U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE OFFICE OF THE CHIEF FINANCIAL OFFICER

THE U.S. DEPARTMENT OF LABOR DID NOT MEET THE REQUIREMENTS FOR COMPLIANCE WITH THE PAYMENT INTEGRITY INFORMATION ACT FOR FY 2024

This report was prepared by KPMG LLP under contract with the U.S. Department of Labor, Office of Inspector General, and, by acceptance, it becomes a report of the Office of Inspector General.

Laura B. Nicolosi

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

DATE ISSUED: MAY 27, 2025
REPORT NUMBER: 22-25-007-13-001

2

TABLE OF CONTENTS

INSPECTOR GENERAL'S REPORT

Mr. Kevin Brown
Acting Chief Financial Officer
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

The U.S. Department of Labor (DOL) Office of Inspector General (OIG) contracted with the independent certified public accounting firm of KPMG LLP (KPMG) to conduct a performance audit related to DOL's compliance with the Payment Integrity Information Act of 2019 (PIIA) for Fiscal Year (FY) 2024, which was the year ended September 30, 2024.

The objective of KPMG's performance audit was to evaluate DOL's compliance with the requirements of PIIA as defined in 31 U.S.C. § 3351(2). This included determining whether DOL:

(1) Published improper payments information with DOL's annual financial statement for the most recent fiscal year and posted on DOL's website that statement and any accompanying materials required under guidance of the Office of Management and Budget (OMB);

(2) Conducted a program-specific risk assessment for each program or activity that conforms with the requirements of section 3352(a) (if required);

(3) Published improper payment estimates for all programs and activities identified under section 3352(a) in the accompanying materials to the annual financial statement (if required);

(4) Published programmatic corrective action plans prepared under section 3352(d) that DOL may have in the accompanying materials to the annual financial statement;

(5) Published improper payments reduction targets established under section 3352(d) that DOL may have in the accompanying materials to the financial statement for each program or activity assessed to be at risk and has demonstrated improvements and developed a plan to meet the reduction targets; and

(6) Reported an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under section 3352(c).

KPMG concluded DOL met five of the six requirements for compliance with PIIA for the Federal State Unemployment Insurance (FSUI) program, five of the six requirements for the Federal Employees' Compensation Act (FECA) program, and none of the six requirements for the Pandemic Programs (Federal Pandemic Unemployment Compensation (FPUC), Pandemic Emergency Unemployment Compensation (PEUC) and Pandemic Unemployment Assistance (PUA) programs). DOL's compliance results with OMB criteria are summarized in Table 1.

Table 1: DOL's Compliance Status[1]

	OMB Compliance Criteria	FSUI Program	FECA Program	Pandemic Programs
1	Published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement of the agency for the most recent fiscal year in accordance with OMB guidance	YES	YES	NO
	Posted the annual financial statement and accompanying materials required under guidance of OMB on the agency website	YES	YES	NO

[1] This table, which presents the specific details of each PIIA criteria, is required by OMB, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, Memorandum (March 5, 2021), last accessed April 14, 2025, available at: https://www.whitehouse.gov/wp-content/uploads/2021/03/M-21-19.pdf.

	OMB Compliance Criteria	FSUI Program	FECA Program	Pandemic Programs
2	Conducted improper payment risk assessments for each program with annual outlays greater than $10,000,000 at least once in the last 3 years	YES	YES	YES
	Adequately concluded whether the program is likely to make improper payments (IP) and unknown payments (UP) above or below the statutory threshold	YES	YES	NO
3	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement	YES	YES	NO
4	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	YES	YES	NO
5	Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	YES	NO	NO
	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	YES	YES	NO
	Developed a plan to meet the IP and UP reduction target	YES	YES[2]	NO
6	Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement	NO	YES	NO

Source: Appendix C to OMB Circular A-123 (March 5, 2021)

[2] Although the FECA program did not publish an improper payment and unknown payment reduction target, it did maintain plans to reduce its improper payments and unknown payments through its publication of corrective action plans.

DOL discontinued reporting the payment activity for the FPUC and the PEUC programs under the FSUI program for FY 2024. In the prior year, DOL reported the FPUC and PEUC program outlays with the FSUI program outlays.[3] Although DOL reported net outlays in the accompanying materials,[4] we noted the FPUC and PEUC programs continued to have gross residual outlays[5] for eligible claims of approximately $250.5 million and $68.5 million, respectively, for the FY 2024 reporting period. [6]

Additionally, DOL reported net outlays for the PUA program for FY 2024 in the accompanying materials. However, the PUA program has continued to have gross residual outlays for eligible claims of approximately $121.4 million for the FY 2024 reporting period.[7]

Furthermore, for the FSUI program, DOL reported a 14.41 percent improper payment rate and an unknown[8] payment rate of 1.53 percent, for a combined total rate of 15.95 percent, in FY 2024—compared to a combined total rate of 16.47 percent in FY 2023. As the rate was above 10 percent, the FSUI program did not meet requirement 6.

