

Stand Against Julie Su Part 2: 36 Billion in Fraud Should Get a Jail Sentence, Not a Promotion

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By [Jennifer Oliver O'Connell](#) | 9:30 AM on April 26, 2023

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Deputy U.S. Secy Julie Su Gets Grilled By Utah Senator Mitt Romney. (Credit: C-Span)

An apologist and fawning Senator Bernie Sanders and lots of glad-handing and gushing by the other Democrat ~~socialists~~ senators on the Health, Education, Labor, and Pensions (HELP) Committee made the April 20 hearing for Secretary of Labor nominee Julie Su almost a cakewalk.

There were a few Republican senators willing to pierce the shield of inevitability that seems to surround Su. One of them was Oklahoma Senator Markwayne Mullin, who laid out that theorizing about how a small business should be run and creating arbitrary policies toward that end, versus actually doing the work and making the decisions to run an actual business, are two different things.

If you've never been an employer, balanced a budget, or signed both sides of a paycheck, you have no business being the next Secretary of Labor. [#SayNoToSu pic.twitter.com/pIALOGzfgY](https://twitter.com/pIALOGzfgY)

— Markwayne Mullin (@SenMullin) [April 20, 2023](#)

Then there was the exchange between Su and Utah Senator Mitt Romney. Romney challenged Su on the fact that in two years as Deputy Labor Secretary, she had failed to meet with private businesses and independent contractors, but met regularly with union bosses. Then, Romney confronted Su about the clear record of experience from her role as California's Labor Secretary, and it is an experience of abject failure: the \$36 billion in fraud through the Employment Development Department.

WATCH:

This was Romney's most salient point:

Now there's a principle in all sorts of enterprises called, "The Peter Principle." Which is, people get promoted to the point where their competence has no longer been established. In this case, your record there is so severely lacking, I don't know how in the world it makes sense for the president to nominate you to take over this department. To work behind [former Secretary of Labor] Marty Walsh is one thing and to learn from him. But you haven't had experience negotiating a major deal between unions and management, and your leadership of an enterprise resulted in \$31 billion dollars of fraudulent payments.

What am I missing?

Romney is not missing anything. Numbers don't lie—but Julie Su does. In her responses to Romney, Su continually blamed the lack of safeguards in the pandemic unemployment insurance component that was set by a then-Democrat-controlled Congress. Riddle me this: Who was the Speaker of the House at that time? None other than *California* Representative Nancy Pelosi.

So, even if Congress was at fault for not putting in the proper safeguards, Su's responses prove Romney's point. She did not have the knowledge or experience to make sound decisions that could have mitigated the fraud. It also reflects that Su is very good at doing the bidding of the people and the organizations to whom she is beholden. In the case of the U.S. Department of Labor, that would be the Labor Unions with whom she perpetually meets to the exclusion of independent contractors and other small business leaders.

House Workforce Committee Chair Kevin Kiley was one of the first to note that Su had lied in the April 20 hearing and that this should be enough to disqualify her.

NBC confirms that Labor Secretary nominee Julie Su's testimony that she immediately acted to prevent the EDD fraud isn't accurate.

Su's EDD lost an estimated \$32.6 billion in taxpayer dollars to fraudulent claims, twice the entire annual budget of the Department of Labor. <https://t.co/exVAY3ZJis>

— Rep. Kevin Kiley (@RepKiley) April 21, 2023

“Today’s Senate Health, Education, Labor, and Pensions hearing demonstrated Julie Su is not qualified to lead the U.S. Department of Labor.

Su refused to accept responsibility for the staggering \$32 billion unemployment fraud allowed on her watch. Yet the independent state auditor, California Democratic lawmakers, and the law enforcement officials who uncovered the fraud have all blamed mismanagement at Su’s department.

During today’s confirmation hearing, Julie Su made numerous statements contradicted by a State Auditor report, law enforcement officials, California Democrats, and the experience of millions of Californians who suffered under her mismanagement as Secretary of the California Labor and Workforce Development Agency. Although Su attempted to shift the blame for the largest case of fraud in California history, a 2021 State Auditor report found that “despite repeated warnings, [Su’s] EDD did not bolster its fraud detection efforts until months into the pandemic.” In contrast, Su claimed to the Senate during an exchange with Senator Romney that “in California, as soon as we knew that there was fraud happening, I shut the front door to that fraud.”

As Kiley pointed out, the 2021 California State Auditor report also begged to differ with Su’s account.

EDD did not take action to bolster its fraud detection efforts until months into the pandemic. As a result, its data show that it paid about \$10.4 billion in claims that it has since determined may be fraudulent. **Even as late as December 2020**, EDD was allowing claimants to continue to collect benefits using suspicious addresses because it did not establish payment blocks for their claims. Further, \$1 billion of the \$10.4 billion paid for suspicious claims was the result of **EDD’s decision to remove a key safeguard against payment to claimants whose identities it had not confirmed**. EDD staff misunderstood the importance of that particular safeguard and, from **April to August 2020**, made payments to claimants despite concerns about the legitimacy of their identities.

