

N E W S R E L E A S E

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**Employment Development Department Enlists Former U.S. Attorney McGregor Scott to Boost California's Unemployment Insurance Fraud Crackdown**

SACRAMENTO—In another major step toward prosecuting those who defrauded California's unemployment benefit program last year, the Employment Development Department (EDD) and the California Governor's Office of Emergency Services (Cal OES) Fraud Task Force today announced that former United States Attorney McGregor W. Scott will assist state investigators to ramp up statewide efforts to hold those who committed crimes accountable.

Scott will serve as Fraud Special Counsel to aid the state's work with law enforcement to combat fraud, including supporting the state, federal, and, local efforts to prosecute suspected criminal activity. In this role, Scott will help ensure criminal cases are referred to law enforcement agencies to hold criminals accountable and recover fraudulently paid benefits. He will help continue to strengthen the work of the Cal OES Fraud Task Force—launched by Governor Gavin Newsom to crack down on unemployment insurance fraudsters and coordinate multi-agency efforts to investigate and prosecute fraud.

"California took broad action last year to identify and stop criminal unemployment fraud from continuing—and with McGregor Scott's aid we are taking another major step toward empowering prosecutors to crack down on those who engaged in this criminal activity," said California EDD Director Rita Saenz. "McGregor Scott has led numerous large-scale criminal probes in his many years as a state and federal prosecutor—experience that will help put criminals who defrauded the system behind bars."

Scott, a partner at the law firm King & Spalding, twice served as the U.S. Attorney for the Eastern District of California (a 34-county district that stretches from the Oregon border to Bakersfield) and was elected twice as District Attorney of Shasta County. A retired Lieutenant Colonel, he served more than 20 years in the California Army National Guard & United States Army Reserve, and also was a deputy district attorney in Contra Costa County. In addition, Scott served as an Adjunct Professor of National Security Law at the University of the Pacific, McGeorge School of Law following his first term as U.S. Attorney for the E.D. of California. Between his two terms as U.S. Attorney, Scott was the vice chair of the white-collar defense and corporate investigations practice at an AmLaw 50 firm.

"State unemployment systems last year were under attack by sophisticated international and domestic organized fraud schemes," said Scott. "We look forward to working with EDD, Cal OES, and local, state, and federal prosecutors to identify, investigate and prosecute those who stole benefits that rightly belonged in the pockets of Californians in need."

In response to the unprecedented increase in fraudulent unemployment claims related to the COVID-19 pandemic, EDD implemented new safeguards in 2020 to detect and prevent identity theft and other organized criminal activities, including identity verification through D.me and cross-checking applications against law enforcement databases from Thomson Reuters. Governor Newsom also established the Cal OES Fraud Task Force to coordinate with local, state, and federal law enforcement authorities to investigate and prosecute fraud schemes.

"Through the joint agency fraud task force put in place by the Governor and coordinated by the Governor's Office of Emergency services, hundreds of investigations, arrests, and prosecutions have already occurred or are underway—with much more to come," said Cal OES Director and task force chair Mark Ghilarducci. "McGregor Scott is a known quantity who has been an active partner with us in these investigations from the beginning. He was instrumental in these efforts while he was U.S. Attorney and now will bring his knowledge, skills and abilities to support and further amplify state investigative actions, ultimately to hold fraudulent actors accountable."

The EDD's investigations unit continues to develop thousands of valuable leads and evidence for local, state and federal investigators and prosecutors. Today's move further strengthens these efforts by deploying specialized prosecutorial experience to evaluate the significant volume of potential fraud cases and refer those cases to the appropriate authorities.

"The California Department of Justice was instrumental in uncovering last year's unemployment fraud scheme; and from the beginning, we worked in strong partnership with then-U.S. Attorney Scott to put a stop to this illegal activity," said Attorney General Rob Bonta. "We look forward to continuing that partnership as we work alongside our federal, state, and local partners to hold accountable those who perpetrated fraud against California families in their time of need."

