



BRIEFLY...

UNEMPLOYMENT INSURANCE OVERPAYMENTS RELATED TO WORK SEARCH UNDERSCORE THE NEED FOR MORE CONSISTENT STATE REQUIREMENTS

September 29, 2021

WHY OIG CONDUCTED THE AUDIT

The Employment and Training Administration (ETA) estimated \$2.9 billion (10.6 percent) of the \$26.2 billion in Unemployment Insurance (UI) benefits paid for the period July 1, 2018 through June 30, 2019 were paid improperly. The chief cause was overpayments, with states paying \$878 million to UI claimants who had not complied with state work search requirements in accordance with the Middle Class Tax Relief and Job Creation Act of 2012.

Between Fiscal Years (FYs) 2011 and 2016, ETA had provided 39 states \$9.5 million to address work search related overpayments by developing and implementing strategies to reduce such improper payments.

WHAT OIG DID

We conducted this performance audit to answer the following questions:

To what extent did ETA and state strategies reduce UI overpayments related to work search, and did ETA ensure states reported work search information accurately?

We interviewed ETA and state officials, and reviewed overpayment reduction strategies, supplemental funding data, improper payment data, and state laws.

READ THE FULL REPORT

<https://www.oig.dol.gov/public/reports/oa/2021/04-21-001-03-315.pdf>

WHAT OIG FOUND

ETA and state strategies did not consistently reduce UI overpayments related to work search. In addition, ETA inappropriately excluded certain types of overpayments from improper payment estimates for the UI program.

ETA's work search overpayment rates for Program Years (PY) 2013 to 2019 indicated ETA and state strategies did not achieve consistent and sustainable reductions in overpayments. The rates fluctuated between 2.8 and 5 percent of total UI payments and did not reflect a trend of continuous improvement. As the leading cause of UI improper payments, work search overpayments factored into the UI program' not meeting the standard set by the Improper Payment Information Act of 2002, as amended, which is an improper payment rate of less than 10 percent of total UI benefits paid in a given PY. Instead, ETA reported a rate of at least 10 percent for the 7-year period we examined. The agency was unable to consistently reduce these overpayments mainly because states had varying work search laws and requirements, with some more stringent than others.

In its UI improper payment rate calculations, ETA did not include, contrary to Federal law and Office of Management and Budget requirements, billions of dollars paid to claimants who had received state formal warnings after failing to conduct or document adequate work searches. As a result, UI improper payment rates were considerably understated for FYs 2017 through 2020. For example, ETA excluded \$2 billion (58.8 percent) of the \$3.4 billion work search overpayments identified by states' Benefit Accuracy Measurement staff during PY 2018. As such, the estimated 13.1 percent improper payment rate reported in DOL's FY 2018 Agency Financial Report would have been more accurately reported at 19.8 percent. Similarly, in FY 2019, work search overpayments were understated by \$1.5 billion, and the rate of 10.6 percent would have been more accurately reported at 15.9 percent.

WHAT OIG RECOMMENDED

We made four recommendations to ETA to improve efforts to reduce and accurately report UI overpayments related to work search.