

# *Feds Suspect Vast Fraud Network Is Targeting U.S. Unemployment Systems*

Investigators see evidence of a sophisticated international attack they said could siphon hundreds of millions of dollars that were intended for the unemployed.

**By Mike Baker**

- Published New York Times May 16, 2020; Updated May 17, 2020

SEATTLE — A group of international fraudsters appears to have mounted an immense, sophisticated attack on U.S. unemployment systems, creating a network that has already siphoned millions of dollars in payments that were intended to avert an economic collapse, according to federal authorities.

The attackers have used detailed information about U.S. citizens, such as social security numbers that may have been obtained from cyber hacks of years past, to file claims on behalf of people who have not been laid off, officials said. The attack has exploited state unemployment systems at a time when they are straining to process a crush of claims from [an employment crisis unmatched since the Great Depression](#).

With many states rushing to pay claims, payments have gone straight to direct-deposit accounts. In Washington State, the agency tasked with managing unemployment claims there began realizing the extent of the problem in recent days when still-employed people called to question why they had received confirmation paperwork in the mail.

“This is a gut punch,” said Suzi LeVine, the commissioner of Washington State’s Employment Security Department.

In a memo obtained by The New York Times, investigators from the U.S. Secret Service said they had information suggesting that the scheme was coming from a well-organized Nigerian fraud ring and could result in “potential losses in the hundreds of millions of dollars.” Roy Dotson, a special agent who specializes in financial fraud at the Secret Service, said in an interview investigators were still working to pinpoint who was involved and exactly where they were.

“We are actively running down every lead we are getting,” Mr. Dotson said.

Mr. Dotson said it appeared the fraud was being aided by a substantial number of “mules” — people, often in the United States, who were used as intermediaries for money laundering after making connections with fraudsters online. He warned people to be wary of quick-money job offers or other suspicious financial arrangements.

The Secret Service memo said Washington State had emerged as the primary target thus far, but there was also evidence of attacks in Florida, Massachusetts, North Carolina,

Oklahoma, Rhode Island and Wyoming. The agency warned that every state was vulnerable and could be targeted, noting that the attackers appeared to have extensive records of personally identifiable information, or P.I.I.

“It is assumed the fraud ring behind this possess a substantial P.I.I. database to submit the volume of applications observed thus far,” the memo said.

Rhode Island State Police reported on Monday that it had received “numerous reports of suspected fraud” related to unemployment benefits.

Scott Jensen, the director of Rhode Island Department of Labor and Training, said Saturday that it could be hard to distinguish between a legitimate claim and a fraudulent one when impostors provided the proper information. He said the fraudulent cases that were emerging seemed to have their paperwork in order without the hallmarks of other times when claims might have mistakes or other indicators that they were not genuine.

“Whoever it is seems to be fairly sophisticated and good at what they are doing,” Mr. Jensen said. He did not know whether it was a group of international actors but was hopeful investigators would get to the bottom of the fraud. In the meantime, he said, the state is clamping down and taking a closer look at claims surrounding specific banks.

Ms. LeVine said she did not want to put a number on the losses so far in Washington State but believed it was in the millions of dollars. The state is working with law enforcement agencies to try and reclaim some of the funds.

Some workplaces have been hit particularly hard. At Western Washington University in Bellingham, Wash., more than 400 out of about 2,500 total employees have been targeted with fraudulent claims, Paul Cocke, the university’s spokesman, said.

The state has been inundated with calls from people and businesses asking about unemployment notifications that have been sent to them. They have flooded a hotline and have forced the state to hire more people to answer the phones.

One of those who filed a complaint, Anna Zivarts, a Seattle resident who works at the nonprofit Disability Rights Washington, said she found a series of official envelopes from the government in her mail on May 8. At first, she worried that she might owe taxes. Then, when she opened the mail, she had another worry.

“I called my boss and said, ‘Am I getting laid off and I just don’t know about it?’” Ms. Zivarts said. But her boss assured her that she was still employed.

Ms. Zivarts said she called and emailed to flag the issue for the state but did not hear back. Her employer has also notified the state.

More than one million people in Washington State have filed unemployment claims amid the economic turmoil brought by the coronavirus pandemic. Around the country, the numbers have reached [more than 36 million in the past two months](#).

Unemployment programs have delivered billions of dollars in payments.

States may be particularly vulnerable as they work to rush payments to people who have lost their jobs. Many states have long built in [lengthy reviews to help weed out fraudulent claims](#), but as more people have suddenly become eligible and the need for speedy payments becomes urgent, some states have tried to eliminate those delays.

As with many other states, Washington's typical weeklong waiting period before unemployment payments are paid has been reduced. Federal funding has expanded unemployment benefits to workers who were not previously qualified.

"There's a dire need to get money out quickly," Ms. LeVine said. "This makes us an attractive target for fraudsters."

People who need jobless benefits have reported delays and challenges in getting their applications approved. Ms. LeVine said the state was working to resolve delayed claims while trying to strike a balance between scrutiny and streamlining.

Washington State has some of the highest weekly benefit amounts. Federal law has provided an additional \$600 a week for the next few months. Unemployed workers can also get retroactive payments.

U.S. Attorney Brian T. Moran in Seattle said his office was working with other agencies to track down and prosecute the people submitting false claims. But he also said the state needed to "address and fix vulnerabilities in their system."

Ms. LeVine said the unemployment agency was monitoring trends and using them to try and identify suspicious cases before payments were issued. The state has also implemented a two-day delay in payments to give workers more time to vet the claims.