

ETA Response to Draft Report


U.S. Department of Labor

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



OCT 14 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. 18-15-009-03-315 – Recovery Act: Effectiveness of
Indiana 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) continues to work aggressively with states to improve the prevention, detection, and recovery of Unemployment Insurance (UI) improper payments and to bring down the improper payment rate. ETA is committed to working with Indiana to address your recommendations and improve the integrity of its UI program.

ETA appreciates the acknowledgement on page 3 of the report that Indiana experienced a large increase in claims due to the implementation and extension of Federal UI programs. This change, caused by the recession, created a major challenge for states in addressing improper payments. All states, including Indiana, experienced unprecedented increases in claims due to the massive numbers of workers who became unemployed. Additionally, the enactment of both the Emergency Unemployment Compensation program in 2008 and the Federal Additional Compensation program in 2009, and subsequent changes to these temporary programs, further contributed to the states' increasing claims workload. Extremely high workloads and the requirement to rapidly implement the complex new programs strained states' capacity. To maintain the statutory requirement to pay benefits "when due," states were forced to reallocate staff and rapidly train and deploy new staff with sub-optimal amounts of training and experience. This created a major challenge for states in addressing improper payments. In addition, the complex and changing requirements of the temporary emergency and additional benefit programs also overloaded state capacity. Many states, like Indiana, struggled with antiquated and inflexible information technology systems that impacted their ability to address program integrity issues. These strains on state resources further hindered their ability to detect, prevent, and recover improper payments.

As 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 continues to actively work 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 the 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 Indiana and to all states. These strategies 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.

Finally, for many years, ETA has supported state UI agencies in the modernization of their information technology (IT) legacy systems, which continues to be a high priority for ETA. To further these efforts, ETA provides funding to and works collaboratively with, the Information Technology Support Center (ITSC) operated by NASWA. ITSC provides technical assistance and support to individual states and state consortia on their UI IT modernization efforts – UI IT modernization is the main focus of ITSC's operations.

I have attached our responses to the findings and recommendations in the audit report. If you have questions, please contact Rose Zibert, Acting Regional Administrator for the Chicago Office, at zibert.rosaura@dol.gov.

Attachment

**Employment and Training Administration (ETA) Response To
Office of the Inspector General (OIG) Report No. 18-15-009-03-315 – Recovery Act:
Effectiveness of Indiana in Detecting and Reducing Unemployment Insurance Improper
Payments and Implementation of Employment and Training Administration National
Strategies**

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

Findings

On page 6, Reducing Improper Payments section, Chart 3 – Improper Payment Rates by Year

Comment: Indiana’s estimated improper payment rate data for 12-months ending June 30, 2013 as indicated in Chart 3 is inaccurate. Indiana’s estimated improper payment rate data for Years 2009 – 2013 is shown below for your reference.

Year ending June 30	Estimated Improper Payment Rate
2009	27.7%
2010	50.9%
2011	60.1%
2012	32.7%
2013	13.8%

During 2012, ETA developed a new metric to measure improper payments that takes into account the “net” effect of UI overpayment recoveries. This measure includes the two components that have been reported annually as part of the reporting requirements -- total overpayments plus total underpayments -- which continue to be estimated from Benefit Accuracy Measurement survey, and subtracts the amount of overpayment recoveries, which are based on actual amounts reported by the state workforce agencies on the *ETA 227 Overpayment Detection and Recovery Report*. This methodology was approved by the Office of Management and Budget for the FY 2013 reporting in the Department’s Agency Financial Report.

Recommendations

- 1. ETA should work with and encourage Indiana to develop measures for determining the effectiveness of cross-matching and other strategies.**

ETA will work with Indiana 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.

- 2. ETA should work with and encourage Indiana to include in its systems modernization effort the necessary applications and processes to enable the state to pass ETA data validation requirements. Specific milestones for remedying data validation should be included in the Indiana Corrective Action Plan.**

ETA will work with Indiana to ensure that specific actions and milestones for remedying UI Data Validation (DV) are included in the corrective action plan submitted as part of its FY 2016 State Quality Service Plan (SQSP) submission.

Additionally, to support states’ system modernization efforts, in March 2015, ETA issued Training and Employment Notice No. 28-14 to provide a pre-implementation planning checklist for use by states prior to “going live” with a modernized UI Information Technology system. Among the items noted in the checklist is a requirement that the state ensure that UI DV requirements are met prior to production implementation.