

MISSISSIPPI

Mississippi's Historic Unemployment Fraud

September 2023

SHAD WHITE
State Auditor

Logan Reeves
Director, Government Accountability Division



Summary

The United States' COVID-19 pandemic response programs have resulted in massive amounts of tax dollars stolen, wasted, or misspent.ⁱ Of the pandemic-related programs, improper unemployment benefits were the largest driver of the misspending.ⁱⁱ The Inspector General of the United States Department of Labor estimates over \$191 billion of unemployment compensation funds were lost—mainly to fraud—during the COVID-19 pandemic.ⁱⁱⁱ Unemployment fraud from the COVID-19 pandemic continues to overwhelm the Department of Labor and federal investigators.^{iv}

Mississippi was no exception. State Auditor Shad White's team estimates that at least \$590 million was misspent between FY 2020 and FY 2021.^v Because of this reported criminal activity, Auditor White directed his staff to take action to investigate and recover fraudulent unemployment claims. This report describes those efforts, including the use of advanced data analytics to identify some of the perpetrators.

National Spending and Fraud Context

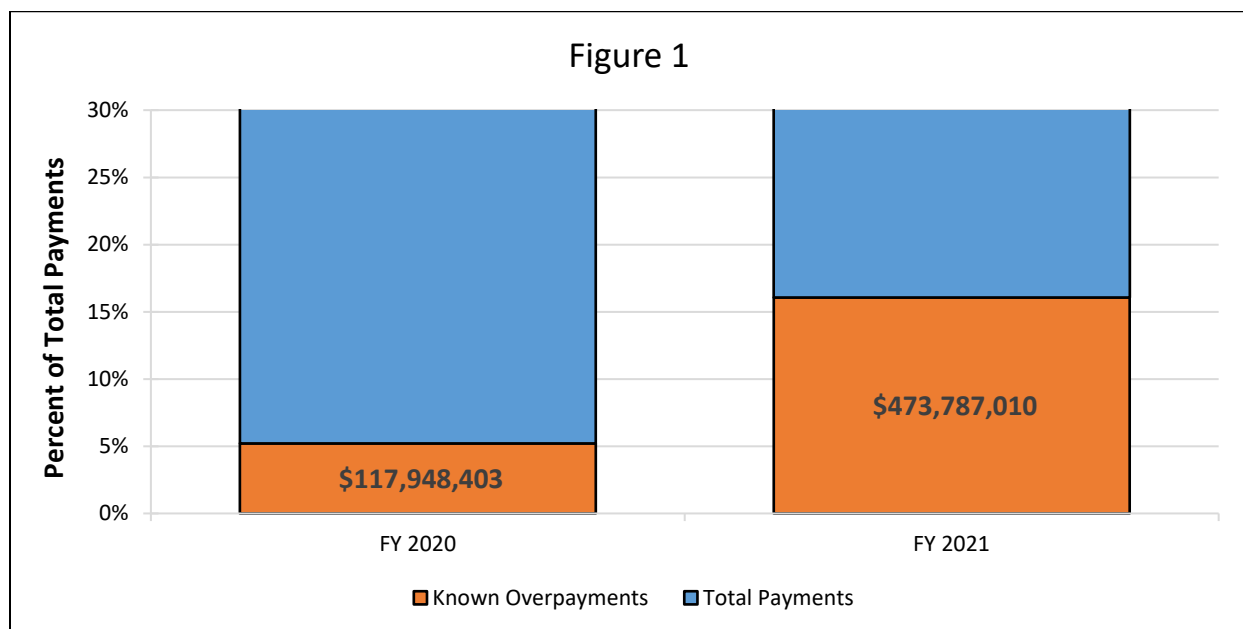
The federal government has already spent at least \$4.17 trillion on COVID relief aid.^{vi} Three COVID programs have accounted for over half of that spending as of January 2023. They are:

1. Economic impact payments, or "stimulus checks" (\$858 billion),
2. business loan programs like the Paycheck Protection Program (\$828 billion), and
3. unemployment insurance payments (\$690 billion).^{vii}

Approximately 10% of federal COVID relief money has already been identified as stolen, wasted, or misspent.^{viii} Approximately half of this amount is attributed to improperly paid and fraudulently obtained unemployment benefits.^{ix}

Mississippi Spending and Fraud Context

The Mississippi Department of Employment Security (MDES) administers Mississippi's unemployment benefits programs. Before the COVID-19 pandemic, MDES managed \$59.6 million in unemployment insurance payments to out-of-work Mississippians in Fiscal Year (FY) 2019. With the influx of jobless claims and COVID relief aid as a result of the pandemic, total unemployment benefit claims increased from \$59.6 million in FY 2019 to \$2.1 billion in FY 2020—a 3,500% increase in one year. With this infusion of money came massive fraud and misspending. For example, from FY 2020 to FY 2021, known overpayments increased from \$118 million to \$474 million—a 300% increase. Figure 1 shows the amount of taxpayer money MDES erroneously paid in FY 2019-2021.



How We Got Here

The massive loss of money from Mississippi’s unemployment fund is partially the result of MDES bypassing or altering their own internal controls which were designed to prevent money from being misspent or stolen. MDES made payments to people who never lost any income or wages, whose identity was stolen, or who were actually incarcerated. Some payments were even made to international criminals.

Examples of waived or altered controls at MDES include:

- Waived: verification of social security number to approve claims; March 2020 – May 2020;
- Waived: one week waiting period before an unemployment claim would be processed; March 8, 2020 – December 26, 2020;
- Waived: the requirement for unemployed applicants to show they were searching for work; March 8, 2020 – August 8, 2020;
- Waived: the requirement for unemployed applicants to prove they were able to work, available to work, and actively seeking work (A&A); March 8, 2020 – September 26, 2020;
- Altered: Weekly Earning Allowance increased from \$40 to \$200; May 3, 2020 – September 26, 2020;
- Altered: the requirement that an unemployed person show separation from ALL employers was changed to a new requirement that they only show separation from their most recent employer; March 8, 2020–September 26, 2020.

Path Ahead

The scope of the fraud and misspending is massive and discovering its depths will require new solutions—audit solutions never before used in Mississippi. Auditor White and his team of auditors and investigators have partnered with private industry to develop data analytics tools to identify improperly paid unemployment claims, recover this taxpayer money, and hold the people who took advantage of our state’s unemployment system accountable. These tools allow auditors and investigators to identify claims with fraud indicators to investigate further to determine if the claims were properly paid.

By using advanced “big data” analytics, auditors and investigators will be able to identify potential suspects who may have benefitted from fraudulently obtained unemployment funds. For example, they now have access to advanced algorithms which identify fraud indicators. Auditor White’s team has already helped federal agencies with pandemic-related investigations, resulting in 2 arrests, and the State Auditor’s office is now expanding its work to hold other people who took advantage of these programs accountable.^x

ⁱ See [article](#).

ⁱⁱ See [Congressional testimony](#).

ⁱⁱⁱ Ibid.

^{iv} A US Government Accountability Office [report](#) shows over 1,200 federal indictments for unemployment insurance (UI) fraud were filed from April 2020 to January 2023. The same report shows over 100 new UI fraud-related investigations are opened each week.

^v See previous note. Error! Bookmark not defined.

^{vi} See United States Bureau of Fiscal Service [report](#).

^{vii} See US Government Accountability Office [report](#).

^{viii} See previous note.ⁱ

^{ix} Ibid.

^x See [press release](#).