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

BRIEFLY…

Highlights of Report Number: 18-10-012-03-315, to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

Congress enacted the American Recovery and Reinvestment Act of 2009 (Recovery Act), to promote economic recovery and assist those impacted by the recession. The Recovery Act set aside $7 billion from the Federal Unemployment Account (FUA), to be used for Unemployment Insurance (UI) benefit payments for states whose UI laws meet or are changed to meet Recovery Act criteria intended to expand unemployment benefits permanently. The Act also provided $500 million in administrative grants to assist states in their UI operations in such areas as upgrading computer systems and efficiency measures.

WHY OIG CONDUCTED THE AUDIT

The Office of Inspector General (OIG) conducted an audit to determine the status of the $7 billion of incentive payments, which states had to apply for in order to receive their share; as well as the status of the $500 million in administrative grants, which the states automatically received. Specifically, our audit objectives were to answer the following questions:

(1) Did states that received UI modernization incentive payments make benefit payments to claimants who met the new eligibility requirements as enacted in state law?

(2) Did states that have received incentive payments but have not yet implemented UI modernization incentive provisions, have implementation plans, including projected costs, timeframes, and anticipated challenges?

(3) Why did states not apply for the modernization funds?

(4) What is the status of the $7 billion of modernization funds established by Congress?

(5) What is the status of the $500 million in administrative grants to states.

READ THE FULL REPORT

To view the report, including the scope, methodologies, and full agency response, go to:
http://www.oig.dol.gov/public/reports/oa/2010/18-10-012-03-315.pdf.

September 2010

RECOVERY ACT: MORE THAN $1.3 BILLION IN UNEMPLOYMENT INSURANCE MODERNIZATION INCENTIVE PAYMENTS ARE UNLIKELY TO BE CLAIMED BY STATES

WHAT OIG FOUND

The OIG found that approximately $4 billion of the $7 billion in modernization funds has not yet been applied for, and that at least $1.3 billion of the $4 billion is unlikely to be applied for by the states. States cited increased costs for benefit payments and the political difficulty of making the required changes to state laws as the primary reasons they would not apply. Of the $3 billion that has been received by the states, approximately $2 billion has already been spent on benefit payments. Most of the states that received modernization incentive payments under the Recovery Act were not able to provide data regarding claimants' payments under the new provisions enacted in state laws, but those that could quantify the data reported to us approximately 59,000 claimants were paid $98 million. We also found that at least $399 million of the states' administrative grant funds remains unexpended, with a significant number of states planning multi-year systems improvements. States representing $39 million of the $500 million in administrative grant funds reported to us they did not have plans in place to spend those funds.

WHAT OIG RECOMMENDED

To better ensure more than $1 billion of Recovery Act funds are put to best use, we recommended the Assistant Secretary for Employment and Training (1) keep Congress informed on the status of unused funds, and as appropriate, make recommendations to the Secretary to work with Congress to reinstate those funds into the FUA, and(2) request detailed spending plans from the states for the $500 million of administrative funds, and provide assistance, as appropriate, to help ensure these funds are spent as intended.

ETA advised against including state-specific information in the report, citing concerns the information could change, and internal negotiations regarding the funds could be disrupted by the public disclosure. ETA supports our recommendation that unused funds become unrestricted in the FUA account, but recommends this occur on October 1, 2011, as provided by the Recovery Act. Given the unprecedented level of transparency called for by the Recover Act, the OIG believes disclosure of state-specific information is necessary and appropriate. We continue to believe the more than $1 billion in Recovery Act funds unlikely to be used by states could be better used to help off-set the cost of government borrowing.