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

REPORT TO THE OFFICE OF THE CHIEF FINANCIAL OFFICER

REPORTING OVER THE U.S. DEPARTMENT OF LABOR'S FY 2018 COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT

KPMG LLP reports included herein were prepared under contract with the U.S. Department of Labor, Office of Inspector General, and by acceptance, they become reports of the Office of Inspector General.

Elliot P. Lewis

Assistant Inspector General for Audit
U.S. Department of Labor

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INSPECTOR GENERAL'S REPORT

Mr. James Williams
Chief Financial Officer
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The United States Department of Labor (DOL) Office of Inspector General (OIG) contracted with the independent certified public accounting firm of KPMG LLP (KPMG) to conduct two engagements related to DOL's compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for the year ended September 30, 2018 (FY 2018). The first engagement was a performance audit related to DOL's compliance with the requirements contained in IPERA Section 3(a)(3). The second was an agreed-upon procedures (AUP) engagement to assist the OIG in evaluating certain objectives of Office of Management and Budget (OMB) A-123, Appendix C.

The objective of KPMG's performance audit was to evaluate DOL's compliance with the requirements contained in IPERA Section 3(a)(3) by determining if DOL:

1. Published an AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website

2. Conducted a program-specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31, United States Code

3. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment

4. Published programmatic corrective action plans in the AFR

5. Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments

6. Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR

KPMG issued a performance audit report for this engagement that concluded DOL met five of the six requirements listed in IPERA Section 3(a)(3). For the requirement it did not meet (Requirement 6), DOL reported a FY 2018 Unemployment Insurance (UI) program improper payment rate of 13.05 percent, which did not meet the IPERA requirement of "less than 10 percent." The FECA program met the less than 10 percent requirement with a reported improper payment rate of 2.44 percent.

The AUP engagement conducted by KPMG related to the following objectives:

- Evaluation of DOL's accuracy and completeness of reporting of IPERA in the FY 2018 Agency Financial Report (AFR) based on Office of Management and Budget (OMB) Circular A-123, Appendix C;

- Evaluation of DOL's performance in reducing improper payments based on the requirements in OMB Circular A-123, Appendix C;

- Evaluation of DOL's assessment of risk for high priority programs based on the requirements in OMB Circular A-123, Appendix C and Section 3321 of Title 31 U.S.C;

- Determination if DOL is using Do Not Pay (DNP) as required by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA); and

- Determination of the status of DOL's execution of its corrective action plans in order to address prior year findings and recommendations.

The AUP report includes a description of the procedures performed and the results of those procedures. In summary, KPMG did not identify any differences in conducting the agreed-upon procedures related to objectives 2, 4 and 5 above.

For objective 1, KPMG identified differences while conducting the agreed-upon procedures. KPMG noted that the Veteran's Employment and Training Service (VETS) Transition Assistance Program Employment Workshop was inadvertently excluded from the Susceptibility to Improper Payments Risk Assessments Results table in the FY 2018 AFR, erroneously reporting the VETS Jobs for Veterans State Grants program in its place.

For objective 3, KPMG noted that DOL had assessed the risk of its high priority UI program; however, KPMG identified differences in the reported overpayment and recoveries information for the UI program, resulting from the use of un-adjusted state reported data in KPMG's recalculation.

Elliot P. Lewis

Elliot P. Lewis
Assistant Inspector General for Audit

PERFORMANCE AUDIT REPORT

KPMG LLP
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Secretary and Inspector General
U.S. Department of Labor

This report presents the results of our work conducted to address the performance audit objectives related to the United States Department of Labor's (DOL) compliance with the requirements contained in the Improper Payments Elimination and Recovery Act of 2010, Section 3(a)(3) (IPERA). Our work was performed during the period of February 15, 2019 through May 3, 2019, and our results are as of June 3, 2019.

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller of the United States, and the American Institute of Certified Public Accountants' *Standards for Consulting Services*. *Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objective was to evaluate DOL's compliance with IPERA, by determining if DOL:

(1) Published an Agency Financial Report (AFR) or Performance and Accountability Report (PAR) for the fiscal year ended September 30, 2018, and posted that report and any accompanying materials required by Office of Management and Budget (OMB) on the agency website;

(2) Conducted a program-specific risk assessment for each program or activity that conforms with Section 2(a) of the Improper Payments Information Act of 2002 (IPIA);

(3) Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment;

(4) Published programmatic corrective action plans in the AFR or PAR;

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(5) Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments; and

(6) Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.

Based on the performance audit procedures conducted and the results obtained, we have met our audit objective. Specifically, we determined the following:

	Criteria Met?	
Requirements	**Unemployment Insurance**	**Federal Employers Compensation Act**
DOL published an AFR or PAR for the fiscal year ended September 30, 2018, and posted that report and any accompanying materials required by OMB on the agency website	YES	YES
DOL conducted a program-specific risk assessment for each program or activity that conforms with Section 2(a) of IPIA	YES	YES
DOL published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment	YES	YES
DOL published programmatic corrective action plans in the AFR or PAR	YES	YES
DOL published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments	YES	YES
DOL reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR	NO	YES

This performance audit did not constitute an audit of financial statements or an attestation level report as defined under *Government Auditing Standards* or AICPA professional standards. KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

KPMG

This report is intended solely for the use of the U.S. Department of Labor Secretary and Inspector General, Comptroller General, OMB, and relevant congressional committees; and is not intended to be and should not be relied upon by anyone other than these specified parties.

KPMG LLP

June 3, 2019

BACKGROUND

The Improper Payments Information Act of 2002 (IPIA) requires federal agencies to identify programs susceptible to significant improper payments, estimate the improper payments for those programs, and report on actions to reduce the improper payments in those programs. The Office of Management and Budget (OMB) was required to prescribe guidance on implementation of these requirements.

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) sought to have agencies take additional steps to reduce their improper payments. The act amended the IPIA by further refining the assessment of susceptible programs, the estimation of improper payments, and actions to reduce with additional criteria. In addition to these refinements, IPERA also requires additional reporting on efforts to recover improper payments, including conducting recovery audits. Lastly, IPERA requires an annual compliance report by the Inspectors General of agencies, and defines what constitutes compliance with the requirements.

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) amended IPIA once more. This most recent amendment requires agencies to identify 'high-priority' federal programs for greater oversight and review; and report that information. It also established the Do Not Pay initiative to require agencies to review payments against designated databases before release of federal funds to prevent improper payments.

DOL has established a Department-wide risk assessment process to assess its programs for susceptibility to significant improper payments. Each year, DOL assesses one third of all of its programs to ensure each program is assessed at least once every three years. DOL's policies define significant improper payments as gross annual payments exceeding (1) both 1.5 percent and $10 million of all program payments; or (2) $100 million regardless of percentage of program payments, which complies with the IPIA. Based on its risk assessment process, DOL identified two programs that were susceptible to significant improper payments in FY 2018. The two programs identified are described below.

Unemployment Insurance (UI) Program

The UI program provides unemployment benefits to eligible workers who become unemployed through no fault of their own, and meet certain other eligibility requirements. Each state, the District of Columbia, and U.S. territories administer their own UI program under guidelines established by federal statute. In FY 2018, the UI program had total outlays of $28.7 billion and estimated improper payments of $3.7 billion.

