the OIG identified \$198 million in potentially fraudulently obtained funds associated with Financial Institution 2.
- \$121 million of those funds—approximately 40 percent—were flagged by the OIG as suspicious and reported to ETA in September 2022. Again, no action was taken.

Together, these two memoranda reveal more than \$900 million in potentially fraudulently obtained pandemic UI funds requiring prompt attention. The Inspector General has stated unequivocally that there is no excuse for delay, and no acceptable outcome other than returning these dollars to the American people.

I want to draw the Committee's attention to a specific and urgent problem: escheatment. Under state unclaimed property laws, financial institutions are required to surrender unclaimed funds to state unclaimed property administrators after a set period—requirements that vary by state and by financial institution. For Financial Institution 1, \$266 million has already been escheated. For Financial Institution 2, additional funds are at risk of the same fate. Once funds are escheated, the path to recovery becomes dramatically more complex. The funds no longer sit in identifiable prepaid card accounts; they are commingled with other unclaimed property in state coffers, subject to different legal frameworks, and far more difficult to trace back to fraud victims or return to the federal government. Every day of inaction increases the risk of permanent loss.

I would also note that these two memoranda cover only two of the four financial institutions that received OIG subpoenas. The findings from the remaining institutions are not yet public.

THE STRUCTURAL GAP: NO FEDERALLY DEFINED RECOVERY PATHWAY

There is a structural problem at the heart of this issue that Congress must address directly. When the DOL-OIG identified hundreds of millions of dollars in potentially fraudulent pandemic UI funds sitting on prepaid debit cards, there was no clearly defined federal mechanism directing what should happen next.

No statute compels the preservation of those funds.

No statute directs their return to the Treasury.

No statute preempts state escheatment timelines once fraud has been identified by a federal authority.

As a result, financial institutions are left in a position of uncertainty. They are regulated custodians of funds operating under federal consumer protection statutes, contractual obligations with states, and state unclaimed property laws. Absent explicit federal direction, their most legally certain path is procedural compliance with state escheatment requirements, even when federal fraud flags exist. That path is orderly, predictable, and it's the least controversial from a compliance perspective. But it is also the least recoverable outcome for taxpayers.

When the OIG flagged hundreds of millions of dollars in 2022 and no federal recovery directive followed, institutional drift became inevitable. Funds sat dormant while escheatment clocks continued to run. We should not design a system where the most legally defensible option for custodians of public funds is the one that makes recovery harder. Congress can correct this.

A FAILURE OF FEDERAL WILL: HOW POLICY CHOICES MADE RECOVERY HARDER

The federal government's response to pandemic UI fraud, in the years after the initial crisis, was characterized by a desire to move on rather than a commitment to accountability. The findings in these OIG memoranda are not new. The warnings were issued years ago, and they were ignored.

I have watched other countries grapple with similar challenges and make different choices. For example, the United Kingdom offers an instructive comparison, both as a model and as a warning. In December 2024, Chancellor Rachel Reeves appointed Tom Hayhoe as the United Kingdom's dedicated Covid Counter-Fraud Commissioner, charged with a cross-government mandate to pursue pandemic fraud recovery. His final report, *Pursuing Recoveries and Preventing Reoccurrence*, laid before Parliament in December 2025, found that £10.9 billion was lost to COVID fraud and error in the UK, and that only £1.79 billion has been recovered. Critically, the Commissioner warned that much of the remainder is now beyond recovery. Some will point to the UK's experience and suggest that pandemic fraud is too dispersed to recover. But the DOL OIG has identified recoverable funds.

The U.K. Parliament also enacted the Public Authorities (Fraud, Error and Recovery) Act 2025, extending the statute of limitations for COVID fraud cases by six additional years. The lesson for the United States is twofold: the UK model of a named national coordinator with real authority is sound policy. But it also illustrates the cost of delay. The longer recovery is deferred, the more money becomes permanently unrecoverable.

