

ETA's Response to Draft Report

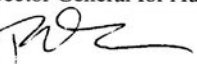
U.S. Department of Labor

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



JUL 23 2015

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

FROM: PORTIA WU 
Assistant Secretary

SUBJECT: Response to the Office of the Inspector General (OIG) Audit
Report No. 18-15-002-03-315 – Recovery Act: Effectiveness of
North Carolina in Detecting and Reducing Unemployment
Insurance Improper Payments and Implementation of Employment
and Training Administration National Strategies

Thank you for the opportunity to respond to the report cited above. The Employment and Training Administration (ETA) has been and continues to work aggressively with states to improve the prevention, detection, and recovery of Unemployment Insurance (UI) improper payments and to bring down the rate. ETA is committed to working with North Carolina to address your recommendations and improve the integrity of its UI program.

ETA appreciates the acknowledgement on page 2 of the report that the recession created a major challenge for states in addressing improper payments. States experienced significant increases in the volume of UI claims that resulted in the shifting of resources to ensure timely payments to eligible claimants as required under Federal law. In addition, the complex and changing requirements of the temporary benefit programs overloaded state capacity. Many states, like North Carolina, also struggled with antiquated and inflexible information technology systems that impacted their capacity to address program integrity issues. These strains on state resources further hindered their ability to detect, prevent, and recover improper payments.

As you noted in your report, ETA has identified a number of national strategies for state implementation designed to address major root causes of UI improper payments as part of a comprehensive strategic plan. ETA will continue working with states to identify and implement new and innovative strategies to improve program integrity and bring down the improper payment rate.

To promote development of innovative integrity strategies, ETA has established a national UI Integrity Center of Excellence (Center) through a cooperative agreement with the New York State Department of Labor. The Center is working collaboratively with ETA, a Steering Committee comprised of representatives from five state workforce agencies, and the National Association of State Workforce Agencies (NASWA) to guide the Center's work and ensure its strategies support all states' integrity activities, creating greater efficiency, improving operations, and saving millions of taxpayer dollars. The strategies and tools being developed by the Center will be made available to all states and include, among others: data analytics and predictive modeling methodologies and tools to improve UI fraud prevention and detection; a secure portal

for the rapid exchange of fraud information between states as it is identified; locally adaptable staff training on fraud solutions and integrity practices; highlighting integrity practices that should be included in state UI modernization efforts; and creation of a “model” plan for Benefit Payment Control operations.

I have attached our comments and responses to the findings and recommendations in the audit report. If you have questions, please contact Les Range, Regional Administrator for the Atlanta Office, at (404) 302-5300.

Attachment

**Employment and Training Administration (ETA) Response To
Office of the Inspector General (OIG) Report No. 18-15-002-03-315 – Recovery Act:
Effectiveness of North Carolina in Detecting and Reducing Unemployment Insurance
Improper Payments and Implementation of Employment and Training Administration
National Strategies**

ETA has been working aggressively with states to address the issue of UI improper payments and for the implementation of the national strategies for the detection, prevention, and recovery of improper payments. Below are ETA’s comments and responses to the findings and recommendations in this report.

Findings

On page 3, the report states that “The two National Strategies that North Carolina did not implement were the Cross-Functional UI Integrity Task Force and the Treasury Offset Program (TOP).”

Comment: In Fiscal Year (FY) 2011, the Department selected eleven states based on their largest dollar amounts of improper payments and designated them “High Impact” since the reductions in the improper payments in these states will have a significant impact on the national improper payment rate. ETA requested each of these high impact states to join in a collaboration to bring down the UI improper payment rate. As one of the selected states, North Carolina collaborated with the Department to meet one of the key expectations of this initiative which was the formation of a state cross-functional UI improper payment task force. Based on ETA’s records and information provided by North Carolina, the state created its Cross-Functional UI Task Force in June, 2011. This task force analyzed North Carolina’s root causes and developed a strategic plan to bring down the rate of overpayments in the state. Additionally, North Carolina included this strategic plan as part of its FY 2012 State Quality Service Plan. The task force meetings and activities continued in 2011 and 2012. However, due to leadership changes in the state’s Benefits Integrity Unit, task force meetings were temporarily suspended in mid-2012 while the members continued to provide strategic planning activities and quarterly reports to the ETA regional office. These task force meetings have resumed as of October 2014 and are now monthly in 2015.

On pages 6 - 7, Recovering Improper Payments section, Chart 4 – Amount Recovered Compared to Amounts Detected by Calendar Year

Comment: North Carolina’s recovery rate data for Calendar Year (CY) 2012 as indicated in Chart 4 is inaccurate. North Carolina’s recovery rate data for CYs 2009 – 2013 is shown below for your reference.

CY	Recovery Rate
2009	52.17%
2010	35.72%
2011	39.69%
2012	47.87%
2013	43.21%

On pages 10 – 11, the report states “One of the two National Strategies that North Carolina had not implemented was the Cross-Functional UI Integrity Task Force.” Additionally Table 2 presents the status of the Cross-Functional Task Force as “Not Implemented”

Comment: As mentioned above, North Carolina created its Cross-Functional UI Task Force in June, 2011. The task force meetings and activities continued in 2011 and 2012. However, due to leadership changes in the state’s Benefits Integrity Unit, task force meetings were temporarily suspended in mid-2012 while the members continued to provide strategic planning activities and quarterly reports to the ETA regional office. These task force meetings have resumed as of October 2014 and are now monthly in 2015. ETA recommends the status on Table 2 of the OIG report should reflect the Cross-Functional Task Force as “Implemented”.

Recommendations

- 1. ETA should work with and encourage North Carolina fully develop a Cross-Functional Task Force with the Department of Employment Security that can enhance North Carolina’s strategic planning process for improving its improper payment rates.**

In FY 2011, the Department selected eleven states based on their largest dollar amounts of improper payments and designated them “High Impact” since the reductions in the improper payments in these states will have a significant impact on the national improper payment rate. ETA requested each of these high impact states to join in a collaboration to bring down the UI improper payment rate. As one of the selected states, North Carolina collaborated with the Department by meeting one of the key expectations of this initiative which included forming a cross-functional UI improper payment task force to analyze their state’s root causes and to develop a strategic plan to bring down the rate in their state. Based on our records, in June 2011, the North Carolina Cross-Functional UI Task Force was created. The task force meetings and strategic planning activities continued in 2011 and 2012. However, due to leadership changes in the state’s Benefits Integrity Unit, task force meetings were temporarily suspended in mid-2012 while the members continued to provide strategic planning activities and quarterly reports to the ETA regional office. These task force meetings have resumed as of October 2014 and are now monthly in 2015.

As part of its quarterly monitoring process, ETA will ensure that North Carolina has a fully functioning cross-functional integrity task force that continues to focus on developing and implementing strategies to reduce its improper payment rate.

- 2. ETA should work with and encourage North Carolina to develop measures for determining the effectiveness of its cross-match strategies and the related follow-up on identified matches.**

In September, 2014, ETA conducted a comprehensive onsite review of North Carolina’s program integrity operations. This review helped assess the effectiveness of the state’s operations, identify deficiencies and provide technical assistance to implement corrective

action. As part of its quarterly monitoring process, ETA will continue its review and follow-up to the strategies and milestones included in North Carolina's Integrity Action Plan.

ETA will also work with North Carolina to encourage and provide any technical assistance to measure the effectiveness of the state's strategies. We agree that it would be beneficial for the state to track the results of their integrity strategies to the extent feasible. However, we note that many variables impact a state's overall improper payment rate and root causes which make it particularly challenging to develop measures that accurately evaluate the effectiveness of individual strategies.