

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

## **BRIEFLY...**

Highlights of Report Number 18-16-001-03-315, 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. The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided additional funding for benefits for the Extended Benefits (EB), Emergency Unemployment Compensation (EUC), and Federal Additional Compensation (FAC) programs.

The audit covered California's efforts to detect, reduce, recover, and report UI improper payments from the inception of the Recovery Act in February 2009 through December 2012. The state paid \$40.5 billion in EB, EUC, and FAC benefits, in addition to \$31.2 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 California 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/2016/18-16-001-03-315.pdf>.

**October 2015**

## **RECOVERY ACT: EFFECTIVENESS OF CALIFORNIA IN DETECTING AND REDUCING UNEMPLOYMENT INSURANCE IMPROPER PAYMENTS AND IMPLEMENTATION OF EMPLOYMENT AND TRAINING ADMINISTRATION NATIONAL STRATEGIES**

### **WHAT OIG FOUND**

We found California did not fully meet established targets for detecting improper payments, and the integrity of the data the state reported to ETA could not be validated. With the exception of 2012, during our audit period California's detection rates remained well short of its target of 50 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 California's capacity and strained its resources. Its improper payment rates remained below the target rate of 10 percent. However, the rate may have been understated because California's reporting excluded data on required work search verifications.

California implemented eight of the nine ETA National Strategies, but was not able to demonstrate their effectiveness. Some strategies had an indirect impact on preventing overpayments that could not be measured. For other strategies, information was not collected in a manner that allowed the effectiveness to be evaluated.

### **WHAT OIG RECOMMENDED**

We made several recommendations for ETA to work with California to help the state demonstrate the effectiveness of ETA's National Strategies and improve its detection and recovery rates.

ETA generally agreed with the recommendations and described planned and in-process corrective actions.