The improper payments estimate was developed from the UI program's Benefit Accuracy Measurement (BAM) program. All 50 states, DC, and the U.S. territories performed audits of a sample of benefit payments and reported those results into the BAM database. This data was then analyzed to determine the improper payment rate and cause. Each state reviewed approximately 300-500 samples, resulting in over 20,000 samples for the assessment.

Federal Employees Compensation Act (FECA) Program

The FECA program provides workers compensation coverage to federal and postal workers for employment-related injuries and occupational diseases. DOL's Division of Federal Employees' Compensation manages the FECA program. In FY 2018, the FECA program had total outlays of $3.0 billion and estimated improper payments of $74.4 million.

The improper payments estimate was developed from a random sample of approximately 500 medical and 500 compensation benefits payments from the FECA program. The payments were assessed against the program's criteria, and the supporting documentation maintained in the electronic case management system. Results from the sample were then extrapolated over the population as a whole to determine the improper payment rate and cause.

As the UI and FECA programs were considered susceptible to significant improper payments, DOL produced statistical estimates of the improper payments as required by OMB and discussed above. DOL disclosed these programs along with the required related improper payment information in its FY 2018 AFR.

OBJECTIVES, SCOPE AND METHODOLOGY

Our audit objective was to evaluate DOL's compliance with the requirements contained in IPERA Section 3(a)(3) and OMB Circular No. A-123, *Requirements for Payment Integrity Improvement*, Appendix C (OMB A-123, Appendix C), which define compliance as federal agencies that have met the following:

1. Published an AFR or PAR for the most recent fiscal year and posted that report and any accompany material required by OMB on the agency website;
2. Conducted a program-specific risk assessment for each program or activity that conforms with Section 2(a) of IPIA (if required);
3. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);

4. Published programmatic corrective action plans in the AFR or PAR (if required);
5. Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
6. Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.

SCOPE AND METHODOLOGY

The scope of our performance audit was DOL's FY 2018 improper payment and reporting data as presented in the Other Information section of the FY 2018 AFR.

During our planning and testing phase, we conducted interviews, collected and inspected auditee-provided documentation and evidence, and participated in process and control walkthroughs with the programs identified as susceptible. We conducted these test procedures at DOL headquarters. As part of these procedures, we performed the following:

- Obtained an understanding of DOL's improper payments reporting process and associated controls through inquiries with management;
- Reviewed DOL's policies and procedures over the IPERA reporting process;
- Reviewed management's agency-wide risk assessment for all agency disbursements/programs;
- Reviewed for significant changes in legislation, increases in funding levels, or changes to the program specific risk assessment process for each program or activity;
- Reviewed the statistically determined improper payments estimates for each program deemed susceptible to improper payments;
- Reviewed the assessment methodology as designed for each program deemed susceptible to improper payments; and
- Obtained any OMB Waivers/Exemptions for Improper Payments Reporting.

In carrying out this methodology, we obtained sufficient, appropriate evidence to provide a reasonable basis for our conclusions related to our audit objective.

RESULTS AND CONCLUSIONS

Based on our audit procedures performed, we determined that DOL met all of the six IPERA compliance requirements except one. DOL did not meet the requirement to report a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR. See below for additional details of our results.

- Requirement 1 – Determine if DOL published an AFR for the fiscal year ended September 30, 2018, and posted that report and any accompanying materials required by OMB on the agency website.

Yes. DOL published its AFR for FY 2018 on November 15, 2018 and posted the AFR on the agency website at www.dol.gov. The AFR included a Payment Integrity section with the OMB required subsections, which included: Payment Reporting, Recapture of Improper Payments Reporting, Agency Improvement of Payment Accuracy with Do Not Pay Initiative, Barriers, Accountability, Agency Information Systems and Other Infrastructure, Sampling and Estimation, and Risk Assessment.

- Requirement 2 – Determine if DOL conducted a program-specific risk assessment for each program or activity that conforms with Section 2(a) of IPIA.

Yes. DOL conducted a risk assessment based on the requirements in the IPIA. In FY 2018, DOL revised its risk assessment process to require assessments of approximately one third of its programs annually. As a result, DOL plans to review every program at least once every three years. DOL also conducts assessments if programs meet certain criteria. Specifically, DOL conducts assessments for all new programs or programs with significant changes during the current fiscal year.

During FY 2018, DOL reviewed 17 programs for FY 2018, of which 16 were identified as not susceptible to significant improper payments. The remaining program was considered not responsive (i.e., Office of Inspector General). As a result, the OIG was not assessed for susceptibility for improper payments. In addition, the UI and FECA programs continued to be identified as susceptible to improper payments.

- Requirement 3 – Determine if DOL published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment.

Yes. DOL published improper payment estimates for both the UI and FECA programs. Both programs utilized a statistical estimation approach that applied a 95 percent confidence level, plus or minus 3 percent. The UI program reported an improper payment rate of 13.05 percent, which resulted in an estimated $3.7 billion in gross improper payments. The FECA program reported an improper payment rate of 2.44 percent, which resulted in an estimated $74.4 million in gross improper payments.

- Requirement 4 – Determine if DOL published programmatic corrective action plans in the AFR.

Yes. DOL reported corrective actions for each of the reported root causes in the Other Information section of the AFR. Specifically, DOL reported corrective actions related to the following UI root cause categories: Program Design or Structural Issue, Inability to Authenticate Eligibility, Failure to Verify, Administrative or Process Error Made, and Insufficient Documentation to Determine. In addition, DOL reported corrective actions related to the following FECA root cause categories: Inability to Authenticate Eligibility and Administrative or Process Error Made.

- Requirement 5 – Determine if DOL published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments.

Yes. DOL met the established reduction targets of 13.75 percent and 3.38 percent published in the DOL FY 2017 AFR for the UI and FECA programs, respectively.

- Requirement 6 – Determine if DOL reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR.

No. Although the FECA program met the requirement with an improper payment rate 2.44 percent, the UI program reported an improper payment rate of 13.05 percent.

FINDINGS AND RECOMMENDATIONS

Our 2018 performance audit identified two findings, which are presented below. We discussed the findings with management and received their response, which is included in Appendix A of this report.

Finding No. 18-01: Continued improvements needed to meet certain required IPERA thresholds

As noted in the Results and Conclusion section above, DOL reported an improper payment rate of 13.05 percent for the DOL UI program, which exceeded the 10 percent threshold established by IPERA. As a result, DOL was not in compliance with IPERA.

IPERA Section 3(a)(3), *Compliance*, states that:

> The term "compliance" means that the agency –
>
> f. Has reported an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under section 2(b) of the Improper Payments Information Act of 2002 (31 U.S.C.3321 note).

UI management disclosed the following primary barriers that impeded their ability to maintain a gross improper payment rate of less than 10 percent:

- Work Search: Work Search errors occur when a claimant fails to provide acceptable evidence of his/her work search efforts in accordance with state law, policy, or procedure. Management claims that work search verification was very workload intensive, and states lacked adequate resources to facilitate the reporting and verification of work search activities in a timely manner to proactively prevent these errors. Additionally, eligibility requirements vary from state to state and work search audits, which may help detect but not prevent improper payments, were not required since dedicated funding was not provided for this initiative.

- Benefit Year Earnings (BYE): BYE errors are payments to individuals who continue to claim benefits after they have returned to work and have unreported earnings. Management claims there was at least a six week lag in the data sources used by states to identify individuals that continued to claim benefits after returning to work. Additionally, there is a lack of adequate state funding for staff resources to validate and adjudicate "hits" from the cross-matches designed to detect these improper payments.

