

Appendix D

Employment and Training Administration Response to Draft Report

U.S. Department of Labor

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



SEP 30 2010

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

FROM: JANE OATES *Jane Oates*
Assistant Secretary for Employment and Training

SUBJECT: Comments on Recovery Act: More Than A Billion Dollars in
Unemployment Insurance Modernization Incentive Payments is
Unlikely To Be Claimed By States Draft Audit Report No. 18-10-
012-03-315

This memo transmits comments from the Employment and Training Administration (ETA) on the subject draft audit report.

As discussed with the audit staff, ETA advises against the inclusion of state-specific responses to survey questions concerning the likelihood of a state to apply for an incentive payment. While respondents used their judgment and available facts to determine the likelihood of their state applying for an incentive payment at the time of the OIG's field work, no one can accurately make such a prediction. Indeed, some states that appeared highly unlikely to apply for an incentive payment have already received incentive payments. In addition, we note that the responses came from the state workforce agencies and do not necessarily reflect the opinions of other key actors in the states. As a result, internal negotiations may be disrupted by making these responses public. Because of these factors, ETA recommends the deletion of these state-specific responses.

ETA strongly supports the recommendation that unused funds become unrestricted in the Federal Unemployment Account (FUA) for loans to states to pay unemployment compensation, as provided in the American Recovery and Reinvestment Act of 2009 (ARRA). FUA is currently borrowing from the general fund of the U.S. Treasury to provide loans to states. This will help off-set the cost of borrowing that FUA will incur. However, this draft report also recommends that the Secretary work with Congress to reinstate those funds into FUA. Instead, ETA supports recommending that, as provided in ARRA, unused funds automatically become unrestricted in FUA on October 1, 2011, when unemployment insurance modernization incentive payments may no longer be made to states.

If you have any questions, please contact me or Gay Gilbert at x33428.