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

BRIEFLY…

COVID-19: ETA AND STATES DID NOT PROTECT PANDEMIC-RELATED UI FUNDS FROM IMPROPER PAYMENTS INCLUDING FRAUD OR FROM PAYMENT DELAYS

September 30, 2022

WHY OIG CONDUCTED THE AUDIT

On March 27, 2020, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress provided expanded Unemployment Insurance (UI) benefits to workers who were unable to work as a direct result of the COVID-19 pandemic. The expanded benefits required the Employment and Training Administration (ETA) to oversee states' implementing major changes to the UI system.

Our pandemic response oversight focus includes three high-risk temporary UI programs: Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), and Federal Pandemic Unemployment Compensation (FPUC). The 3 programs, as of April 23, 2022, had paid $663.8 billion in pandemic-related UI benefits.

WHAT OIG DID

We conducted this performance audit to answer the following question:

> Did ETA and states ensure UI benefits were paid only to eligible individuals promptly?

To do so, we assessed ETA's oversight, surveyed 49 State Workforce Agencies (SWA or state), and performed in-depth testing, including case file reviews, for 4 states.

READ THE FULL REPORT

http://www.oig.dol.gov/public/reports/oa/2022/19-22-006-03-315.pdf

WHAT OIG FOUND

We found ETA and states did not ensure pandemic-related UI funds were paid only to eligible individuals promptly. Of the 4 states we tested, from March 28, 2020, through September 30, 2020, we estimated $30.4 billion of the $71.7 billion in PUA and FPUC benefits were paid improperly (42.4 percent). We estimated $9.9 billion of that was paid to likely fraudsters (13.8 percent). Notably, in the 4 states, 1 in 5 dollars initially paid in PUA benefits went to likely fraudsters.

Federal guidance required states to prioritize expediency, but we also found many Americans faced lengthy delays in receiving UI payments. States continued to be challenged by the increase in claims' volume while implementing the new UI programs. From March 28, 2020, through March 14, 2021, the 4 states were able to pay 86 percent of PUA claimants timely; however, they took more than 30 days to pay 14 percent of all reported PUA claimants. Also, during the year after the CARES Act passed, 48 of 53 SWAs were unable to timely pay regular UI claims, and, based on our analysis of ETA's timeliness reports, at least 6.2 million American workers nationwide waited a month or more for pandemic-related UI benefits.

ETA and states made significant efforts; however, they did not protect pandemic-related UI funds from historic levels of improper payments. We attribute this to four causes: states did not perform eligibility testing, ETA's oversight was not timely enough, PUA initially allowed claimants to self-certify their eligibility, and ETA suspended 1 of their primary oversight tools for the first 3 months of the CARES Act. Furthermore, ETA's interpretation of its regulations hindered the OIG's timely and complete access to state UI claims data to assist in detecting and deterring fraud.

WHAT OIG RECOMMENDED

We made five recommendations to ETA to improve oversight to minimize payment delays and improper payments, including fraud. ETA agreed or partially agreed with three of the five recommendations and provided an acceptable alternative for one recommendation.