The \$350 Million That Was Flagged and Forgotten. Perhaps the most troubling finding in the OIG's alert memoranda is that in September 2022, the OIG notified ETA that it had

identified hundreds of millions of dollars in suspicious UI claims that remained as balances on prepaid cards held by Financial Institutions 1 and 2. The flags were raised, but nothing happened. ETA did not issue guidance. State workforce agencies did not act. Over \$472 million across the two institutions in OIG-flagged-but-uninvestigated funds sat dormant for years—some of which is now at risk of being permanently escheated.

Improper Waivers of Overpayments. A separate and related DOL-OIG report, *COVID-19: Recovery of Millions in Pandemic-Related UI Overpayments Improperly Waived, Including Fraud*, documents another dimension of this problem. Federal and state policies authorized the waiver of non-fraudulent UI overpayments under certain circumstances—a reasonable accommodation for honest mistakes during an unprecedented crisis. But those waiver authorities were exercised too broadly and without adequate oversight, resulting in the improper waiver of funds that included fraudulent overpayments that should have been pursued for recovery. The authority to forgive became, in practice, a mechanism to avoid accountability.

These policy failures reflect a broader pattern: the federal government created the conditions for massive fraud through weak eligibility controls, then failed to aggressively pursue recovery, then allowed waiver mechanisms to be misused, and then stood by as OIG warnings went unheeded. The American taxpayers deserve better.

LEGISLATIVE RECOMMENDATIONS

I urge the Committee to consider the following recommendations:

1. Extend the Statute of Limitations: H.R. 1156, the Pandemic Unemployment Fraud Enforcement Act. Pandemic UI fraud was committed on a massive scale, and many cases remain unresolved. Statutes of limitations were not designed with this scale in mind. I strongly support extending the statute of limitations for pandemic UI fraud—both for criminal prosecutions and civil forfeiture actions—as provided for in H.R. 1156, the Pandemic Unemployment Fraud Enforcement Act. Without this extension, the clock will run out on cases that could otherwise be brought to justice, and funds that could otherwise be recovered through civil forfeiture will be lost. The United States must not allow the passage of time to become a de facto amnesty for those who stole from the American people.

2. Establish a Federal Coordinator for Pandemic UI Fraud Recovery. The complexity of recovering frozen and escheated pandemic UI funds—spread across multiple financial institutions, 53 state workforce agencies, and dozens of state unclaimed property administrators—demands a coordinated federal response. No single agency currently has a clear mandate to lead this effort. I recommend that Congress establish or designate a National Coordinator for Pandemic UI Fraud Recovery, working in coordination with DOL,

with the authority and resources to direct a comprehensive, whole-of-government recovery effort. This coordinator would be responsible for working with financial institutions, state agencies, unclaimed property administrators, law enforcement, and the DOL-OIG to maximize recovery of stolen funds.

3. Establish a Federally Defined Recovery Mechanism with Liability Clarity

Congress should enact a narrowly tailored statutory framework establishing a clear, federally authorized pathway for the preservation and return of pandemic UI funds that have been affirmatively identified as potentially fraudulent by the DOL-OIG or other authorized federal entity.

This framework should:

1. Direct financial institutions to preserve identified funds pending recovery determination.
2. Authorize the return of those funds to the United States Treasury under defined procedures, and limit the due process steps required by states, which is afforded to likely fraudsters.
3. Preempt conflicting state unclaimed property timelines for funds that have been formally identified by federal authorities as potentially fraudulent pandemic UI payments.
4. Provide limited liability protection for institutions that act in documented good faith pursuant to the federal directive.

4. Direct ETA to Issue Immediate Recovery Guidance. The OIG has called on ETA to issue guidance within 30 days to state workforce agencies directing them to engage with financial institutions and unclaimed property administrators on these findings. Congress should reinforce that directive—and hold ETA accountable for compliance.

CONCLUSION

Chairman LaHood, Members of the Committee, the pandemic is over. But the obligation to return stolen money to the American people is not, nor should it be. Other nations have demonstrated that aggressive, sustained recovery efforts are possible. The United States can and must do the same.

I urge Congress to extend the statute of limitations under H.R. 1156, establish a federal recovery coordinator, create a clear return pathway for financial institutions, and hold ETA accountable for taking the immediate action called for by the OIG.

Thank you for the opportunity to testify. I look forward to your questions.

