

BRIEFLY...

Highlights of Report Number 18-15-002-03-315, 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 and is administered at the state level, but benefits are funded by both state and federal monies derived primarily from employer taxes. The North Carolina Department of Commerce Division of Employment Security (North Carolina) is responsible for designing controls to detect and recover UI benefit overpayments. The American Recovery and Reinvestment Act of 2009 (Recovery Act), which was enacted in February 2009, provided additional funding for the Extended Benefits (EB), Emergency Unemployment Compensation (EUC), and Federal Additional Compensation (FAC) programs.

The audit covered the processes and procedures North Carolina used to detect, reduce, recover, and report UI improper payments from the February 2009 inception of the Recovery Act through December 2012. The state paid \$9.2 billion in EB, EUC, and FAC benefits, in addition to \$6.9 billion in state-funded UI benefits during that period.

WHY OIG CONDUCTED THE AUDIT

Our audit objective was to answer the following question:

How effective was North Carolina at detecting, reducing, recovering and reporting UI improper payments and at implementing Employment and Training Administration (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/2015/18-15-002-03-315.pdf>.

September 2015

RECOVERY ACT: EFFECTIVENESS OF NORTH CAROLINA IN DETECTING AND REDUCING UNEMPLOYMENT INSURANCE IMPROPER PAYMENTS AND IMPLEMENTATION OF EMPLOYMENT AND TRAINING ADMINISTRATION NATIONAL STRATEGIES

WHAT OIG FOUND

We found North Carolina did not effectively detect, reduce, or recover improper payments, and did not report to ETA in a timely manner. North Carolina's detection rates remained well short of its target of 50 percent during our audit period. Its recovery rates also remained well short of 50 percent, although ETA did not implement its Overpayment Recovery Measure until 2013. Furthermore, North Carolina's improper payment rates increased above the target rate of 10 percent. This was due in part to the state experiencing a significant increase in volume of UI claims, combined with the increased complexity of the EB and EUC programs, which overloaded North Carolina's capacity and strained its resources.

North Carolina implemented six of eight ETA National Strategies, but was not able to demonstrate these strategies were effective because of the indirect impact some had on preventing overpayments, the lack of information collected to evaluate effectiveness, and the lack of significant change in rates during the period to indicate improvement.

WHAT OIG RECOMMENDED

We recommended the Assistant Secretary for Employment and Training: 1) work with and encourage North Carolina to fully develop a Cross-Functional Task Force that can enhance its strategic planning process for improving its improper payment rates; and 2) develop measures for determining the effectiveness of cross-matching and other strategies.

ETA generally agreed with the recommendations and described planned actions and actions already in process to implement the recommendations.