

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

## **BRIEFLY...**

Highlights of Report Number **18-12-001-03-315**, issued to the Assistant Secretary for Employment and Training.

### **WHY READ THE REPORT**

The Unemployment Insurance (UI) program is designed to provide benefits to individuals out of work, generally through no fault of their own, for periods between jobs. Over the past 3 years, the UI program has grown to unprecedented levels, paying nearly \$318 billion in benefits to unemployed workers. Of this amount, \$126 billion was for federally-funded emergency benefits, comprising Emergency Unemployment Compensation and Federal Additional Compensation. UI's rate of overpayments (11.2 percent) was the third largest of any benefits program in fiscal year 2010. ETA estimated nearly \$32 billion in overpayments occurred over the past 3 years and \$17.2 billion of that total should be detectable by the states. Nearly \$6.9 billion of the \$17.2 billion in detectable overpayments pertained to federally-funded emergency benefits. The growth in the UI program presents challenges to ETA, not only in implementing the UI program, but in detecting overpayments in UI benefits.

### **WHY OIG CONDUCTED THE AUDIT**

We initiated an audit to determine if ETA had effective controls over the states' detection of overpayments of traditional state-funded UI benefits and federally-funded emergency benefits. This report presents the results and findings related to the federally-funded emergency UI benefits. Our audit work was conducted at ETA's Office of Unemployment Insurance located in Washington, D.C.

### **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/2012/18-12-001-03-315.pdf>.

## **January 2012**

### **RECOVERY ACT: ETA IS MISSING OPPORTUNITIES TO DETECT AND COLLECT BILLIONS OF DOLLARS IN OVERPAYMENTS PERTAINING TO FEDERALLY-FUNDED EMERGENCY BENEFITS**

#### **WHAT OIG FOUND**

The OIG found that ETA did not effectively apply key controls related to the overpayment detection process to federally-funded emergency benefits, leaving this portion of the UI program vulnerable to billions of dollars in undetected overpayments.

For the \$126 billion in federally-funded emergency benefits, ETA used a questionable methodology when estimating the amount of overpayments. As a result, ETA's \$6.9 billion estimate of overpayments related to the federally-funded emergency benefits may be significantly misstated.

ETA did not measure the effectiveness of improper payment detection activities for the \$126 billion in federally-funded emergency benefits. Using data provided by ETA, we determined states detected only \$1.3 billion (19 percent) of the estimated \$6.9 billion in detectable overpayments from federally-funded emergency benefits.

The lack of a performance measure for detecting federally-funded emergency benefit overpayments hampered ETA's ability to monitor state performance. As a result, ETA may be missing opportunities to detect and collect billions of dollars in overpayments of federally-funded emergency benefits.

#### **WHAT OIG RECOMMENDED**

The OIG recommended that the Assistant Secretary for Employment and Training take steps to (1) develop and implement a valid and reliable method for estimating the rate of detectable overpayments in the federally-funded emergency programs, (2) establish a valid performance measure for federally-funded emergency programs, (3) increase ETA monitoring regarding improper payment detection activities related to federally-funded emergency programs, and (4) develop and implement a plan to increase detection efforts over the estimated \$5.6 billion in detectable overpayments related to federally-funded emergency benefits that states did not identify in the past 3 years.

ETA generally did not agree with our conclusions or recommendations 1 and 2, and did not fully address recommendations 3 and 4.