U.S. Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY…

August 2016

RECOVERY ACT: STATES CHALLENGED IN DETECTING AND REDUCING UNEMPLOYMENT INSURANCE IMPROPER PAYMENTS

WHY OIG CONDUCTED THE AUDIT

The Unemployment Insurance (UI) program is designed to provide benefits to individuals out of work and is administered at the state level, but benefits are funded by both state and federal monies. The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided additional funding for the Extended Benefits (EB), Emergency Unemployment Compensation (EUC), and Federal Additional Compensation (FAC) programs.

From March 31, 2015, to December 16, 2015, the Office of Inspector General (OIG) issued a series of performance audit reports for seven states. This report summarizes those reports and presents common challenges and state-specific strategies for reducing UI improper payments, recommendations, and corrective actions the Employment and Training Administration (ETA) is taking.

WHAT OIG DID

We conducted performance audits to determine the following:

How effective were states at detecting, reducing, recovering, and reporting UI improper payments and at implementing ETA National Strategies to reduce improper payments?

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to: http://www.oig.dol.gov/public/reports/oa/2016/18-16-005-03-315.pdf

WHAT OIG FOUND

The data reported by the seven states indicated they were not effective at detecting, reducing, recovering and reporting UI improper payments and could not demonstrate the effectiveness of ETA National Strategies. The seven states included states of different sizes from across the country.[1]

The states generally did not meet established targets for detecting and reducing improper payments and the accuracy of their reporting to ETA could not be determined. Accurate reporting of improper payments and rate estimates is critical to determining the effectiveness of state efforts to minimize improper payments and meet targets.

The states implemented the majority of the nine ETA National Strategies aimed at detecting, reducing, and/or recovering improper payments. However, they did not obtain and analyze the information needed to determine the extent to which each of the strategies was effective. The states generally lacked information on whether state-specific strategies were working as intended. Measuring the impact of the National Strategies and leveraging best practices from state-specific strategies and recovery methods found to be effective could improve the states' ability to detect reduce, and recover improper payments.

In our seven individual state audit reports we recommended ETA work with the states to determine the effectiveness of strategies, improve states' mainframe systems and data reliability, and enhance strategic planning to reduce improper payments. ETA generally agreed with the reports' findings and recommendations and agreed to work with states to address them.

WHAT OIG RECOMMENDED

In this roll-up report, we recommended ETA assist states in determining which state strategies are most effective and determine if any should be adopted as National Strategies. ETA agreed with our recommendations.

[1] The seven states selected for audit were California, Colorado, Indiana, Iowa, New York, North Carolina, and Pennsylvania.