- Delays in receiving separation information: Management claims that compliance with the payment "when due" provisions of Section 303(a)(1) of the Social Security Act poses a major challenge in the determination of improper payments for states when claimants, employers and third party administrators do not report complete and accurate separation information in a timely manner.

Prior Year Recommendation

The following recommendation was issued in the *DOL Did Not Comply with Improper Payments Elimination and Recovery Act for FY 2017* report issued by the OIG on May 15, 2018.

- Maintain management's current focus on increasing its technical assistance and funding to states to improve the improper payment reduction strategies in order to ensure compliance with the improper payments estimate rate threshold.

Status: As noted in our finding, DOL was not compliant with the 10 percent threshold criteria. As a result, this recommendation remains open.

Finding No. 18-02: Improvement needed in management's preparation of the IPERA data in the Agency Financial Report

While conducting our procedures we identified a program that was inadvertently included in, and a program inappropriately excluded from, the listing of assessed programs in the FY 2018 AFR.

In addition, we noted differences in UI data reported for overpayments established and recovered. The differences for overpayments established ranged from $(.04) million to $30.55 million. The differences for overpayments recovered ranged from $.06 million to $6.33 million, with the related percentages differing between (.57) percent to .04 percent.

The first condition occurred because management did not have formalized procedures in place to conduct a detailed review of the IPERA data and the supporting documentation that was sufficient to identify and correct all errors. The second condition occurred because management did not retain a portion of the supporting documentation used to calculate the dollar amounts and percentages related to the UI overpayments established and recovered.

The Government Accountability Office Standards for Internal Control in the Federal Government, Sections 10.02 and 10.03 state:

> Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks.
>
> Management clearly documents internal control and all transactions and other significant events in a manner that allows documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals in either paper or electronic form. Documentation and records are properly managed and maintained.

Lack of formalized policies and controls can result in the reporting of incorrect or incomplete IPERA data in the AFR, which could potentially result in non-compliance with reporting requirements.

Prior Year Recommendations

The following recommendations were issued in the *DOL Did Not Comply with Improper Payments Elimination and Recovery Act for FY 2017* report issued by the OIG on May 15, 2018.

- Develop and implement formalized policies and procedures related to the maintenance of supporting documentation for the IPERA reporting process.

- Develop and implement formalized policies and procedures that require a detailed review of the IPERA information in the AFR, including the related calculations and supporting documentation.

Status: As noted in the finding, we continued to identify differences. As a result, these recommendations remain open.

CLOSED PRIOR YEAR RECOMMENDATIONS

The following recommendations were also issued in the *DOL Did Not Comply with Improper Payments Elimination and Recovery Act for FY 2017* report issued by the OIG on May 15, 2018. We followed up with management on the status of each recommendation.

- Perform an analysis over the payments excluded from the sampled population used to calculate the FECA improper payment rate and document its assessment.

  Status: Management noted that it updated the FECA improper payment methodology for FY 2018 to include payments that were previously excluded. We obtained the new methodology for FY 2018 and confirmed that it was updated. As a result, this prior year recommendation was closed.

- Amend for any FECA payment categories determined to have a material impact on the improper rate calculation, its methodology to include those payments in the sampled population.

  Status: As noted above, the FY 2018 methodology was updated. As a result, this prior year recommendation was closed.

APPENDIX A: AGENCY'S RESPONSE TO THE REPORT

U.S. Department of Labor

Office of the Chief Financial Officer
Washington, D.C. 20210

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

JUN 0 3 2019

FROM: **JAMES WILLIAMS**
Chief Financial Officer

SUBJECT: Response to the Office of Inspector General's draft report "REPORTING OVER THE U.S. DEPARTMENT OF LABOR'S FY 2018 COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT" (Report No. 22-19-007-13-001)

The Department of Labor's (DOL or the Department) Office of the Chief Financial Officer (OCFO) thanks the Office of Inspector General (OIG) for its annual review of the Department's compliance with requirements under the Improper Payments Elimination and Recovery Act (IPERA) of 2010, and for the opportunity to respond to its draft Fiscal Year (FY) 2018 report entitled "REPORTING OVER THE U.S. DEPARTMENT OF LABOR'S FY 2018 COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT" (Report No. 22-19-007-13-001).

The Department is committed to good stewardship of public funds and takes seriously its responsibility under IPERA to prevent, detect, and recover improper payments in its programs and to report fully and accurately on those efforts. The Department appreciates the OIG's acknowledgement of the steps management has taken to review its payment integrity policy, procedures, and reporting by closing two outstanding prior year recommendations regarding the Federal Employee Compensation Act program. In addition, we acknowledge the two areas of difference that the auditor's Agreed Upon Procedures noted which resulted in the OIG maintaining the final two prior year recommendations, as described below.

Recommendation #1: Maintain management's current focus on increasing its technical assistance and funding to states to improve the improper payment reduction strategies in order to ensure compliance with the improper payments estimate rate threshold.

The OIG is correct to note that the federal-state Unemployment Insurance (UI) program continues to report an estimated improper payment rate greater than the 10 percent compliance threshold. This Administration has made "Getting Payments Right" a Cross-Agency Priority Goal in the President's Management Agenda to reduce cash lost to taxpayers through improper payments. The UI program is a federal-state partnership under which nearly all UI payments are made by states, under state law, using state funds. As reported in the FY 2018 Agency Financial Report, none of the reported improper payments were made directly by the Department.[1] However, the Department is firmly committed to payment integrity and in FY 2019 has redoubled its efforts to improve implementation of an

[1] U.S. Department of Labor. FY 2018 Agency Financial Report. p. 161. https://www.dol.gov/sites/dolgov/files/OPA/reports/2018annualreport.pdf

aggressive and ever evolving Integrity Strategic Plan to address the leading root causes of improper payments.

On December 21, 2018, the Department provided a report on these efforts to Congress and the Office of Management and Budget. Since that report was issued, the Department has taken additional steps to address improper payments in the UI program. These actions include the following:

1. In February 2019, the Department issued letters to the governors of 11 states with high UI improper payment rates which significantly contribute to the national rate. The letters requested state leadership to reduce the improper payment rate by targeting the leading root causes. The Department is providing intensive technical assistance and oversight to these states. The letters were followed by contacting the state workforce commissioner and UI director in each state to discuss the state's leading root causes and opportunities for improvement and to provide an overview of the technical assistance and oversight process moving forward until the states achieve an improper payment rate below 10 percent. Each of the states will be provided intensive consultative services through the UI Integrity Center to support their strategies to bring their improper payment rates down.

2. In March 2019, the Department issued "call to action" letters to the remaining 41 governors and the mayor of the District of Columbia requesting their leadership in addressing UI improper payments. In April 2019, the Department also issued letters to the Chairs of each State Workforce Development Board (SWDB) similarly requesting their leadership in addressing UI improper payments.

3. In March 2019, to increase the effectiveness of state use of the National Directory of New Hires (NDNH) used to identify claimants that have returned to work but continue to claim benefits, the Department issued letters to the six states that do not currently have penalties in place when employers fail to report information about new hires. The letters strongly encourage those states to work with the state child support agency to actively promote employer compliance with new hire reporting and to impose and enforce sanctions on employers that fail to comply.

4. On April 3-4, 2019, the National Association of State Workforce Agencies (NASWA) hosted a training seminar to promote best practices for all state UI agencies to increase employer use of the State Information Data Exchange System (SIDES), to improve the timeliness and accuracy of information about a UI applicant's separation from employment, a leading root cause of UI improper payments.

