



January 22, 2026

MEMORANDUM FOR: HENRY MACK III  
Assistant Secretary  
for Employment and Training

A handwritten signature in blue ink that reads "Laura B. Nicolosi".

FROM: LAURA B. NICOLOSI  
Assistant Inspector General  
for Audit

SUBJECT: Analysis of Agency Comments to Draft Audit Report  
Number 19-25-009-03-315, "COVID-19: Recovery of  
Millions in Pandemic-Related Unemployment  
Insurance Overpayments Improperly Waived,  
Including Fraud"

On November 20, 2025, the Acting Assistant Secretary for Employment and Training provided the agency's response to the subject draft report. The Employment and Training Administration (ETA) agreed with all five recommendations made by the Office of Inspector General (OIG) in the report. ETA maintained that federal law granted states the authority to waive the recovery of certain Coronavirus Aid, Relief, and Economic Security (CARES) Act unemployment insurance overpayments if statutory criteria were met, and that the agency could not impose guidance more restrictive than the statute. ETA's responses, including its clarifying statements and technical comments, did not result in any changes to the report.

Synopses of ETA's responses and our analysis, as applicable, follow:

**Recommendation 1:** Work with states to strengthen waiver approval processes to prevent the improper waiving of UI overpayment recoveries when federal dollars are at stake.

- ETA agreed with this recommendation; however, the agency noted that the statutory authority to waive recovery of federal dollars described in the draft report is specific to the temporary and now-expired pandemic-related UI programs. Improperly waiving the recovery of UI overpayments is not protected by statutory authority. Our recommendation intends to improve

and strengthen the waiver process and mitigate the risk of future instances of improper waivers and the loss of federal funds.

**Recommendation 2:** Work with the Office of the Chief Financial Officer (OCFO) to develop and implement a specific process designed to detect when states have improperly waived UI overpayment recoveries, providing time for states to course correct and minimize the risk of financial loss, when federal dollars are at stake.

- ETA agreed with this recommendation; however, ETA requested the OIG remove reference to OCFO. ETA stated that the recommendation is outside the scope of OCFO responsibilities and expertise. We disagree. On January 6, 2023, the Secretary of Labor designated OFCO as the dedicated entity for managing the process of assessing fraud risk in the UI program. As such, it is both appropriate and expected that ETA would work with OCFO to address this recommendation.

**Recommendation 3:** Work with Michigan to ensure proper post-investigative actions are taken for the five confirmed fraud cases identified in this report.

- ETA agreed with this recommendation and will work with Michigan to ensure proper post-investigative actions are taken for the five confirmed fraud cases referenced in the draft report.

**Recommendation 4:** Remedy the \$240,973,884 in questioned costs.

- ETA agreed with this recommendation and requested the OIG provide specific information related to the questioned costs. ETA agreed to work with states to remedy costs that the agency determines, to the extent allowable by law, to be due to an improper application of overpayment waivers. We have and will continue to share data related to our questioned costs with ETA to address this recommendation.

**Recommendation 5:** Work with state workforce agencies to ensure they retroactively submit accurate and complete information related to overpayment recovery waiver amounts for [Federal Pandemic Unemployment Compensation or] FPUC, [Pandemic Unemployment Assistance or] PUA, and [Pandemic Emergency Unemployment Compensation or] PEUC, for all pandemic-related reporting periods.

- ETA agreed with this recommendation and will work with state workforce agencies to ensure they amend prior reports to provide accurate and complete information related to the waiver of recovery of overpayments for the FPUC, PUA, and PEUC programs.

The agency's response to the draft report is attached in its entirety. We look

forward to working with ETA personnel to ensure the intent of the recommendations is addressed during the audit resolution process. We appreciate the cooperation and courtesies ETA extended to us during this audit.

Attachment – Agency Response to the Draft Report

cc: Chantel Sollers  
Audit Liaison, Employment and Training Administration

Greg Hitchcock  
Audit Liaison, Employment and Training Administration


**U.S. Department of Labor**

Employment and Training Administration  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210



November 20, 2025

MEMORANDUM FOR: LAURA B. NICOLosi  
Assistant Inspector General for Audit

FROM: LORI FRAZIER BEARDEN   
Acting Assistant Secretary for Employment and Training

SUBJECT: Response to Draft Report – *COVID-19: Recovery of Millions in Pandemic-Related Unemployment Insurance Overpayments Improperly Waived, Including Fraud*, Report No. 19-25-XXX-03-315

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The U.S. Department of Labor's (DOL) Employment and Training Administration (ETA) appreciates the opportunity to respond to the above-referenced draft report.

In the draft report, the Office of Inspector General (OIG) examined the extent to which ETA's guidance and oversight ensured that states only waived the recovery of eligible overpayments.

ETA acknowledges that continued work is needed to reduce fraud, waste, and abuse in the unemployment insurance (UI) program, including the extent to which states may have improperly applied waivers for the recovery of overpayments. As noted in the draft report, ETA issued guidance in the form of Unemployment Insurance Program Letters, hosted webinars, conducted monitoring reviews, and provided funding opportunities for states to improve UI systems to reduce improper payments before they occurred and to ensure that states only waived recovery of the overpayments which were permissible under statute. ETA will continue its commitment to reduce fraud, waste and abuse, including as it pertains to the proper use of waivers of recovery of overpayments.

ETA appreciates the OIG's acknowledgement that the COVID-19 pandemic presented ETA and states with significant challenges and exposed critical vulnerabilities within the UI system. As mentioned in the draft report, states struggled with decades of underinvestment, outdated technology and insufficient staffing, which impacted their response to the sudden surge of UI claims during the pandemic. Additionally, this contributed to reporting difficulties, including reporting on the amount of overpayments for which recovery was waived.

