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

BRIEFLY...

COVID-19: STATES STRUGGLED TO IMPLEMENT CARES ACT UNEMPLOYMENT INSURANCE PROGRAMS

May 28, 2021

WHY OIG CONDUCTED THE AUDIT

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act with the intent of providing expanded Unemployment Insurance (UI) benefits to workers who were unable to work as a direct result of the COVID-19 pandemic. The expanded UI benefits required the Employment and Training Administration (ETA) to implement major changes to the existing UI system.

This audit focused on the Department of Labor's (DOL) and states' implementation of the three key new UI programs that posed the greatest risk for fraud, waste, and abuse: Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), and Federal Pandemic Unemployment Compensation (FPUC). As of January 2, 2021, federal funding to states for these three UI programs was $392 billion.

WHAT OIG DID

We conducted this performance audit to answer the following question:

> How did DOL and states implement the key UI programs of the CARES Act?

To answer this question, we reviewed the states' initial and continued eligibility determinations, improper payment detection strategies, and compliance with ETA oversight requirements.

READ THE FULL REPORT

https://www.oig.dol.gov/public/reports/oa/2021/19-21-004-03-315.pdf

WHAT OIG FOUND

DOL and states struggled to implement the three key CARES Act UI programs. Specifically, DOL's guidance and oversight did not ensure states implemented the programs and paid benefits promptly; performed required and recommended improper payment detection and recovery activities; and reported accurate and complete program activities. This occurred primarily because states' information technology systems were not modernized, staffing resources were insufficient to manage the increased number of new claims, and according to state officials, guidance from ETA was untimely and unclear. We based this on the following:

States had difficulty ensuring programs were implemented and claimants were paid promptly. From passage of the CARES Act to the first payment of a claim it took on average: 50 days for the PEUC program, 38 days for the PUA program, and 25 days for the FPUC program. The 12 states we selected for in-depth analysis were generally unable to demonstrate they met the payment promptness standard ETA established for regular UI payments – pay 87 percent of claimants within 14 or 21 days.

Moreover, many states did not perform required and recommended improper payment detection and recovery activities: 40 percent of states did not perform required cross-matches and 38 percent did not perform required recovery activities.

Furthermore, 42 percent of states did not report CARES Act UI program overpayments to ETA as required. States that did report overpayments, understated the total amount reported by an estimated 89 percent.

As a result, unemployed individuals experienced financial hardships due to delays in receiving benefits. As of January 2, 2021, we estimated at least $39.2 billion in improper payments, including fraud, were at risk of not being detected and recovered, and could have been put to better use.

WHAT OIG RECOMMENDED

We made four recommendations to ETA to improve management oversight of the UI program. ETA agreed with our recommendations and indicated the agency has already taken action to implement some of the recommendations.