5. On April 12, 2019, the Department increased the transparency of each state's UI improper payment rate by launching a revamped Payment Accuracy webpage (https://www.dol.gov/general/maps). The webpage contains information on each state's root causes of improper payments, a quarterly state data archive, and information on how to report UI fraud in each state.

6. In October 2019, the Department and the UI Integrity Center will provide all states access to a new front-end claimant identity verification tool as part of the UI Integrity Data Hub (IDH). Implemented in September 2017, the IDH enables all states to cross-match against a wide array of data sources to prevent and detect improper payments and fraud,

including a Suspicious Actor Repository of known UI fraud claims. During Fiscal Year (FY) 2020, the IDH will also add access to sources of incarceration and mortality records.

7. In addition to six Integrity Act proposals, the President's FY 2020 Budget includes a new proposal that would require states to implement the UI Integrity Center's IDH described above.

8. As noted above, the FY 2020 Budget includes a package of legislative proposals designed to provide states with more tools and resources to reduce the UI improper payment rate. It also includes a request for $90 million to help states specifically target the two largest root causes of UI improper payments: claimants continuing to claim benefits after returning to work and claimants failing to comply with work search requirements.

Despite these efforts, certain structural program features serve as structural barriers that hinder the Department's ability to reduce improper payments below thresholds specified by IPERA. For example, the presumption of continued eligibility after the initial eligibility is determined requires states to provide a claimant notice and the opportunity to be heard before it can stop payments to the individual.[2]

There are strong public policy reasons for these program design and structural requirements. They promote the effectiveness of the critical UI safety net by getting benefit payments to eligible unemployed individuals for whom suitable work is not available during periods between jobs. Additionally, by providing temporary partial wage replacement to the unemployed, the program plays a vital role in maintaining purchasing power and in stabilizing local economies during periods of economic downturn.

The Department believes the redoubled efforts discussed above constitute a strong and cost effective approach to improving financial integrity in the federal-state UI partnership and we look forward to collaborating with the OIG and other stakeholders to do more.

Recommendation #2: Improvement needed in management's preparation of the IPERA data in the Agency Financial Report.

The Department acknowledges the findings in the Draft Report and will implement improved, cost effective controls to prevent inadvertent typos and other errors.

As a result of the recommendation from OIG's FY 2017 IPERA Audit Report No. 03-18-002-13-001, the Department developed and implemented formalized policies and procedures related to the maintenance of supporting documentation for the IPERA reporting process. In FY 2019, the Department will further enhance these policies and procedures to ensure all reported calculations of data in the AFR are fully reproducible.

If you have any further questions or require additional information on the Department's payment integrity efforts, please contact myself or Chris Polen at (202) 693-6800.

[2] *See California Dep't of Human Res. Dev. v. Java,* 402 U.S. 121, 130-35 (1971).

AGREED UPON PROCEDURES REPORT

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Accountants' Report on Applying Agreed-Upon Procedures

Secretary and Inspector General
U.S. Department of Labor

Chief Financial Officer
U.S. Department of Labor:

We have performed the procedures enumerated in Exhibit 2, which were agreed to by the Office of Inspector General (OIG) and management of the U.S. Department of Labor (DOL), solely to assist you in evaluating the objectives enumerated in Exhibit 1 for the year ended September 30, 2018. DOL management is responsible for the objectives enumerated in Exhibit 1. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in Exhibit 2 either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and the associated results are presented in Exhibit 2.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the objectives. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to present our findings as a result of performing the agreed-upon procedures enumerated in Exhibit 2. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

June 3, 2019

EXHIBIT 1

Agreed-Upon Procedures Objectives

The agreed-upon procedures were conducted to assist the Department of Labor Office of Inspector General and management in evaluating the following objectives for the year ended September 30, 2018:

- DOL accurately and completely reported its Improper Payments Elimination and Recovery Act (IPERA) information in the FY 2018 Agency Financial Report based on Office of Management and Budget (OMB) Circular A-123, Appendix C;[1]

- DOL reduced improper payments based on the requirements in OMB Circular A-123, Appendix C;[2]

- DOL assessed the risk of high priority programs based on the requirements in OMB Circular A-123, Appendix C and Section 3321 of Title 31 United States Code (U.S.C);[3]

- DOL used Do Not Pay as required by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA);[4] and

- DOL executed its corrective action plans in order to address prior year findings and recommendations and tracked the status of those plans.[5]

[1] Agreed-Upon procedures 1 through 33
[2] Agreed-Upon procedures 34 and 35
[3] Agreed-Upon procedures 13 through 33, and 36
[4] Agreed-Upon procedures 37
[5] Agreed-Upon procedures 38 and 39

EXHIBIT 2

Agreed-Upon Procedures and Results

1. Obtained the FY 2018 Agency Financial Report (AFR) and inspected the Payment Integrity section included in Other Information (OI) to confirm if all the section titles below that are required by Office of Management and Budget (OMB) A-136 are presented. Reported any section titles not included: I. Payment Reporting II. Recapture of Improper Payments Reporting III. Agency Improvement of Payment Accuracy with the Do Not Pay Initiative IV. Barriers V. Accountability VI. Agency Information Systems and Other Information VII. Sampling and Estimation VIII. Risk Assessment **Results:** No differences were identified as a result of applying this procedure.
2. For the Susceptibility to Improper Payments Risk Assessment Results table in the Payment Integrity section (OI) of the FY 2018 AFR performed the following: a. Compared the list of programs presented in the table, to the FY 2018 IPERA Program Inventory, which was provided to us by DOL management, to confirm all programs assessed in FY 2018 were included in the AFR. Reported any differences. b. Compared all programs identified as "Susceptible to Improper Payments. Already Reports" from the table, Susceptibility to Improper Payments Risk Assessment Results, in the Payment Integrity Section of the AFR to all programs identified as "Reports IP estimate annually due to IP rate exceeding threshold" from the FY 2018 Program Inventory – Triennial

Risk Assessment and Recapture Analysis Tracker, which was provided to us by DOL management. Reported any differences.

Results:
We identified the following differences as a result of applying the procedure:

- VETS-Jobs for Veterans State Grants program was erroneously included in the Susceptibility to Improper Payments Risk Assessment Results table (page 186), as it was not assessed in FY18.
- VETS-Transition Assistance Program was erroneously excluded from the Susceptibility to Improper Payments Risk Assessment Results table (page 186), as it was assessed in FY18.

3. For the DOL Programs Required to Submit Improper Payments Estimates ($ in millions) table in the Payment Integrity Section of the AFR performed the following:

   a. For each of the measures listed below related to Unemployment Insurance (UI), compared the estimated percentage of total outlays and total dollar amount for FY 2018 per the table to the UI FY 2018 Data Call Calculations Table Data spreadsheet, which was provided to us by DOL management. Reported any differences.

      - Total Outlays
      - Proper payments
      - Improper payments
      - …Overpayments
      - …Underpayments
      - IP Made Directly by the Federal Government
      - IP Made By Recipients of Federal Money
      - Net IP (IP Minus Amounts Recovered by States)
      - IP Minus "Work Search" Errors

   b. For each of the measures listed below related to Federal Employees' Compensation Act (FECA), compared the estimated percentage of total outlays and total dollar amount for FY 2018 per the table to the FECA Improper Payment Matrix, which was provided to us by DOL management. Reported any differences.

