

ETA Response to Draft Report

**U.S. Department of Labor**

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



**FEB 28 2013**

MEMORANDUM FOR: ELLIOT P. LEWIS  
Assistant Inspector General for Audit

FROM: JANE OATES *Jane Oates*  
Assistant Secretary

SUBJECT: Response to the Office of the Inspector General (OIG) Report No. 04-13-001-03-315 -- Georgia Department of Labor Missed Opportunities to Detect and Recover Unemployment Insurance (UI) Overpayments

Thank you for the opportunity to respond to the findings and recommendations in the draft final report cited above. I am pleased to report that the Employment and Training Administration (ETA) has either already addressed or has begun addressing each of the five recommendations in this report. Specifically, we have taken steps to ensure that the Georgia Department of Labor: 1) continues to fully utilize cross matching with the National Directory of New Hires to detect UI overpayments; 2) conducts UI Data Validation in accordance with the requirements in Employment and Training (ET) Handbook 361; and 3) submits Corrective Action Plans (CAPs) in accordance with the requirements of ET Handbook 336. In addition, ETA will continue to work closely with Regional Office staff to ensure that CAPs submitted by all states as part of the State Quality Service Plan process meet the requirements of ET Handbook 336.

Finally, ETA has established an acceptable level of performance for the recovery of UI overpayments with the publication of UI Program Letter No. 9-13 on January 29, 2013. ETA believes that this action addresses Recommendation 5 in your draft report and respectfully requests that this recommendation be removed from the final issuance of the report.

I have attached our detailed responses to the findings and recommendations in the report. If you have questions, please contact Gay Gilbert, Administrator of the Office of Unemployment Insurance, at 202-693-3029.

Attachment:

Response to the Draft OIG Report No. 04-13-001-03-315

**Employment and Training Administration (ETA) Comments On  
Office of the Inspector General (OIG) Draft Report No. 04-13-001-03-315**

ETA has been working closely with the Regional Offices and the State Workforce Agencies to ensure that states meet all UI integrity operational and performance requirements. As a result of that work, actions to address the recommendations in OIG Report No. 04-13-001-03-315 have either already been completed or are well under way.

Please note that ETA was unable to replicate the Georgia recovery data included in the draft report. On January 29, 2013, ETA provided OIG staff data from the ETA 227 reports submitted by Georgia. Based on these data, ETA calculated that Georgia recovered 43.76% of the State UI and Federal Unemployment Compensation program overpayments and 27.79% of EUC program overpayments, resulting in an overall recovery rate of 41.01%, which is significantly higher than the 25.44% rate in the OIG draft report. In response, OIG staff agreed that due to the methodology used by the OIG in collecting its data from the Georgia agency and the differences in the periods covered by the data, a reconciliation of the two data sets is not possible.

Below are ETA's specific responses to the findings and recommendations in this report.

**Finding 1. GDOL did not timely implement the NDNH cross-match process for detecting and recovering overpayments.**

**Recommendation 1. We recommend that the Assistant Secretary for Employment and Training ensure: GDOL has implemented National Directory of New Hires (NDNH) cross matching for detecting overpayments.**

Based on data provided by the Office of Child Support Enforcement, U. S. Department of Health and Human Services, which administers the NDNH, ETA has documented that the Georgia Department of Labor (DOL) began submitting files of UI payments for cross matching on April 4, 2008. The National Office has reviewed sample records from the files that the Georgia agency submitted for NDNH matching and has verified that they meet the specifications in UI Program Letter (UIPL) No. 3-07 (October 11, 2006) and UIPL No. 3-07, Change 1 (February 27, 2008) for BAM NDNH matching.

ETA revised the Overpayment Detection and Recovery report (ETA 227) with the publication of UIPL No. 8-12, issued January 11, 2012, to support the separate reporting of UI overpayments detected through the NDNH and the State Directories of New Hires (SDNH). Georgia began reporting NDNH and SDNH data on the June 2012 quarterly ETA 227 report. For the period April to December 2012, Georgia's Benefit Payment Control (BPC) operation detected over \$300,000 in UI overpayments using NDNH, nearly two-thirds of all overpayments detected through new hire matching.

**UI / UCFE / UCX / EB Overpayments Detected -- April - December 2012**

	Fraud Cases	Fraud Dollars	Average	Nonfraud Cases	Nonfraud Dollars	Average	Total OP Detected	% OP Detected
NDNH	138	\$144,489	\$1,047.02	578	\$157,977	\$273.32	\$302,466	65.09%
SDNH	35	\$38,969	\$1,113.40	381	\$123,269	\$323.54	\$162,238	34.91%
Total	173	\$183,458	\$1,060.45	959	\$281,246	\$293.27	\$464,704	100.00%

In calendar year 2012, Georgia detected overpayments representing an estimated \$5.8 million through new hire matching as part of the Benefit Accuracy Measurement (BAM) audits of paid claims samples.

In March 2013, Atlanta Regional Office will conduct a semi-annual review of BAM cases, which will validate the use of NDNH in BAM investigations. Also, the biennial review of Georgia's BAM Methods & Procedures has just been completed, and the Regional Office has concluded that Georgia is in compliance with the BAM NDNH requirements. Additionally, a BPC review of Georgia will be scheduled before the end of fiscal year (FY) 2013, which will include a review of BPC use of NDNH matching.

The Regional Office will conduct a review of Georgia's Emergency Unemployment Compensation (EUC) program during the June quarter of 2013, which will include a review of Georgia's use of NDNH to detect EUC program overpayments.

While outside the audit period, ETA believes that it has completed all the corrective actions necessary to ensure that the Georgia DOL has implemented NDNH cross matching for detecting UI overpayments and has processes in place to ensure Georgia DOL complies moving forward. We respectfully request that the final report reflect that ETA has already addressed this recommendation.