Lastly, DOL did not publish a FY 2025 FECA improper and unknown payment rate reduction target in the FY 2024 OMB payment integrity data call. As such, the FECA program did not meet requirement 5.

In response to a draft of this report, DOL management agreed, in part, with two of our three recommendations. However, DOL management did not concur with Findings 24-02 and 24-04 and their related recommendation. KPMG reviewed management's response; however, management's comments did not result in any changes to the findings or recommendation. We look forward to working with DOL management to ensure the intent of the recommendations are addressed.

[3] The U.S. Department of Labor Did Not Meet the Requirements for Compliance with the Payment Integrity Information Act for FY 2023, Report No. 22-24-007-13-001 (May 29, 2024), available at: https://www.oig.dol.gov/public/reports/oa/2024/22-24-007-13-001.pdf
[4] The accompanying materials refer to the information published on PaymentAccuracy.gov.
[5] Residual outlays occur for claims that were related to the eligible period under the program but have not yet been processed or are still undergoing an appeal by the claimant.
[6] The FPUC and PEUC amounts were derived as positive disbursements from the ETA 2112 - UI Financial Transaction Summary report for the period of July 2023 to June 2024.
[7] The PUA amount was derived as positive disbursements from the ETA 2112 - UI Financial Transaction Summary report for the period of July 2023 to June 2024.
[8] An unknown payment is defined as a payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper as a result of insufficient or lack of documentation.

The agency's response to the draft report is included in its entirety in Appendix A. We appreciate the cooperation and courtesies the Office of the Chief Financial Officer, Employment and Training Administration, and Office of Workers' Compensation Programs extended to us during this audit.

Laura B. Nicolosi
Assistant Inspector General for Audit

CONTRACTOR PERFORMANCE AUDIT REPORT

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

Secretary of Labor and Acting Inspector General
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

This report presents the results of our work conducted to address the performance audit objective related to the U.S Department of Labor's (DOL) compliance with the requirements contained in the Payment Integrity Information Act of 2019 (PIIA). Our work was primarily performed during the period of December 13, 2024, through April 14, 2025, and our scope period was for the fiscal year (FY) ended September 30, 2024.

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The objective of our audit was to evaluate DOL's compliance with the requirements of PIIA as defined in 31 U.S.C. § 3351(2). This included determining whether DOL:

(1) Published improper payments information with the DOL's annual financial statement for the most recent fiscal year, and posted on DOL's website that statement and any accompanying materials required under guidance of the Office of Management and Budget (OMB);

(2) Conducted a program-specific risk assessment for each program or activity that conforms with the requirements of section 3352(a) (if required);

(3) Published improper payment estimates for all programs and activities identified under section 3352(a) in the accompanying materials to the annual financial statement (if required);

KPMG

(4) Published programmatic corrective action plans prepared under section 3352(d) that DOL may have in the accompanying materials to the annual financial statement;

(5) Published improper payments reduction targets established under section 3352(d) that DOL may have in the accompanying materials to the financial statement for each program or activity assessed to be at risk and has demonstrated improvements and developed a plan to meet the reduction targets; and

(6) Reported an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under section 3352(c).

Based on the performance audit procedures conducted and the results obtained, we have met our audit objective. Specifically, we evaluated DOL's compliance with the PIIA and summarized the results in Table 2.

Table 2: DOL's Compliance with PIIA Criteria

	PIIA Criteria	Federal State Unemployment Insurance Program	Federal Employees' Compensation Act Program	Pandemic Programs
1	Published improper payments information with DOL's annual financial statement for the most recent fiscal year and posted on DOL's website that statement and any accompanying materials required under guidance of OMB	YES	YES	NO
2	Conducted a program-specific risk assessment for each program or activity that conforms with the requirements of section 3352(a) (if required)	YES	YES	NO[9]
3	Published improper payment estimates for all programs and activities identified under section 3352(a) in the accompanying materials to the annual financial statement (if required)	YES	YES	NO
4	Published programmatic corrective action plans prepared under section 3352(d) that DOL may have in the accompanying materials to the annual financial statement	YES	YES	NO

[9] DOL performed a risk assessment of the PUA program in FY 2021 and concluded at that time it was susceptible to improper payments. Improper payment and unknown payment rates were then published in the accompany materials for FY 2023. DOL concluded that reporting for FY 2024 was not required.

