
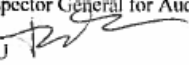


ETA'S RESPONSE

U.S. Department of Labor	Assistant Secretary for Employment and Training Washington, D.C. 20210	
JUL 12 2016		
MEMORANDUM FOR:	ELLIOT P. LEWIS Assistant Inspector General for Audit	
FROM:	PORTIA WU  Assistant Secretary	
SUBJECT:	Response to the Office of Inspector General (OIG) Audit Draft Report No. 18-16-005-03-315 – Recovery Act: States Challenged in Detecting and Reducing Unemployment Insurance Improper Payments	

Thank you for the opportunity to respond to the draft report cited above. The Employment and Training Administration (ETA) continues to work aggressively with states to improve the prevention, detection, and recovery of Unemployment Insurance (UI) improper payments and to bring down the improper payment rate. ETA is committed to working with states to address your recommendations and improve the integrity of the UI program.

ETA appreciates the acknowledgment on page 3 of the report that states experienced a large increase in claims, due to the implementation and extension of Federal UI programs during the audit period. This change, caused by the recession, created a major challenge for states in addressing improper payments. Significant increases in the volume of UI claims resulted in states shifting resources to ensure timely payments to eligible claimants as required under Federal law. In addition, the complex and changing requirements of the temporary additional benefit programs, such as the Extended Benefits and the Emergency Unemployment Compensation programs, overloaded state capacity. Many states struggled with antiquated and inflexible information technology (IT) systems that impacted their capacity to address program integrity issues. These strains on state resources further hindered their ability to prevent, detect, and recover improper payments.

ETA's active engagement with states to reduce the UI improper payment rate predates the Recovery Act programs. All states have been called to action to ensure that UI integrity is a top priority and to implement both national and state-specific strategies to bring down the improper payment rate. ETA provides specific attention and assistance to states with high improper payment rates. As you noted in the audit report, ETA has identified a number of national strategies for state implementation designed to address major root causes of UI improper payments as part of a comprehensive strategic plan. This strategic plan continues to evolve as new and innovative strategies are added and outreach is done for state adoption. The plan includes the strategy for states to convene and maintain cross-functional task forces to support the development/enhancement of integrity action plans as part of their State Quality Service Plan submission, which becomes the foundation of a state's grant agreement with ETA.

Between Fiscal Years 2005 and 2015, ETA has provided states with over \$719 million in supplemental funding to implement national and state-specific strategies that will help the states prevent, detect, and recover UI overpayments, and to implement technology-based infrastructure projects. This funding includes approximately \$369 million in supplemental funding provided to state consortia to address outdated IT system infrastructure, which is necessary to improve UI integrity. These grants demonstrate ETA's commitment to the development of integrity-related systems focused on the proper payment of UI benefits. These projects result in state staff cost savings, increased overpayment recoveries that flow back into state trust funds, and prevention of future overpayments.

Since 2008, ETA has hosted a biennial integrity conference to showcase successful practices used in states to prevent, detect, and recover improper payments. In addition, ETA has conducted webinars on strategies to address improper payments. ETA also maintains a UI Community of Practice on its knowledge sharing site, WorkforceGPS, which includes an integrity portal that features integrity best practices.

To further promote development of innovative integrity strategies, ETA has established a national UI Integrity Center of Excellence (Center) through a cooperative agreement with the New York State Department of Labor; the Center is operated by the National Association of State Workforce Agencies (NASWA). The Center's strategies support all states' integrity activities, creating greater efficiency and improving operations. The products and tools developed will be made available to all states and include, among others: data analytics and predictive modeling methodologies and tools to improve UI fraud prevention and detection; a secure portal for the rapid exchange of fraud information between states as it is identified; an integrated data hub to support state cross matching with a wide array of data sources; on-line staff training on fraud solutions and integrity practices; collection and dissemination of integrity best practices through an Integrity Digital Library on the UI Community of Practice; highlighting integrity practices that should be included in state UI modernization efforts; and the creation of a "model" blueprint for Benefit Payment Control operations.