      - Total Outlays

- Proper Payments
- Improper Payments:
- …Overpayments
- …Underpayments
- IP Made Directly by the Federal Government
- IP Made by Recipients of Federal Money

Results:
No differences were identified as a result of applying this procedure.

4. For the IP Reduction Target Rates (% of total outlays) table presented in the Payment Integrity section of the FY 2018 AFR, compared the FY 19 Target Rate (as % of total outlays) for UI and FECA to the applicable FY 19 Target Rates as reported in the PaymentAccuracy.gov Data Call Spreadsheet. Reported any differences.

   Results:
   No differences were identified as a result of applying this procedure.

5. For the UI Program Improper Payment Root Cause Category Matrix ($ in millions) table presented in the Payment Integrity section of the AFR, compared the total dollar amount of overpayments and underpayments to the UI FY 2018 Data Call Calculations Table Data spreadsheet, which was provided to us by DOL management, for each of the items listed below. Reported any differences.

   - Program Design or Structural Issue
   - Inability to Authenticate Eligibility
   - Failure to Verify - Other Eligibility Data
   - Administrative or Process Error Made by: State or Local Agency
   - Insufficient Documentation to Determine
   - Other

   Results:
   No differences were identified as a result of applying this procedure.

6. Compared the % of Overpayments (2018 IPIA Rate) for the items noted below in the table UI Program Percent (%) of Total Dollars Overpaid by Cause presented in the Payment Integrity section of the FY 2018 AFR to the % of Overpayments shown in the UI Benefit Accuracy Measurement

(BAM) Data File Cause Rate, which was provided to us by DOL management. Reported any differences.

Compared the % of Overpayments (2017 IPIA Rate) in the table UI Program Percent (%) of Total Dollars Overpaid by Cause presented in the Payment Integrity section of the FY 2018 AFR to the % of Overpayments (2017 IPIA Rate) shown in the published FY 2017 AFR. Reported any differences.

- Work Search
- Benefit Year Earnings
- Separation
- Able and Available
- Employer Service Registration
- Other Eligibility Issues
- Base Period Wages
- All Other Issues

Results:
We identified the following difference as a result of applying the procedure:

Category	2018 IPIA Rate (FY18AFR)	UI BAM Cause Rates	Difference
ES Registration	2.60%	2.59%	0.01%

7. For the FECA Program Improper Payment Root Cause Categories ($ in millions) table presented in the Payment Integrity section of the AFR compared the total dollar amount of overpayments and underpayments to the FECA Improper Payment Matrix, which is provided to us by DOL management, for each of the measures listed below. Reported any differences.

- Inability to Authenticate Eligibility
- Failure to Verify Death Data
- Administrative or Process Error Made by: Federal Agency
- Administrative or Process Error Made by: Other Party
- Other

Results:
No differences were identified as a result of applying this procedure.

8. For the Overpayments Recaptured through UI Payment Recapture Audits ($ in millions) table presented in the Payment Integrity section of the FY 2018 AFR, compared each of the Benefit measures listed below to the respective supporting documents noted in each bullet. Reported any differences.

    - Compared Amount Identified, Amount Recaptured, and FY 2018 Recapture % to the UI Recapture Audits Data PDF file, which was provided to us by DOL management.

    Results:
    No differences were identified as a result of applying this procedure.

9. For the Disposition of Amounts Recaptured Through UI Payment Recapture Audits ($ in millions) table presented in the Payment Integrity section of the AFR, compared each of the measures listed below to the Unemployment Insurance (UI) Recapture Audits Data File, which was provided to us by DOL management. Reported any differences.

    - Amount Recovered
    - Original Purpose

    Results:
    No differences were identified as a result of applying this procedure.

10. For the Aging of Outstanding Overpayments Identified in UI Payment Recapture Audits ($ in millions) table presented in the Payment Integrity section of the AFR, compared each of the measures listed below, as a % of Overpayments and in Dollars, to the FY 2018 Data Call Calculations Table Data spreadsheet, which was provided to us by DOL management. Reported any differences.

    - Amount Outstanding (0 - 6 months)
    - Amount Outstanding (6 months to 1 year)
    - Amount Outstanding (over 1 year)
    - Amount Determined to Not be Collectible

    Results:
    No differences were identified as a result of applying this procedure.

11. For the UI Overpayments Established and Recovered by Fiscal Year (Excluding Waivers)($ in millions) table presented in the Payment Integrity section of the AFR, compared each set of measures, from years 2009 through 2018, presented below to the respective supporting document noted in each bullet. Reported any differences.

Years 2009 through 2017 -

- Compared Overpayments Established UI/UCFE/UCX/EB, Overpayments Recovered UI/UCFE/UCX/EB, and Recovered percentage to the UI Report 227, “recov_UIxFY_US”.
- Compared Overpayments Established UI/UCFE/UCX/EB + EUC, Overpayments Recovered UI/UCFE/UCX/EB+EUC, and Recovered percentage to UI Report 227, “recov_ALLxUS”.

Year 2018 –

- Compared Overpayments Established UI/UCFE/UCX/EB, Overpayments Recovered UI/UCFE/UCX/EB, and Recovered percentage to UI Report 227, “recov_UI_CY18_Q2”.
- Compared Overpayments Established UI/UCFE/UCX/EB + EUC, Overpayments Recovered UI/UCFE/UCX/EB+EUC, and Recovered percentage to UI Report 227, “recov_UI_CY18_Q2”.

Results:
No differences were identified as a result of applying this procedure.

12. Compared all programs from the FY 2017 Program Inventory to those in the FY 2018 Program Inventory, both of which were provided by management. Reported any programs that were included in the FY 2017 Program Inventory which were not included in the FY 2018 Program Inventory.

Results:
No differences were identified as a result of applying this procedure.

13. Compared the risk score for all programs presented in the FY 2018 Program Inventory – Triennial Risk Assessment and Recapture Analysis Tracker to the risk scores presented in the individual Program-Specific Risk Assessments, both of which were provided to us by DOL management. Reported any differences.

Results:
No differences were identified as a result of applying this procedure.

14. Selected a haphazard sample of 10 programs, obtained the FY 2018 Program-Specific Risk Assessments from DOL management, and recalculated the lines listed below. Reported any differences.

- Estimated Improper Payments at 1.5% Error rate (calculated) – Multiply line, Total Program Outlays for most recent fiscal year ended, by 1.5% and compared it to line, Estimated Improper Payments at 1.5% Error Rate (calculated).
- Greater of 1.5% or $10M (calculated) – Took the greater of line, Estimated Improper Payments at 1.5% Error Rate (calculated), and

$10 million, and compared it to line, Greater of 1.5% or $10M (calculated).

- Error rate to meet greater of 1.5% and $10M (calculated) – Divided line, Greater of 1.5% or $10M (calculated) by line, Total Program Outlays for most recent fiscal year ended, and compared to line, Error Rate to Meet Greater of 1.5% and $10M (calculated).
- Error rate to meet $10M only (calculated) – Divided $10 million by line, Total Program Outlays for most recent fiscal year ended, and compared to line, Error Rate to Meet $10M only (calculated).

Results:
No differences were identified as a result of applying this procedure.

15. For the programs selected in procedure 14 above, inspected the individual program risk assessment, which was provided to us by DOL management, and confirmed a response was provided for each program's risk factors. Reported any risk factors that did not have a response.

Results:
No differences were identified as a result of applying this procedure.