KPMG

	PIIA Criteria	Federal State Unemployment Insurance Program	Federal Employees' Compensation Act Program	Pandemic Programs
5	Published improper payments reduction targets established under section 3352(d) that DOL may have in the accompanying materials to the financial statement for each program or activity assessed to be at risk and has demonstrated improvements and developed a plan to meet the reduction targets	YES	NO	NO
6	Reported an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under section 3352(c)	NO	YES	NO

Source: Payment Integrity Information Act of 2019

DOL discontinued reporting the payment activity for the Federal Pandemic Unemployment Compensation (FPUC) and the Pandemic Emergency Unemployment Compensation (PEUC) programs under the Federal State Unemployment Insurance (FSUI) program for FY 2024. In the prior year, DOL reported the FPUC and PEUC program outlays with the FSUI program outlays.[10] Although DOL reported net outlays in the accompanying materials,[11] we noted the FPUC and PEUC programs continued to have gross residual outlays[12] for eligible claims of approximately $250.5 million and $68.5 million, respectively, for the FY 2024 reporting period. [13]

Additionally, DOL reported net outlays for the Pandemic Unemployment Assistance (PUA) program for FY 2024 in the accompanying materials. However, the PUA program continued to have gross residual outlays for eligible claims of approximately $121.4 million for the FY 2024 reporting period.[14]

Management's response to the findings and related recommendations is included as Appendix A. Our review of the response is included in the Analysis of Management's Response section.

[10] The U.S. Department of Labor Did Not Meet the Requirements for Compliance with the Payment Integrity Information Act for FY 2023, Report No. 22-24-007-13-001 (May 29, 2024), available at: https://www.oig.dol.gov/public/reports/oa/2024/22-24-007-13-001.pdf
[11] The accompanying materials refer to the information published on PaymentAccuracy.gov
[12] Residual outlays occur for claims that were related to the eligible period under the program but have not yet been processed or are still undergoing an appeal by the claimant.
[13] The FPUC and PEUC amounts were derived as positive disbursements from the ETA 2112 - UI Financial Transaction Summary report for the period of July 2023 to June 2024.
[14] The PUA amount was derived as positive disbursements from the ETA 2112 - UI Financial Transaction Summary report for the period of July 2023 to June 2024.

KPMG

This performance audit did not constitute an audit of financial statements or an attestation level engagement as defined under *Government Auditing Standards* or the American Institute of Certified Public Accountants' 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. This report is intended solely for the use of DOL's Secretary and Acting Inspector General, Comptroller General of the United States, 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

May 27, 2025

BACKGROUND

PIIA 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. PIIA repealed several previous improper payment statutes, including the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010, and the Improper Payment Elimination and Recovery Improvement Act of 2012. OMB is required to prescribe guidance on implementation of the requirements under PIIA. Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*,[15] was the applicable OMB guidance in effect for FY 2024.

DOL established an agency-wide risk assessment process to identify and evaluate its programs with outlays exceeding $10 million for susceptibility to significant improper payments. Each year, DOL conducts a program inventory and assesses one-third of all identified programs so that each program is evaluated at least once every three years.

For each program assessed for risk, DOL reviews both quantitative and qualitative data to determine whether a program is likely to have significant improper payments. Significant improper payments are defined as those where, in the preceding fiscal year, the sum of a program or activity's improper payments and payments whose propriety cannot be determined due to lacking or insufficient documentation may have exceeded $10 million of all reported program or activity payments made by the executive agency during that fiscal year and 1.5 percent of program outlays, or $100 million, as per 31 U.S.C. § 3352(a)(3)(A).

Based on its risk assessment process, DOL reported two programs were susceptible to significant improper payments for FY 2024: the FSUI program and the Federal Employees' Compensation Act (FECA) program. These programs, as well as certain pandemic programs, are described further below.

[15] OMB, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, Memorandum (March 5, 2021), last accessed April 14, 2025, available at: https://www.whitehouse.gov/wp-content/uploads/2021/03/M-21-19.pdf

FSUI Program

The FSUI program provides partial wage replacement for eligible unemployed workers who become unemployed through no fault of their own and meet certain other eligibility requirements. The state workforce agencies for each U.S. state, the District of Columbia, and certain U.S. territories administer their own FSUI program under guidelines established by federal statute. The FSUI program year runs from July 1 through June 30. For Program Year 2024, DOL reported total outlays of $35.2 billion, estimated improper payments of $5.1 billion, and estimated unknown payments of $0.5 billion for the FSUI program.[16]

The reported improper payment estimate was developed from the FSUI's Benefit Accuracy Measurement program. The Benefit Accuracy Measurement program is a payment accuracy assessment survey in which state workforce agencies perform quarterly audits on a sample of FSUI benefit payments for every program year. Each state workforce agency is expected to review a sample of 360 to 480 claims every year, resulting in approximately 24,000 audited claims for the annual survey. The state workforce agencies report their survey results in the Benefit Accuracy Measurement database, and this data is then analyzed to determine the national improper payment rate and related causes for the program year. The results of the analysis are then applied to total outlays and reported as required. For Program Year 2024, the sample sizes ranged from 65 to 559 claims for states, resulting in approximately 22,782 claims for the analysis.

