

Exhibit 5

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



SEP 28 2009

MEMORANDUM FOR: ELLIOT P. LEWIS

FROM: JANE OATES *Jane Oates*
Assistant Secretary

SUBJECT: Recovery Act: States Have Aggressively
Implemented the \$25 Weekly Supplemental
Unemployment Benefit but Some Challenges Remain
Draft Audit Report Number: 18-09-004-03-315

Thank you for the opportunity to respond to the subject OIG draft report. The Employment and Training Administration (ETA) shares your view that, overall, the states did a good job in implementing the temporary Federal Additional Compensation (FAC) program. However, we acknowledge states have faced some challenges implementing the program.

ETA concurs with the findings in the draft report and we are proceeding to immediately address the recommendations. We will follow-up with each of the applicable states to ensure that they complete the required programming for income tax withholding, and identify, recover, and report FAC overpayments. We will also issue guidance to all the states to reaffirm these FAC requirements.

As noted in the report, ETA provided states with formal guidance to implement the FAC program through Unemployment Insurance Program Letter No. 11-09. Additionally, as part of its oversight responsibilities, ETA has been conducting on-site program reviews since June 2009. During these site visits, the state's implementation of FAC is reviewed and appropriate technical assistance and guidance is provided.

A review was conducted in Indiana during August 24 - 28, 2009, and ETA staff found that the state had not programmed its system to withhold income taxes and it was not recovering and reporting FAC overpayments. ETA immediately began working with Indiana to address and resolve these issues, and we will continue to monitor the state's progress.

We believe ETA has provided strong leadership to the states to facilitate implementation of the FAC program in accordance with the program requirements. We plan to issue additional guidance to all states in the near future and will continue on-site reviews and technical assistance as needed.