16. Recalculated, as described below, the following measures for the UI program:

- Proper Payments
  - % of outlays – From the FY 2018 Data Call Calculations Table Data spreadsheet, subtracted the 2018 Total IP rate from 100%.
  - Total $ amount – From the UI FY 2018 Data Call Calculations Table Data spreadsheet, multiplied the sum of the FY 2019 Midsession Review for UI and UCFE/UCX for FY 2018 by the Proper payment percentage.
- IP Rate
  - % of outlays - From the UI FY 2018 Data Call Calculations Table Data spreadsheet, summed the 2018 UI OP percentage and the 2018 UI UP percentage.
  - Total $ amount - From the UI FY 2018 Data Call Calculations Table Data spreadsheet, summed the 2018 UI OP dollar amount and the 2018 UI UP dollar amount.
- Overpayments
  - % of outlays – From the IPERA UI INTEG_IP IPIA18, summed the amount OP (IPIA OP Rate multiplied by Amount Paid) for each state, divided by the total amount of UI benefits paid for all states.

- Total $ amount - From the UI FY 2018 Data Call Calculation Table Data spreadsheet, multiplied the 2018 UI Paid by the UI OP percentage.

- Underpayments
  - % of outlays – From the IPERA UI INTEG_IP IPIA18, summed the amount UP (IPIA UP Rate multiplied by Amount Paid), for each state, divided by the total amount of UI benefits paid for all states.
  - Total $ amount - From the UI FY 2018 Data Call Calculation Table Data spreadsheet, multiplied the 2018 UI Paid by the UI UP percentage.
- IP Made By Recipients of Federal Money
  - % of outlays – From the UI FY 2018 Data Call Calculations Table Data spreadsheet, summed the 2018 UI OP percentage and the 2018 UI UP percentage.
  - Total $ amount - From UI FY 2018 Data Call Calculations Table Data spreadsheet, summed the 2018 UI OP dollar amount and the 2018 UI UP dollar amount.
- Net IP (IP Minus Amounts Recovered by States)
  - % of outlays – From the UI FY 2018 Data Call Calculations Table Data spreadsheet, divided the 2018 Net Recov. Dollar amount by the 2018 UI paid amount.
  - Total $ amount – From the UI FY 2018 Data Call Calculation Table Data spreadsheet, subtracted the 2018 Recoveries dollar amount from the 2018 Total IP dollar amount.
- IP Minus "Work Search" Errors
  - % of outlays – From the UI INTEG_IP IPIA, multiplied the overpayment rate excluding WS (IPIA Rate Excluding Work Search) by the total outlays from the FY 2018 Data Call Calculations Table Data spreadsheet, then added the amount underpaid (cell D14) divided by the amount paid.
  - Total $ amount – From the UI FY 2018 Data Call Calculations Table Data spreadsheet, summed the 2018 UI UP dollar amount and the 2018 OP Ex. WS dollar amount.

Compared our recalculated measures to the corresponding amounts presented in the UI FY 2018 Data Call Calculations Table Data spreadsheet, and the IPERA UI BAM Data File AFR 2018 Integrity Rates, both of which were provided to us by DOL management, and reported any differences.

Results:
No differences were identified as a result of applying this procedure.

17. Recalculated, as described below, the percentage of outlays and total dollar amounts following measures for the FECA program from the FECA Improper Payment Matrix, which was provided to us by DOL management:

- Proper Payments:
  - % of outlays – From tab, Improper Payment Rate, subtracted 100 percent from the FY 2018 Improper Payment Rate.
  - Total $ amount - From tab, Chargeback, multiplied the Total Chargeback Amount from 2018 by the FY 18 Proper Payment Rate, from tab, Improper Payment Rate.
- IP Rate:
  - % of outlays – From tab, Improper Payment Rate, divided the Total FY IP Amount by the Total Chargeback Amount, from tab, Chargeback.
  - Total $ amount – From tab, Improper Payment Rate, summed the Total CB2018 Errors and the Dollar amount of fraud for CB2018.
- Overpayments
  - % of outlays – From tab, Root Cause of Category Matrix, divided the Total Overpayments in column J by the Total Chargeback Amount from tab, Chargeback.
  - Total $ amount – From tab, Root Cause of Category Matrix, summed all overpayment amounts in column J from row 11 to row 22.
- Underpayments
  - % of outlays – From tab, Root Cause of Category Matrix, divided the Total Underpayments in column K by the Total Chargeback Amount from tab, Chargeback.
  - Total $ amount – From tab, Root Cause of Category Matrix, summed all underpayment amounts in column K from row 11 to row 22.
- IP Made Directly by the Federal Government
  - % of outlays – From tab, Payment Reporting, divided the total dollar amount of Proper Payments by the sum of total dollar amount of IP (Overpayments Plus Underpayments) and the dollar amount of IP Made Directly by the Federal Government.

- Total $ amount – From tab, Root Cause Matrix, subtracted the Total value of Sample OMB Root Cause – Table 2 by the Total Overpayments and Underpayments related to Administrative or Process Error Made by: Other Party in columns J and K respectively.

- IP Made By Recipients of Federal Money
  - % of outlays – From tab, Payment Reporting, divided the total dollar amount of Proper Payments by the total dollar amount of IP (Overpayments Plus Underpayments) and the dollar amount of IP Made by Recipients of Federal Money.
  - Total $ amount – From tab, Root Cause Category Matrix, summed the total dollar amounts of overpayments and underpayments related to Administrative or Process Error Made by: Other Party from columns J and K respectively.

Compared our recalculated measures to the corresponding amounts presented in the FECA Improper Payment Matrix and reported any differences.

Results:
No differences were identified as a result of applying this procedure.

18. From the FECA Improper Payment Matrix, which was provided to us by DOL management, selected a haphazard sample of 25 claims from tabs, IP Compensation Audit and IP Medical Bill Audit, and compared the following attributes for each sample item to the IFECS database. Reported any differences.

- IP Compensation Audit Samples – District office, payment paid date, payment amount
- IP Medical Bill Audit Samples – Transaction control number, bill amount, amount paid

Results:
No differences were identified as a result of applying this procedure.

19. For each sample selected in procedure 18 with an overpayment amount or an underpayment amount, compared the revised payment amount from Form CA-7, which was provided to us by DOL management, to the revised payment amount per the pay rate screen as reflected in iFECs. Reported any differences.

Results:
No differences were identified as a result of applying this procedure.

20. For each sample selected in procedure 18, subtracted the payment amount from procedure 18 from the revised payment amount from procedure 19. Compared this amount to the overpayment amount or underpayment amount as listed in the FECA Improper Payment Matrix, which was provided to us by DOL management. Reported any differences. **Results:** No differences were identified as a result of applying this procedure.
21. In the FECA Improper Payment Matrix, which was provided to us by DOL management, within tabs, IP Compensation Audit and IP Medical Bill Audit, summed all amounts paid and all amounts of improper payments and compared to amounts shown on tab, Improper Payment Rate. Reported any differences. **Results:** No differences were identified as a result of applying this procedure.
22. In the FECA Improper Payment Matrix, which was provided to us by DOL management, calculated the total dollar value and total error value for both the compensation claims and medical claims included within the Improper Payment Rate tab. Compared the calculated amounts to the total dollar value and total error value of the sample universe for both compensation claims and medical claims as shown in the tab Improper Payment Rate. Reported any differences. **Results:** No differences were identified as a result of applying this procedure.
23. Using the total dollar and error values calculated in procedure 22, divided the total value of errors by the total dollar value for both compensation and medical claims to calculate their improper payment rate. Compared this calculated improper payment rate to the Improper Rate presented in the Improper Payment Rate tab included in the FECA Improper Payment Matrix, which was provided to us by DOL management. Reported any differences. **Results:** No differences were identified as a result of applying this procedure.
24. In the FECA Improper Payment Matrix, which was provided to us by DOL management, within tab Improper Payment Rate, added the improper payment rate calculated at procedure 23 with the Fraud IP Rate, and compared the total to the FY 2018 Improper Payment Rate. Reported any differences. **Results:** No differences were identified as a result of applying this procedure.