We noted that DOL discontinued reporting the payment activity for the FPUC and the PEUC programs with the FSUI program for FY 2024. In previous years, DOL used the improper payment rate obtained from its Benefit Accuracy Measurement sampling methodology for the FSUI program to report the improper payment information for outlays from all three programs.

FECA Program

The FECA program provides compensation coverage (i.e., wage-loss compensation and payment for medical treatment) to federal and postal workers for employment-related injuries and occupational diseases. DOL's Division of Federal Employees' Compensation manages the FECA program. For Program Year 2024, DOL reported total outlays of $3.6 billion, estimated improper payments of $84.9 million, and reported no unknown payments for the FECA program.[17]

[16] This DOL FY 2024 improper payment information was reported on PaymentAccuracy.gov.
[17] This DOL FY 2024 improper payment information was reported on PaymentAccuracy.gov.

The improper payment estimate is a combination of non-fraudulent FECA payments, determined by projecting statistical samples to the annual population of FECA payments, and adjudicated fraudulent payments based on the annual population of FECA payments. The estimate for non-fraudulent FECA payments is developed from a random sample of approximately 500 medical and 500 compensation payments from the FECA program. These payments were assessed against the program's criteria, with supporting documentation maintained in the electronic case management system. The results from the sample were then extrapolated over the annual population of FECA payments to determine the improper payment rate.

The estimate for adjudicated fraudulent payments is calculated as a 3-year average of restitution adjudicated and/or awarded for the current year and the two previous years, divided by the annual population of FECA payments used in the non-fraudulent improper payment estimate. The non-fraudulent and adjudicated fraudulent improper payment estimates are then combined to produce the final total FECA improper payment rate.

Pandemic Programs

The FPUC, PEUC, and PUA programs provided additional unemployment benefits to qualifying individuals as a result of the COVID-19 pandemic. DOL assessed the FPUC and PEUC programs in FY 2021 as susceptible to improper payments and reported the outlays and improper payments with the FSUI program reporting.[18] DOL also assessed the PUA program as susceptible to improper payments based on the risk assessment DOL performed in FY 2021. In its FY 2023 OMB payment integrity data call, DOL reported the combined outlays for FPUC, PEUC, and FSUI programs were $28.1 billion. In the same data call, DOL separately reported PUA outlays of $121.2 billion[19] for the period April 2020 through September 2021.

The FPUC, PEUC, and PUA programs have had gross residual outlays of $250.5 million, $68.5 million, and $121.4 million, respectively, for FY 2024.[20] Although these programs were assessed as susceptible to improper payments in FY 2021, DOL did not report the Phase 2 program requirements[21] in its FY 2024 OMB payment integrity data call.

[18] The FPUC, PEUC, and State Unemployment Insurance programs were referred to collectively as the "Unemployment Insurance Program" in FY 2023.
[19] The U.S. Department of Labor Did Not Meet the Requirements for Compliance with the Payment Integrity Information Act for FY 2023, Report No. 22-24-007-13-001 (May 29, 2024), available at: https://www.oig.dol.gov/public/reports/oa/2024/22-24-007-13-001.pdf
[20] The FPUC, PEUC, and PUA amounts were derived as positive disbursements from the ETA 2112 - UI Financial Transaction Summary report for the period of July 2023 to June 2024.
[21] Criteria 3, 4, 5, & 6 of the PIIA

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to evaluate DOL's compliance with the requirements of PIIA as defined in 31 U.S.C. § 3351(2). This included determining whether DOL:

(1) Published improper payments information with DOL's annual financial statement for the most recent fiscal year and posted on DOL's website that statement and any accompanying materials required under guidance of OMB;

(2) Conducted a program-specific risk assessment for each program or activity that conforms with the requirements of section 3352(a) (if required);

(3) Published improper payment estimates for all programs and activities identified under section 3352(a) in the accompanying materials to the annual financial statement (if required);

(4) Published programmatic corrective action plans prepared under section 3352(d) that DOL may have in the accompanying materials to the annual financial statement;

(5) Published improper payments reduction targets established under section 3352(d) that DOL may have in the accompanying materials to the financial statement for each program or activity assessed to be at risk and has demonstrated improvements and developed a plan to meet the reduction targets; and

(6) Reported an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under section 3352(c).