**Finding 2. GDOL did not conduct all required data validation of detection and recovery data.**

**Recommendation 2. We recommend that the Assistant Secretary for Employment and Training ensure: GDOL conducts data validation of overpayment data in accordance with ETA Handbook 361 requirements.**

Georgia has submitted and passed DV population 13 (Recovery / Reconciliation) for Validation Year (VY) 2013. Georgia submitted and passed DV population 12 (Overpayments Established) for Validation Year 2012.

ETA has completed or initiated several actions to ensure that all state agencies fully meet the requirements of the Data Validation (DV) program:

- ETA issued the UI DV Monitoring Guide (ET Handbook 412) on February 22, 2012, and has established a vigorous monitoring program to ensure the validity of DV results. Field Memorandum (FM) No. 1-12 instructed the Regional Offices to begin monitoring state DV operations immediately and provided a three-year initial monitoring schedule. This

monitoring will ensure that states that have reported passing DV populations are following the prescribed DV methodology and that their reported results are valid.

- In September 2012, ETA conducted a webinar to provide technical guidance to states on changes to the DV software to reflect changes in the ETA 227 Overpayment Detection and Recovery report, including the addition of a new DV population to verify section B of the report -- Overpayments Established - Methods of Detection.
- In February 2013 ETA will conduct a webinar on DV Data Element Validation to facilitate state compliance with this important component of UI DV.
- In September 2011, ETA contracted with National Association of State Workforce Agencies' Information Technology Support Center (ITSC) to conduct a comprehensive assessment of and support for UI DV, with particular emphasis on the validation of data covering overpayments established, recovered, and reconciled that states report on the ETA 227 report. A contractor was selected by ITSC in June 2012 to perform this assessment. The contractor, in collaboration with ETA, has developed a work plan and has completed its assessment of each state's (including Georgia's) validation status and operation. This assessment includes identifying the reasons for each state's success or lack of success in implementing DV and verifying the validity of its UI reports data.

Information on reasons for success will be disseminated to all states as best-practice guidance. During the final phase of the project, the contractor will develop a Technical Assistance Plan, which will include its recommended approach for delivering training and technical assistance to all states, and specifically ensure that at least five states are trained on DV methodology and ten states are provided technical assistance in conducting DV tasks. The Technical Assistance Plan will identify specific state needs, including grouping the states by common conditions that can be addressed collectively. The plan will identify recognized system-wide problems and develop solutions.

**Finding 3. GDOL CAPs did not contain specific milestones to ensure resolution of data validation deficiencies.**

**Recommendation 3. We recommend that the Assistant Secretary for Employment and Training ensure: GDOL submits CAPs that contain sufficient, detailed milestones to track and access progress in correcting identified deficiencies in accordance with ET Handbook 336 requirements.**

ETA's Atlanta Regional Office has taken the necessary steps to ensure the quality of the CAPs provided by states as part of their annual State Quality Service Plan (SQSP) submission. The DV CAPs provided in FY 2012 and FY 2013 by Georgia DOL includes specific milestones which can be used to track and assess their progress in correcting identified deficiencies. Additionally, as mentioned in the response for recommendation #2 above, Georgia DOL has made considerable progress with addressing the deficiencies in the DV program.

The National Office periodically conducts webinars to ensure that state CAPs meet the requirements of ET Handbook 336. A webinar will be conducted during the fourth quarter of FY 2013. Each year ETA issues guidance to the state agencies for the SQSP process, including those program performance issues that require CAPs. UIPL No. 24-12, issued June 29, 2012, addresses the Fiscal Year 2013 SQSP.

While outside the audit period, ETA believes that it has necessary procedures in place to ensure that Georgia DOL submits CAPs with sufficient and detailed milestones. We respectfully request that the final report reflect that ETA has already addressed this recommendation.

**Recommendation 4. We recommend that the Assistant Secretary for Employment and Training ensure: ETA regional reviewers ensure CAPs meet the requirements of ET Handbook 336 before accepting them.**

Each year ETA issues guidance to the Regional Offices for the SQSP process, which complements the UIPL referenced in the response to Recommendation 3. Field Memorandum No. 3-12, issued July 25, 2012, includes guidance on the requirements of CAPs and SQSP narratives submitted by the state agencies. The National Office also holds an annual conference call with the Regional Office SQSP coordinators to review all of the requirements of ET Handbook 336, including the review of state CAPs.

**Finding 4. ETA did not have a defined acceptable level of performance for overpayment recovery.**

**Recommendation 5. We recommend that the Assistant Secretary for Employment and Training ensure: ETA develops an acceptable level of performance for recovery of overpayments.**

ETA has met the recommendation with the publication of UIPL No. 9-13 on January 29, 2013. The UIPL establishes an acceptable level of performance (ALP) for recovery of overpayments:

The Department conducted an analysis of the UI payment, overpayment detection, and recovery data and established recovery targets of 55 percent for the 2013 [Improper Payments Information Act] IPIA reporting period, and 58 percent for the 2014 IPIA reporting period. These targets were reviewed by [the Office of Management and Budget] OMB and published in the Department's FY 2012 [Annual Financial Report] AFR (p. 181).

The performance period will be based on the ETA 227 and ETA 227 EUC data for the Improper Payments Information Act (IPIA) period (July 1 to June 30 of the IPIA reporting year). The first measurement period will be July 1, 2012 to June 30, 2013. States failing to meet the ALP for the 2013 IPIA reporting period will be expected to develop a CAP as part of the FY 2015 SQSP.

ETA respectfully requests that the OIG acknowledge in the report that ETA's actions taken prior to receipt of the report have fully responded to the recommendation.