Nationally, the U.S. Department of Justice announced earlier this year [nearly 500 charges](#) against individuals across the country suspected of stealing unemployment benefits during the pandemic. Examples of law enforcement action already taken against suspected fraud across California include thousands of active investigations, arrests, and prosecutions such as:

- Guilty pleas in February in San Dimas following a joint investigation by the U.S. Department of Labor, Internal Revenue Service (I.R.S.) U.S. Postal Service, U.S. Secret Service and EDD into a criminal who used 85 false names to steal \$500,000 in unemployment insurance benefits.
- Charges in San Diego in March following a joint investigation by EDD, the California Department of Corrections and Rehabilitation (CDCR) and the District Attorney into \$1.3 million in fraudulent payments involving personal information of 64 prison inmates.
- Arrests of two U.S. Postal Service employees in March who obtained tens of thousands of dollars of unemployment benefits by fraud.
- Search warrants in March in Sacramento against suspects who filed nearly \$29,000 in phony claims following a joint investigation by the Sacramento County District Attorney, the Sacramento County Sheriff, and EDD.
- Search warrants in March against residents of a home in Riverside who filed 99 unemployment insurance claims worth \$640,000 following an investigation by the Amtrak Inspector General, U.S. Department of Labor, Homeland Security, U.S. Postal Service, and EDD.
- Search warrants in March in Solano County following an investigation by the San Jose Police Department, Vallejo Police Department and EDD into a suspect who filed 20 fraudulent claims.

• Search warrants in April on an Imperial County tax business following a joint investigation by IRS, Department of Labor, Homeland Security, and EDD.

- Arrests in April by federal authorities following an investigation by the U.S. Department of Labor, the Federal Bureau of Investigation (FBI), U.S. Postal Service, and EDD into suspects who filed \$345,000 in fraudulent benefit applications on behalf of inmates.
- Sentencing in April following an investigation by the U.S. Department of Labor, IRS, U.S. Postal Service, Murrieta Police Department, and EDD into a criminal who stole dozens of identities on the dark web and obtained \$500,000 in unemployment benefits.
- Search warrants and arrest warrants filed in April in Sacramento against known gang members following an investigation by the Sacramento County District Attorney, CDCR, and EDD into over \$100,000 of fraudulent benefit applications by gang members.
- Search warrants filed in April following a joint investigation by Department of Labor, Homeland Security, and EDD into \$1.6 million in fraud.
- Guilty pleas in a federal prosecution of two inmates in Chowchilla following a joint investigation by the FBI, CDCR, the U.S. Attorney, and EDD into \$103,000 in fraudulent claims.
- A guilty plea in federal court in April following an investigation by U.S. Department of Labor, FBI, and EDD into attempts to file 100 claims worth \$200,000 using stolen identities.
- Search warrants in Sacramento in April following an investigation by the District Attorney, Rancho Cordova Police Department, and EDD into suspects who aided inmates in filing \$65,000 in fraudulent claims.
- Search warrants in Long Beach in April following an investigation by the Long Beach Police Department, U.S. Secret Service, Homeland Security, FBI, U.S. Department of Labor, and EDD into 106 claims totaling \$1.6 million.
- Search warrants in Los Angeles in April following an investigation by the U.S. Department of Labor, Homeland Security, and EDD into suspects filing over \$1.7 million in fraudulent claims.
- Search warrants in Los Angeles in April following a joint investigation by the U.S. Department of Labor, Homeland Security, FBI, CDCR and EDD into approximately \$760,000 in fraud by two suspects who filed claims on behalf of inmates.
- Five felony arrests in Placer County in April in connection with a criminal organization that filed \$4.5 million in fraudulent unemployment claims.
- Two arrests in June of suspects who had over 60 debit cards belonging to dozens of people.
- Search warrants in June in Ventura County against a suspect who filed \$132,000 in fraudulent unemployment claims following an investigation by CDCR and EDD.
- Search warrants served in July in the greater Sacramento area following a joint investigation by CDCR and EDD into individuals who allegedly filed over \$321,000 in fraudulent claims.
- Two people sentenced in July in Fresno for conspiracy to commit mail fraud and identity theft following an investigation by the FBI, CDCR, and EDD into \$74,000 in false claims.

To prevent identity fraud and halt it at the front-end of the application process, California was one of the first states to launch a new identity verification system, ID.me. EDD also thwarted scammers by no longer backdating Pandemic Unemployment Assistance claims automatically and two weeks later, the U.S. Department of Labor suggested all states do the same. The state has also invested in new fraud prevention technology and investigative tools to prevent and catch acts of fraud. These measures shut the front door on fraudulent activity since December 2020. Between October 2020 and January 2021, the additional fraud screening measures alone stopped at least \$60 billion in potential fraud.



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