Scope and Methodology

The scope of our performance audit was DOL's FY 2024 improper payment reporting data, as mandated by OMB guidance and reported on PaymentAccuracy.gov.

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. A summary of the procedures we performed is as follows:

- Obtained an understanding of DOL's improper payment reporting process and associated controls through walkthroughs and inquiries with management;
- Reviewed DOL's policies and procedures over the PIIA reporting process;
- Performed observations of the Benefit Accuracy Measurement database;
- Reviewed management's agency-wide risk assessment for all agency disbursements/programs;
- Reviewed applicable legislation and regulations, 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 and the underlying sampling methodologies;
- Recalculated auditee-provided payment integrity information and agreed it to PaymentAccuracy.gov;
- Confirmed and reviewed a sample of Benefit Accuracy Measurement claims data submitted by state workforce agencies;
- Confirmed and reviewed a sample of FECA benefit payments;
- Reviewed DOL's corrective action plans as reported on the PaymentAccuracy.gov website;
- Reviewed improper payment reduction targets and related materials as reported on the PaymentAccuracy.gov website;
- Reviewed DOL's High Priority Program information as reported on the PaymentAccuracy.gov website; and
- Reviewed any OMB waivers, exemptions, or communications for improper payments reporting, if applicable.

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 the audit procedures performed, we determined DOL met five of six PIIA compliance requirements for the FSUI program, five of six requirements for the FECA program, and none of the six requirements for the PUA program. See below for additional details of our results.

- Requirement 1 – Determine if DOL published improper payments information with DOL's annual financial statement for the most recent fiscal year and posted on DOL's website that statement and any accompanying materials required under guidance of OMB.

DOL published its Agency Financial Report for FY 2024 on November 14, 2024, and posted the report on its public-facing website.[22] The Agency Financial Report included a Payment Integrity section with a link to PaymentAccuracy.gov for the accompanying materials required under OMB guidance. The information presented in the accompanying materials agreed to the supporting documentation for the FSUI and FECA programs, except for those matters noted in the Findings and Recommendations.

- Requirement 2 – Determine if DOL conducted a program-specific risk assessment for each program or activity that conforms with the requirements of section 3352(a).

DOL conducted a risk assessment based on the requirements in the applicable guidance issued by OMB. DOL continued to identify the FSUI program and the FECA program as susceptible to improper payments. Additionally, the PUA program was deemed susceptible in FY 2021; however, management concluded that reporting improper payment and unknown payment rates was not necessary for FY 2024. See the Findings and Recommendations section for additional information.

DOL formally assessed 20 other programs as part of its FY 2024 risk assessment. The 20 programs were identified as not susceptible to significant improper payments. The remaining DOL programs were not assessed in FY 2024 as they were evaluated within the last 2 years and were determined to be not susceptible to significant improper payments.

[22] DOL's Agency Financial Reports are available at: https://www.dol.gov/agencies/ocfo/resources.

- Requirement 3 – Determine if DOL published improper payment estimates for all programs and activities identified under section 3352(a) in the accompanying materials to the annual financial statement.

DOL published an improper payment rate of 14.41 percent for the FSUI program, which resulted in an estimated $5.1 billion in reported gross improper payments. Additionally, DOL published an unknown payment rate of 1.53 percent, resulting in an estimated $539 million in unknown payments. These estimates were based on a statistical estimation approach that met a 95 percent confidence level, plus or minus 0.88 percent.

DOL published an improper payment rate of 2.34 percent for the FECA program, which resulted in an estimated $84.91 million in gross improper payments. Additionally, DOL reported an unknown payment rate of zero percent, resulting in no unknown payments. These estimates were based on a statistical estimation approach that met a 90 percent confidence level, plus or minus 2.50 percent.

See the Findings and Recommendations section for additional details.

- Requirement 4 – Determine if DOL published programmatic corrective action plans prepared under section 3352(d) that DOL may have in the accompanying materials to the annual financial statements.

DOL reported corrective actions including mitigation strategies taken and/or planned for the FSUI and FECA programs. Specifically, for the FSUI program, DOL reported taken and planned mitigation strategies in the following categories: audit, automation, behavioral/psychological influence, change process, cross enterprise sharing, predictive analytics, statutory change, and training.

DOL reported training as both the taken and planned mitigation strategy for the FECA program.

See the Findings and Recommendations section for additional details.

