

## BRIEFLY...

Highlights of Report Number: 18-09-004-03-315, to the Assistant Secretary for Employment and Training.

### WHY READ THE REPORT

The President signed the American Recovery and Reinvestment Act of 2009 (Recovery Act) on February 17, 2009, to, among other things, provide additional assistance to unemployed workers. The Recovery Act authorized a new temporary Federal Additional Compensation (FAC) program that provides a \$25 supplement to the Weekly Benefit Allowance (WBA) paid by states to eligible unemployed recipients through December 31, 2009. The Department of Labor estimates that the FAC program will cost about \$8.7 billion.

### WHY OIG CONDUCTED THE AUDIT

Foxx & Company, Certified Public Accountants, conducted the audit under contract with the Office of Inspector General. The audit objectives were to determine whether states (1) implemented the FAC program as authorized, (2) paid the \$25 weekly supplement in accordance with allowable methods identified in the Recovery Act, (3) had systems for implementing the FAC program that were adequately designed to address Federal requirements, and (4) separately accounted for and accurately reported financial and program data.

The scope of the audit was limited to evaluating the systems designed by 10 selected states to implement the FAC program. The states selected were California, Florida, Indiana, Minnesota, New Mexico, New York, Oklahoma, Ohio, Vermont, and Virginia.

### 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/2009/18-09-004-03-315.pdf>

September 2009

## RECOVERY ACT: STATES HAVE AGGRESSIVELY IMPLEMENTED THE \$25 WEEKLY SUPPLEMENTAL UNEMPLOYMENT BENEFIT BUT SOME CHALLENGES REMAIN

### WHAT OIG FOUND

All of the states aggressively implemented the program. As of June 30, 2009, the 10 states had paid about \$1.3 billion in benefits to FAC recipients. Overall, we assessed the risk level for compliance with Federal requirements as low for 9 of the 10 states. The State of New York's system was assessed as medium because of system weaknesses related to duplicate payments and the non-reporting of FAC overpayment information.

Challenges identified in implementing the FAC program involved the development of overpayment identifications, recovery capabilities, and the withholding of taxes. The audit also found non-compliance issues concerning states not reporting overpayment information to the Department's Employment and Training Administration (ETA) and not withholding taxes when requested by claimants. One state (Indiana) did not intend to recover overpayments from claimants. Overpayments by states during the period February 2009 through June 30, 2009, ranged from \$160,000 to \$2.5 million. These challenges and non-compliance issues were caused by the short timeframe the states had to implement the program and difficulties in reprogramming existing systems to meet the requirements of the program.

### WHAT OIG RECOMMENDED

OIG recommended actions the Assistant Secretary for Employment and Training should take to ensure that the identified challenges are met and the non-compliance issues are resolved.

In response to the draft report, the Assistant Secretary for Employment and Training stated ETA 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. ETA will also issue guidance to all states to reaffirm FAC requirements.