Su went on to use the excuse of the PUA funds being passed *by Congress* to meet a very specific solution, to meet an “unprecedented need in an unprecedented crisis.” However, when it was clear that the solution to the unprecedented crisis was supplying funds to

fraudsters and death row inmates instead of the California citizens who were shut out of their businesses and their work, Su still did nothing. Kiley further noted that the auditor's report cited numerous other deficiencies that led to the fraud, including

allowing claimants with suspicious addresses to collect unemployment insurance benefits, removing a key fraud safeguard without understanding its significance, and failing to assess whether the EDD's fraud detection and prevention tools were effective. In fact, claimants weren't even checked against the state prison rolls. The district attorney of Sacramento County called the EDD's response to the fraud "slow and nonexistent." Even California Democrats placed the blame squarely with Su's EDD. Assemblywoman Cottie Petrie-Norris, who chaired the Assembly Committee with jurisdiction over EDD oversight, stated Su's department failed to follow "simple and obvious steps that are implemented across the country."

So, to return to Sen. Romney's point, Su's only "experience" is failure—and massive failure at that. President Joe Biden nominated Su for Deputy Secretary of Labor in February 2021, and she didn't face HELP committee hearings until March 2021. So, Su should have been fully at the wheel of the California Employment Development Department and all its workings up until that time.

Su has no excuse.

As reported in Stand Against Su Part 1, Su also tried to distance herself from AB5, despite the fact that she was directly responsible for executing audits, fines, and penalties, as well as making threats against independent contractors and small businesses in order to give the law weight and force. Su stated clearly in October 2019, after California Governor Gavin Newsom signed AB5 into law, that she would be responsible for executing these measures:

We're going to be enforcing both through our wage claim process where individuals who feel like they have been misclassified can come and file wage claims[...]

The other is just doing investigations and audits. That will be on both wages and tax because AB 5 expands the ABC test that way. So we will be doing investigations and audits so that those who want to comply with the need to reclassify can do so and **those who don't will understand that's not the kind of economy we want in California**. So we can **issue citations and demand both wages and taxes and other kinds of penalties**.

This enforcement continued even after the "unprecedented crisis" created by Governor Newsom in shutting down businesses and the state because of COVID-19. California maintained one of the highest unemployment rates in the country, and it stayed that way late into 2021.

While Su escaped to D.C. to take the Deputy Secretary of Labor role, barely squeaking by on a vote of 50-47, the very small businesses that were shuttered during the pandemic, audited, and penalized for their non-compliance with AB5 are now required to fork over the funds to cover the \$20 billion in fraud the state owes to the federal government.

California Globe rendered this tragic news:

California has experienced its own, roughly \$30 billion larceny loss but there hasn't been much international fanfare about it, much less Filmdom buzz. Unemployment insurance after all, is not a particularly sexy subject compared to gold bullion, Vegas glam and a heap of "A" listers but unfortunately it is all too real.

In the infancy of the pandemic when we were told that the goal was to, "stop the spread" or to "flatten the curve," most of the country went along with plan, but fifteen days and change turned into months, then years. Government officials in California decided they had to do more, to control more, and they began to benevolently decide who were to be the economic winners and losers. Many small businesses were deemed "non-essential" and were directed to shut-down operations. Some dissenters were shut down by force.

Employees lost their jobs and many of them filed for unemployment benefits. As we fast-forward to the end of the pandemic, we've learned that nearly \$30 billion paid out of the Unemployment Insurance Fund (UI) by the Employment Development Department (EDD) were fraudulent claims, 70% of which are believed to have been filed by criminal organizations intent on doing harm to the country. It is a monetary and criminal debacle on a scale not seen in the United States.

And here's the kick in the teeth:

It is a perverse travesty that an inept state agency can shut down small businesses, allow \$30 billion in fraudulent unemployment insurance claims and then demand that those once shuttered small businesses foot the bill for its own colossal failure. Controlled economies are failed economies.

As it stands now, small business owners will have to dig deep and pay an additional \$420 per employee per year because the state drove the UI fund into bankruptcy.

The inept Employment Development Department had at its helm an even more inept labor secretary named Julie Su. If debtor's prison still existed, Julie Su would be fitted for an orange jumpsuit, not preparing to ascend to an executive cabinet position running the department that oversees the enterprises that represent the sweat equity of the American people and the economic engines of the nation.

Senators should not be rewarding fraud, malfeasance, and most horrifically, incompetence.

Julie Su must not be confirmed as United States Secretary of Labor.

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