- Requirement 5 – Determine if DOL published improper payments reduction targets established under section 3352(d) that DOL may have in the accompanying materials to the financial statements for each program or activity assessed to be at risk and has demonstrated improvements and developed a plan to meet the reduction targets.

In the FY 2024 OMB payment integrity data call, DOL published an FSUI improper and unknown payment rate reduction target of 14.25 percent for FY 2025. Additionally, DOL did not meet the established FY 2024 FSUI improper payment rate reduction target of 15.00 percent but had demonstrated improvements by reducing its improper and unknown payment rate from the previous year and through mitigation strategies taken and/or planned.

DOL did not publish a FY 2025 FECA improper and unknown payment rate reduction target in the FY 2024 OMB payment integrity data call and did not meet the requirement. However, DOL did meet the established FY 2024 FECA improper payment rate reduction target of 3.15 percent.

See the Findings and Recommendations section for additional details.

- Requirement 6 – Determine if DOL reported an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under section 3352(c).

The FSUI program did not meet the requirement, as the estimated improper payment rate for the program was 14.41 percent and the unknown payment rate was 1.53 percent, resulting in a combined total rate of 15.95 percent. The FECA program met the requirement with an estimated improper payment rate of 2.34 percent and an unknown payment rate of zero percent, for a combined total rate of 2.34 percent.

See the Findings and Recommendations section for additional details.

FINDINGS AND RECOMMENDATIONS

We identified four findings, which are presented below. We discussed the findings with DOL management and received their response, which is included in Appendix A.

Finding No. 24-01: Continued improvements needed to meet certain required PIIA thresholds

DOL reported a combined improper and unknown payment rate of 15.95 percent for the FSUI program, which exceeded the 10 percent threshold established by the PIIA. As a result, DOL was not in compliance with requirement 6 of the PIIA.

PIIA, Section 3351(2), states the following:

> 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 3352(c).

FSUI management has indicated that, despite DOL’s efforts to reduce the improper and unknown payment rate, certain program features continue to hinder states’ ability to further reduce the rate. Specifically, Section 303(a)(1) of the Social Security Act requires states to make FSUI benefit payments “when due.” The presumption of continued eligibility after the initial determination necessitates that states provide a claimant notice and the opportunity to be heard before stopping payments.

Additionally, the root causes of improper payments in the program are the failure to access necessary data and information and the inability to do so, with most improper payments being outside of DOL’s control. In FY 2024, the top categories for improper and unknown payments in the FSUI program were work search, benefit year earnings, and separation issues.

<u>Finding No. 24-02</u>: Improvements needed in the completeness of FPUC, PEUC, and PUA reporting

We noted that specific Employment and Training Administration state reports and the FY 2023 improper payment and unknown payment rates indicated that the FPUC, PEUC, and PUA programs should be reportable for FY 2024 due to their improper and unknown payment estimates exceeding the statutory threshold per the PIIA.[23] Additionally, DOL’s 2024 Agency Financial Report and PaymentAccuracy.gov presented a summary of outlays for these programs netted with recoveries, resulting in negative outlays.

PIIA, Section 3351(2), states the following:

> The term “compliance” means that the agency –
>
> > (C) if required, publishes improper payments estimates for all programs and activities identified under section 3352(a) in the accompanying materials to the annual financial statement…

[23] See the Background section in this report for detailed improper and unknown payment amounts.

Furthermore, PIIA, Section 3352(a)(1)(B), states that the executive agency should “identify all programs and activities with outlays exceeding the statutory threshold dollar amount described in paragraph (3)(A)(i) that may be susceptible to significant improper payments.”

In addition, Appendix C to OMB Circular A-123 states:

> When a program is in Phase 2, then it will stay in Phase 2 and report an [improper payment] and [unknown payment] estimate annually until the reported estimate is below the statutory threshold. (p. 19)

FSUI management indicated that, because the programs were expired, no further benefits were eligible after September 2021, and, as such, no reporting is required for the expired program.

<u>Finding No. 24-03</u>: Improvements needed in the reporting of the FECA program

DOL did not publish an FY 2025 FECA improper and unknown payment rate reduction target in the FY 2024 OMB payment integrity data call. As a result, DOL was not in compliance with requirement 5 of PIIA.