For many years, ETA has supported state UI agencies in the modernization of their IT legacy systems, which continues to be a high priority for ETA. To further these efforts, ETA provides funding to, and works collaboratively with, the Information Technology Support Center (ITSC) operated by NASWA. ITSC provides technical assistance and support to individual states and state consortia on their UI IT modernization efforts – UI IT modernization is the main focus of ITSC's operations.

In addition, ETA continuously works with states to improve data quality through its UI Data Validation (DV) efforts. Data quality is a priority for ETA to ensure the accuracy of the state submission of Federal reports. ETA provides UI DV training, opportunities for supplemental funding, and technical assistance to enable states to meet UI DV requirements. Also, in support of states' system modernization efforts, ETA has issued Training and Employment Notice No. 28-14 to provide a pre-implementation planning checklist for use by states prior to "going live" with a modernized UI IT system. Included in this checklist is a requirement that the state ensure that UI DV requirements are met prior to production implementation of a new UI IT system.

I have attached our response to the recommendations in the draft audit report. If you have questions, please contact Gay M. Gilbert, Administrator, Office of Unemployment Insurance, at (202) 693-3029.

Attachment

**Employment and Training Administration (ETA) Response to
Office of Inspector General (OIG) Draft Report No. 18-16-005-03-315 – Recovery Act:
States Challenged in Detecting and Reducing Unemployment Insurance Improper
Payments**

ETA has and continues to work aggressively with states to address the issue of Unemployment Insurance (UI) improper payments and to implement the national strategies for the prevention, detection, and recovery of improper payments. Below are ETA's responses to the recommendations in this draft report.

Recommendations

- 1. ETA should work with states to identify and collect data needed to determine which state-specific strategies and recovery methods are most effective.**

ETA Response: ETA established a national UI Integrity Center of Excellence (Center) through a cooperative agreement with the New York State Department of Labor; the Center is operated by the National Association of State Workforce Agencies (NASWA). The Center provides information, tools, and technical assistance to states to improve the integrity of their UI programs and to enable peer-to-peer sharing of best practices.

ETA, in collaboration with the Center, will work with states to encourage and provide any technical assistance needed to identify data that may be used to determine the effectiveness of the state-specific strategies and recovery methods. One of the core activities of the Center which is currently underway is the identification and dissemination of state integrity successful practices. The tasks under this core activity include: continuously identifying and disseminating promising state practices; amplification of promising state practices through postings on the Web-based integrity portal, webinars, and presentations at UI system meetings and conferences; researching and disseminating integrity best practices used by other private and public sector entities that may be applicable to the UI program; and periodically conducting studies to assess the impact of specific integrity strategies, their cost-benefit, and providing the information through the integrity portal.

The Center also serves as a laboratory for innovation by supporting the development and piloting of new strategies and tools to combat improper payments and fraud, building on the work of states, other Federal government agencies, and the private sector. The Center is: providing a secure method for states to communicate UI fraud scheme information as soon as it is identified; developing a data analytics and predictive modeling tool that is transferable and expandable for all states to improve UI fraud prevention and detection; developing and delivering both introductory and intensive training on fraud solutions and integrity strategies to all states; developing a UI integrity data hub to support state cross-match efforts; developing an Integrity Digital Library to facilitate the collection and dissemination of integrity best practices providing routine state engagement and technical assistance to states; creating a "model" blueprint for Benefit Payment Control operations; providing funds for states to implement and evaluate innovative program integrity strategies that may be replicated by other states; and organizing and hosting UI integrity knowledge-sharing events

to showcase products and tools that individual states are using to improve UI program integrity.

ETA notes that while we agree that it would be beneficial for the states, the Center, and ETA to track the results of state-specific integrity strategies, due to the many variables and root causes that impact a state's overall improper payment rate, it is particularly challenging to accurately evaluate the effectiveness of individual state-specific strategies.

2. ETA should use the data collected to promote the most effective state-specific strategies as National Strategies.

ETA Response: ETA has previously taken promising state integrity strategies and promoted them nationwide and we intend to continue such efforts. ETA, in collaboration with the Center, will share information regarding best practices from states and provide any technical assistance that may be necessary for any state that plans to adopt and implement strategies that another state has successfully implemented.

ETA will review the information regarding best practices collected by the Center on state-specific strategies and recovery methods, and determine which of these may be adopted as national strategies.