25. Selected a haphazard sample of 9 State Submission Status reports as of October 12, 2018 and compared the measures presented in the bullet below to the OIG IPIA 2018 database tables, which were provided to us by DOL management: b_master, b_errisu, and b_comparison. Reported any differences.

    - Amount paid, OP Rate, UP Rate, Improper (OP+ UP), and the number of samples.

    Results:
    No differences were identified as a result of applying this procedure.

26. For each sample selected in procedure 25, compared the formula from the query from the OIG IPIA 2018 database for each measure presented in the bullet below, to the Benefit Accuracy Measurement State Operations Handbook (No. 395, 5th edition). Reported any differences.

    - Amount paid, OP Rate, UP Rate, and Improper (OP+ UP).

    Results:
    No differences were identified as a result of applying this procedure.

27. Recalculated the FY19 IP Target Rate for FECA. Agreed the FY19 IP Target Rate (as % of total outlays) from the 2018 AFR to the FY19 Estimated IP % from the 2016 AFR. Reported any differences.

    Results:
    No differences were identified as a result of applying this procedure.

28. Recalculated the total amount of UI overpayments and underpayments, as described below, for the categories listed below, and compared the recalculated amounts to the overpayments and underpayments in the UI FY 2018 Data Call Calculations Table Data spreadsheet, which was provided to us by DOL management. Reported any differences.

    - Program Design or Structural Issue
        - Overpayments – Multiplied the 2018 UI OP dollar amount by the OP Structural percentage.
        - Underpayments – Multiplied the 2018 UI UP dollar amount by the UP Structural percentage.
    - Inability to Authenticate Eligibility
        - Overpayments - Multiplied the 2018 UI OP dollar amount by the OP Authenticate percentage.
    - Failure to Verify Other Eligibility Data

- Overpayments - Multiplied the 2018 UI OP dollar amount by the OP Verify percentage.
- Underpayments - Multiplied the 2018 UI UP dollar amount by the UP Verify percentage.

- Administrative or Process Error Made by State of Local Agency
  - Overpayments - Multiplied the 2018 UI OP dollar amount by the OP Admin percentage.
  - Underpayments - Multiplied the 2018 UI UP dollar amount by the UP Admin percentage.
- Insufficient Documentation to Determine
  - Overpayments - Multiplied the 2018 UI OP dollar amount by the OP Documentation percentage.
- Other
  - Overpayments - Multiplied the 2018 UI OP dollar amount by the OP Other percentage.
  - Underpayments - Multiplied the 2018 UI UP dollar amount by the UP Other percentage.

Results:
No differences were identified as a result of applying this procedure.

29. Recalculated the percentage of overpayments for 2018 and the relative change, as described below, for the UI program for each of the categories listed below. Compared the recalculations to the respective 2018 AFR. Reported any differences.

- Work Search
  - 2018 – From the UI BAM Data File Cause Rate, for the US, divided the estimated amount for Work Search by the total overpayments.
  - Relative Change – Subtracted the 2018 percentage from the 2017 percentage.
- Benefit Year Earnings
  - 2018 - From the UI BAM Data File Cause Rate, for the US, divided the estimated amount for Benefit Year Earnings by the total overpayments.
  - Relative Change - Subtracted the 2018 percentage from the 2017 percentage.
- Separation

  - 2018 - From the UI BAM Data File Cause Rate, for the US, divided the estimated amount for Separation by the total overpayments.
  - Relative Change - Subtracted the 2018 percentage from the 2017 percentage.
- Able and Available
  - 2018 - From the UI BAM Data File Cause Rate, for the US, divided the estimated amount for Able + Available by the total overpayments.
  - Relative Change - Subtracted the 2018 percentage from the 2017 percentage.
- Employer Service Registration
  - 2018 - From the UI BAM Data File Cause Rate, for the US, divided the estimated amount for ES Registration by the total overpayments.
  - Relative Change - Subtracted the 2018 percentage from the 2017 percentage.
- Other Eligibility Issues
  - 2018 - From the UI BAM Data File Cause Rate, for the US, divided the estimated amount for Other Eligibility by the total overpayments.
  - Relative Change - Subtracted the 2018 percentage from the 2017 percentage.
- Base Period Wages
  - 2018 - From the UI BAM Data File Cause Rate, for the US, divided the estimated amount for Base Period Wage Iss. by the total overpayments.
  - Relative Change - Subtracted the 2018 percentage from the 2017 percentage.
- All Other Issues
  - 2018 - From the UI BAM Data File Cause Rate, for the US, divided the estimated amount for Other Issues by the total overpayments.
  - Relative Change - Subtracted the 2018 percentage from the 2017 percentage.

Results:
We identified the following difference as a result of applying the procedure:

Category	2018 IPIA Rate (FY18AFR)	BAM UI Cause Rates	Difference
ES Registration	2.60%	2.59%	0.01%

30. Recalculated the total amount of FECA overpayments and underpayments, as described below, for the categories listed below, and compared the recalculated amounts to the amounts in the FECA Improper Payment Matrix, which was provided to us by DOL management. Reported any differences.

- Inability to Authenticate Eligibility
  - Overpayments – From tab, Root Cause Category Matrix, multiplied the Total Sample % for Inability to Authenticate root cause by the Total Chargeback Amount from tab, Chargeback.
  - Underpayments – From tab, Root Cause Category Matrix, multiplied the Total Sample % for Inability to Authenticate root cause by the Total Chargeback Amount from tab, Chargeback.
- Administrative or Process Error Made by Federal Agency
  - Overpayments – From tab, Root Cause Category Matrix, multiplied the Total Sample % for Administrative or Process Error Made by: Federal Agency root cause by the Total Chargeback Amount from tab, Chargeback.
  - Underpayments – From tab, Root Cause Category Matrix, multiplied the Total Sample % for administrative or Process Error Made by: Federal Agency root cause by the Total Chargeback Amount from tab, Chargeback.
- Administrative or Process Error Made by Other Party
  - Overpayments – From tab, Root Cause Category Matrix, multiplied the Total Sample % for Administrative or Process Error Made by: Other Party root cause by the Total Chargeback Amount from tab, Chargeback.
  - Underpayments – From tab, Root Cause Category Matrix, multiplied the Total Sample % for Administrative or Process Error Made by: Other Party root cause by the Total Chargeback Amount from tab, Chargeback.
- Other

- Overpayments – From tab, Root Cause Category Matrix, multiplied the Total Sample % for Other root cause by the Total Chargeback Amount from tab, Chargeback.

Results:
No differences were identified as a result of applying this procedure.

31. Recalculated the UI measures, as described below and compared the recalculated measures to the measures presented in the FY 2018 AFR. Reported any differences.