PIIA, Section 3351(2), states the following:

> The term “compliance” means that the agency –
>
> > (E) Publishes improper payments reduction targets established under section 3352(d) that the executive agency may have in the accompanying materials to the annual financial statement for each program or activity assessed to be at risk and has demonstrated improvements and developed a plan to meet the reduction targets

In addition, Appendix C to OMB Circular A-123 states:

> If a program’s reported [improper payment] estimate plus the [unknown payment] estimate is above the statutory threshold, the program is required to establish and publish an [improper payment] and [unknown payment] reduction target for the following [fiscal year] in the accompanying materials to the annual financial statement. (p. 47)

The errors occurred because DOL’s review procedures lacked the precision necessary to identify discrepancies between their responses in the FY 2024

OMB payment integrity data call and the statutory requirements specified above.

<u>Finding No. 24-04:</u> Improvements needed in the reporting of improper payment information

During our review of the improper payment information reported through the FY 2024 OMB payment integrity data call, we noted that DOL management did not identify or correct the following differences within its supporting schedules:

- DOL Risk Assessment Information: DOL's risk assessment supporting schedules contain discrepancies and inconsistencies, including amounts in annual outlays, duplicate entries with different risk assessment dates in their internal program inventory, incorrect risk assessment dates on PaymentAccuracy.gov, and omission of certain programs from PaymentAccuracy.gov despite their inclusion in the OMB payment integrity data call.

- FSUI program: The improper payment reporting on PaymentAccuracy.gov and in the FY 2024 dataset, within Tab 9, Recovery Details, contains discrepancies due to incorrect data entry in the OMB payment integrity data call. This resulted in an understatement of $0.337 billion for "Recovery Audit Amount Outstanding 0 to 6 months" and "Recovery Audit Amount Outstanding" and an overstatement of $7.940 billion for "Recovery Audit Amount Outstanding over a year." Additionally, there are inconsistencies in the programs that were included in various reporting measures.

The Government Accountability Office's *Standards for Internal Controls in the Federal Government,* Section 10.08, states:

> Management designs control activities for appropriate coverage of objectives and risks in the operations. Operational processes transform inputs into outputs to achieve the organization's objectives. Management designs entity-level control activities, transaction control activities, or both depending on the level of precision needed so that the entity meets its objectives and addresses related risks.

The errors occurred because DOL's review procedures were not designed at a level of precision to identify errors within the supporting schedules for its OMB payment integrity data call reporting and published information on PaymentAccuracy.gov.

Recommendations

We recommend the Chief Financial Officer:

1. Update review procedures to ensure accurate responses to Office of Management and Budget (OMB) payment integrity data call prompts, compliance with the Payment Integrity Information Act of 2019, and that information is complete, accurate, and consistent before the final submission of the OMB payment integrity data call; and further refine reviews of published information on PaymentAccuracy.gov.

We recommend the Assistant Secretary for Employment and Training Administration:

2. Maintain the Employment and Training Administration's current focus on increasing technical assistance and funding to states to improve improper payment reduction strategies to reduce the improper payments estimate rate below the 10 percent threshold.

3. Update the Employment and Training Administration's policies and procedures over the reporting of Federal Pandemic Unemployment Compensation, Pandemic Emergency Unemployment Compensation, and Pandemic Unemployment Assistance information to include outlays after the expiration of the programs, until such time as the outlays are no longer greater than the statutory threshold.

ANALYSIS OF MANAGEMENT'S RESPONSE

In response to a draft of this report, DOL management agreed, in part, with two of our three recommendations and did not concur with Findings 24-02 and 24-04 and their related recommendation. We reviewed management's response; however, management's comments did not result in any changes to our findings or recommendation. Management's complete response can be found at Appendix A. Synopses of management's comments and our corresponding responses are detailed as follows.

Management acknowledged the PaymentAccuracy.gov dashboard did not reflect DOL's data call responses at the time of their review but will determine if there is a cost-effective way to conduct continuous monitoring to ensure the data is published consistently on PaymentAccuracy.gov. Follow up with Management to assess whether the intent of the recommendation is addressed will occur the following year.

Management also did not concur with our conclusion on the reporting of pandemic programs with PIIA requirements. Management asserted the pandemic programs expired in September 2021, and, through discussions with OMB, would only be reported once in the FY 2023 DOL Agency Financial Report and accompanying materials.

Appendix C to OMB Circular A-123 states that the OIG is responsible for the evaluation and "adequacy of the S&EMP [sampling and estimation methodology plans] when determining program compliance" and that a program remains in Phase 2 until the "reported estimate is below the statutory threshold." This report addresses the evaluation of the S&EMP and DOL's reporting of its Phase 2 programs. As we noted in our finding, the pandemic programs have continued to have residual outlays beyond the expiration of the program. There have been residual outlays of $9.7 billion, since the expiration of the program in September 2021, that significantly exceeded the statutory thresholds in the OMB guidance of $10 million and 1.5 percent; or $100 million.[24] As such, the pandemic programs should remain in Phase 2 reporting and provide estimates for improper payments. No estimate for potential improper payments associated with $9.7 billion of residual outlays have been reported by DOL.