ETA would also like to provide clarification on a few areas in the draft report:

- On page 3, the figures described in association with footnote 9 are unclear, with the draft report text referencing "nonfraudulent overpayments" and the footnote referencing "net of fraudulent activities."
- On page 17 of the draft report, there is a section with the heading, "ETA's Guidance and Oversight of States' Processes for Waiving the Recovery of UI Overpayments Was

Insufficient.” With respect to the first sentence in the first paragraph under that heading, it is more accurate to say that “Federal law granted states the authority to waive the recovery of UI benefit overpayments for specific programs created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as amended, if two criteria described in the statute were satisfied. ETA guidance recognized that some states had existing waiver provisions in their regular UI program that could be applied consistent with the CARES Act statutory conditions or the state could choose to waive recovery under these conditions based on federal authority.” The OIG’s draft report correctly calls out a risk of undue financial loss as a result of decisions about waivers being made at the state level. However, it incorrectly assumes that ETA has the authority to develop guidance that is more stringent than what is permitted in statute.

- On page 18, the draft report includes an acknowledgement of the multiple forms of guidance and support that ETA provided to states with respect to these requirements. However, the draft report then concludes that “despite these efforts” 32 percent of respondents reported no technical assistance from their respective ETA regional offices. This conclusion is narrowly construed to focus on the ETA regional offices and does not provide sufficient context to indicate whether these respondents received CARES Act technical assistance from ETA’s “multiple forms of guidance and support.”
- On page 19, Table 3 identifies \$33,744 under the row labeled “MA: Did Not Meet Claimant Notification Requirement.” This does not align with the draft report’s assertion on pages 12 and 13 that the state waived recovery of overpayments totaling \$27,216 without completing the requirement for claimant notification.

#### **Responses to the Recommendations**

Please find below each of the recommendations contained in the draft report, followed by ETA’s response to each of the recommendations.

#### **Recommendation 1: Work with states to strengthen waiver approval processes to prevent the improper waiving of UI overpayment recoveries when federal dollars are at stake.**

ETA Response: ETA agrees with this recommendation. Based on previous conversations with the OIG, ETA understands this recommendation to include capturing lessons learned from the pandemic, such as the need for more frequent regional office reviews of waiver activities to identify state overpayment recoveries that are ineligible to be waived and to identify opportunities for additional technical assistance for states. ETA would like to note that the statutory authority to waive recovery of federal dollars described in the draft report is specific to the temporary and now-expired pandemic-related UI programs.

The Administrator of the Office of Unemployment Insurance and the Director for the Office of Regional Management, in collaboration with the Department’s Chief Evaluation Officer, are responsible for the implementation of this recommendation.

**Recommendation 2: Work with the Office of the Chief Financial Officer (OCFO) to develop and implement a specific process designed to detect when states have improperly waived UI overpayment recoveries, providing time for states to course correct and minimize the risk of financial loss, when federal dollars are at stake.**

**ETA Response:** ETA agrees with this recommendation. ETA plans to address this recommendation, as described above in the response to Recommendation 1, through capturing lessons learned from the pandemic to include the need for more frequent regional office reviews of waiver activities to identify state overpayment recoveries that are ineligible to be waived and to identify opportunities for additional technical assistance for states.

Additionally, after consulting with OCFO regarding the response to this draft report, it does not appear that the OIG discussed this proposed recommendation with OCFO. While ETA and OCFO collaborate on financial and payment integrity-related matters, the required actions for this recommendation are outside the scope of OCFO responsibilities and expertise. As such, ETA respectfully requests the OIG remove the reference to OCFO in this recommendation in the final report.

The Administrator of the Office of Unemployment Insurance and the Director for the Office of Regional Management, in collaboration with the Department's Chief Evaluation Officer, are responsible for the implementation of this recommendation.

**Recommendation 3: Work with Michigan to ensure proper post-investigative actions are taken for the five confirmed fraud cases identified in this report.**

**ETA Response:** ETA agrees with this recommendation. ETA will work with Michigan to ensure proper post-investigative actions are taken for the five confirmed fraud cases referenced in the draft report.

The Administrator of the Office of Unemployment Insurance and the Director for the Office of Regional Management are responsible for the implementation of this recommendation.

**Recommendation 4: Remedy the \$240,973,884 in questioned costs.**

**ETA Response:** ETA agrees with this recommendation. ETA respectfully requests that the OIG provide ETA with specific information related to the questioned costs. Thereafter, ETA will work with states to remedy costs that ETA determines, to the extent allowable by law, to be due to an improper application of overpayment waivers. This action will be done through monitoring and oversight per current ETA monitoring guidance.

The Administrator of the Office of Unemployment Insurance and the Director for the Office of Regional Management are responsible for the implementation of this recommendation.

**Recommendation 5: Work with state workforce agencies to ensure they retroactively submit accurate and complete information related to overpayment recovery waiver amounts for [Federal Pandemic Unemployment Compensation] FPUC, [Pandemic Unemployment Assistance] PUA, and [Pandemic Emergency Unemployment Compensation] PEUC, for all pandemic-related reporting periods.**

ETA Response: ETA agrees with this recommendation. ETA will work with state workforce agencies to ensure they amend prior reports to provide accurate and complete information related to the waiver of recovery of overpayments for the FPUC, PUA, and PEUC programs.

The Administrator of the Office of Unemployment Insurance and the Director for the Office of Regional Management are responsible for the implementation of this recommendation.