- Amount Identified – From Report ETA 227, Recapture Audits Data file, summed all amounts in column UI+EB+EUC Adjusted OPs Est.+.
- Amount Recaptured - From Report ETA 227, Recapture Audits Data file, summed all amounts in column UI+EB+EUC Overpayments Recovered.
- FY 2018 Recapture % - From Report ETA 227, Recapture Audits Data file, summed all amounts in column Pct Rec.
- Amount Recovered - From Report ETA 227, Recapture Audits Data file, summed all amounts in column UI+EB+EUC Overpayments Recovered.
- Original Purpose - From Report ETA 227, Recapture Audits Data file, summed all amounts in column UI+EB+EUC Overpayments Recovered.

Results:
We identified the following differences as a result of applying the procedure:

Category	2018 IPIA Rate (FY18 AFR)	Report 227	Difference
Amount Recaptured	$745.70	$745.64	$0.06
Amount Recovered	$745.70	$745.64	$0.06
Original Purpose	$745.70	$745.64	$0.06

32. Recalculated the UI measures, as described below in dollars and as a percentage and compared the recalculated amounts and percentages to those presented in the FY 2018 AFR. Reported any differences.

- Amount Outstanding (0 - 6 months)
  - Dollars – From the FY 2018 Data Call Calculation Table Data spreadsheet, summed the UI/EB and EUC amounts for less than 180 days.

- Percentage – Divided the total amount less than 180 days by the total amount of all outstanding overpayments.

- Amount Outstanding (6 months to 1 year)
  - Dollars - From the FY 2018 Data Call Calculation Table Data spreadsheet, summed the UI/EB and EUC amounts between 180 days to 360 days.
  - Percentage – Divided the total amount between 180 days and 360 days by the total amount of all outstanding overpayments.
- Amount Outstanding (over 1 year)
  - Dollars - From the FY 2018 Data Call Calculation Table Data spreadsheet, summed the UI/EB and EUC amounts over one year.
  - Percentage - Divided the total amount over one year by the total amount of all outstanding overpayments.
- Amount Determined to Not be Collectible
  - Dollars - From the FY 2018 Data Call Calculation Table Data spreadsheet, summed all write-off amounts.
  - Percentage - Divided the total write-off amount by the total amount of all outstanding overpayments.

Results:
No differences were identified as a result of applying this procedure.

33. Recalculated the UI measures, as described below, for IP analysis years 2009 – 2018, from the IPERA UI Overpayments Spreadsheet, which was provided to us by DOL management. Compared the recalculated measures to the DOL measures presented in the FY 2018 AFR. Reported any differences.

- Overpayments Established UI/UCFE/UCX/EB – For each year from 2009 through 2018, the total UI/UCFE/UCX/EB overpayment established was the sum of fields' c3, c4, c29, c30, c235, and c251 from the ar227 report. The total UI/UCFE/UCFE/EB amount established was adjusted by subtracting the sum of columns c49, c50, and c296 from the ar227 report.
- Overpayments Recovered UI/UCFE/UCX/EB – For each year from 2009 through 2018, summed fields C206, C207, C208, C209, C278, and C279 from ar227 report.

- Recovered % - From each year from 2009 through 2018, divided the total UI and EB Recovered by the total Adjusted Established Amount Identified for Recovery and multiplied by 100 percent.
- Overpayments Established UI/UCFE/UCX/EB + EUC – For each year from 2009 through 2018, the total UI/UCFE/UCX/EB+EUC overpayment established was the sum of fields c3, c4, c29, c30, c235, and c251 from the report ar227 plus the sum of columns c3, c4, c29, and c30 from the au227 report. The total UI/UCFE/UCFE/EB+EUC amount established was adjusted by subtracting the sum of columns c49, c50, and c296 from ar227 report and the sum of columns c49 and c50 from the au227 report.
- Overpayments Recovered UI/UCFE/UCX/EB + EUC – For each year from 2009 through 2018, summed fields C206, C207, C208, C209, C278, and C279 from the AR227 report with columns C206, C207, C208, C209 from the au227 report.
- Recovered – For each year from 2009 through 2018, Divided the total UI, EB and EUC Recovered by the total Adjusted Established Amount Identified for Recovery, and multiplied by 100 percent.

Results:
We identified the following differences as a result of applying the procedure:

	FY 2018 AFR	**Spreadsheet**	
Year	**Overpayments Established UI/UCFE/UCX/EB**	**Overpayments Established UI/UCFE/UCX/EB**	**Difference**
2018	$983.76	$975.78	$7.98
	Overpayments Recovered UI/UCFE/UCX/EB	**Overpayments Recovered UI/UCFE/UCX/EB**	**Difference**
2018	$690.94	$688.77	$2.17
2018	70.22%	70.59%	-0.37%
	Overpayments Established UI/UCFE/UCX/EB + EUC	**Overpayments Established UI/UCFE/UCX/EB + EUC**	**Difference**
2009	$1,735.25	$1,704.70	$30.55
2017	$967.16	$967.20	$ -0.04

	Overpayments Recovered UI/UCFE/UCX/EB + EUC	Overpayments Recovered UI/UCFE/UCX/EB + EUC	Difference
2009	$914.27	$907.94	$6.33
2017	$819.62	$819.21	$0.41
2018	$745.70	$745.64	$0.06
2009	52.69%	53.26%	-0.57%
2017	84.74%	84.70%	0.04%

34. Compared the FY 2018 Improper Payment Rates for UI and FECA per the DOL Programs Required to Submit Improper Payments Estimates table in the Payment Integrity section of the FY 2018 AFR, to the IP Rates in the FECA Improper Payment Matrix, and UI FY 2018 Data Call Calculations Table Data spreadsheet, which was provided to us by DOL management, respectively. Reported any differences.

Results:
No differences were identified as a result of applying this procedure.

35. Compared the FY 2018 IP Target Rates, for UI and FECA, from the FY 2017 AFR, to the FY 2018 IP Rate for UI and FECA, from the FY 2018 AFR. Reported the difference if the applicable FY 2018 IP Target Rates were not met.

Results:
No differences were identified as a result of applying this procedure.

36. From table, DOL Programs Required to Submit Improper Payments Estimates ($ in millions), within the Payment Integrity section of the AFR, identify all programs with total dollars amounts for IP Rate: over $750 million. Inspected the FY 2018 AFR to ascertain if DOL has included in the AFR information on:

- DOL's corrective action for the program;
- Plans to recover improper payments;
- Actions to prevent future improper payments.

Results:
No differences were identified as a result of applying this procedure.

37. For the Results of the Do Not Pay Initiative in Preventing Improper Payments ($ in millions) table presented in the Payment Integrity section of the FY 2018 AFR, compared each of the measures listed below to the Do

No Pay Payment Activity Report, which was provided to us by DOL management. Reported any differences. • Number (#) of payments reviewed for possible IP • Dollars ($) of payments reviewed for possible IP • Number (#) of potential IP reviewed & determined proper • Dollars ($) of potential IP reviewed & determined proper **Results:** No differences were identified as a result of applying this procedure.
38. Obtained the FY 2017 AFR, and confirmed if management has indicated that the corrective action plans are either open or closed, and reported those actions that are still marked as open. **Results:** No differences were identified as a result of applying this procedure.
39. For each corrective action published in the FY 2018 AFR, confirmed if the following disclosures have been made for each corrective action plan. Reported any differences. • Each corrective action plan is linked to the root cause they are addressing • The results of actions taken to address the root causes • The planned or actual completion date of the actions taken **Results:** No differences were identified as a result of applying this procedure.

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