PRIOR YEAR RECOMMENDATIONS

The following recommendations were issued in the report titled *The U.S. Department of Labor Did Not Meet the Requirements for Compliance with the Payment Integrity Information Act for FY 2023* (Report No. 22-24-007-13-001), which was issued by the OIG on May 29, 2024. We followed up with management on the status of the recommendations.

- Maintain its current focus on increasing technical assistance and funding to states to improve the improper payment reduction strategies to reduce the improper payments estimate rate below the 10 percent threshold.

  Status: This finding was updated and reissued as Finding No. 24-01 in the current year.

[24] This information was provided through ETA data downloads, specifically ETA 2112 UI Financial Transaction Summary reports for the period of October 1, 2021, through June 30, 2024, and data as of May 22, 2025.

- Update review procedures to ensure formulas are specifically confirmed as part of the annual review process and before the final submission of the Office of Management and Budget data call.

  Status: This finding was updated and reissued as Finding No. 24-04 in the current year.

- Update its policies and procedures over the reporting of PUA information to include outlays after the expiration of the program, until such time as the outlays are no longer greater than the statutory threshold.

  Status: This finding was updated and reissued as Finding No. 24-02 in the current year.

APPENDIX A: AGENCY'S RESPONSE TO THE REPORT

The agency's response to our draft report follows.

U.S. Department of Labor

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

May 21, 2025

MEMORANDUM FOR: **LAURA NICOLOSI**
Assistant Inspector General for Audit

FROM: **KEVIN L. BROWN**
Acting Chief Financial Officer

SUBJECT: Response to Draft Report No. 22-25-007-13-001, *The U.S. Department of Labor Did Not Meet the Requirements for Compliance with the Payment Integrity Information Act for FY 2024*

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 Payment Integrity Information Act of 2019 (PIIA), and for the opportunity to respond to its draft Fiscal Year (FY) 2024 report entitled "The U.S. Department of Labor Did Not Meet the Requirements for Compliance with the Payment Integrity Information Act for FY 2024" (Report No. 22-25-007-13-001).

The Department appreciates the OIG's acknowledgement of the steps management has taken to ensure the highest standards of payment integrity, transparency, and to become fully compliant with Payment Integrity Information Act of 2019 (PIIA) standards. The Department is committed to good stewardship of public funds and takes seriously its responsibility to prevent, detect, and recover improper payments (IP) in its programs and to report fully and accurately on those efforts.

We thank and appreciate the OIG for their continued efforts in investigating and prosecuting suspected unemployment compensation fraud schemes. DOL will continue to work with states to implement payment integrity efforts, especially to combat fraud, and continuously improve fraud risk mitigation while ensuring eligible American workers in need receive benefits they are due.

Recommendation #1: Update review procedures to ensure accurate responses to Office of Management and Budget (OMB) payment integrity data call prompts, compliance with the Payment Integrity Information Act of 2019, and that information is complete, accurate, and consistent before the final submission of the OMB payment integrity data call; and further refine reviews of published information on PaymentAccuracy.gov.

DOL agrees in part and disagrees in part with this Recommendation.

DOL acknowledges the FECA program did not report a reduction target due to misunderstanding of the OMB DataCall question structure – DOL will implement enhanced review and reporting procedures to avoid this and related typographical errors in the future. We also acknowledge that the PaymentAccuracy.gov Dashboard does not reflect DOL's DataCall responses at the time of this review, but we note that the downloadable Dataset on PaymentAccuracy.gov does appear to reflect DOL's responses appropriately. DOL will determine if there's a cost-effective way to conduct continuous monitoring in order to ensure that our data is published consistently on the Governmentwide PaymentAccuracy.gov.

Recommendation #2: Maintain the Employment and Training Administration's current focus on increasing technical assistance and funding to states to improve improper payment reduction strategies to reduce the improper payments estimate rate below the 10 percent threshold.

DOL agrees with this Recommendation.

The UI program is a Federal-state partnership and the significant majority of UI payments are made by states, under state law, using state funds. The Department will continue efforts to implement its aggressive and ever-evolving UI Program Integrity Strategic Plan, which contains the Department's antifraud and improper payment reduction strategies, targeting the leading root causes of improper payments.

We appreciate OIG's acknowledgement of the structural issues that further impact the top root causes of IP. The Department believes its ongoing commitment and strategic efforts to reduce the IP rate constitute a strong and cost-effective approach to improving financial integrity in the Federal-state UI partnership and we look forward to continued collaboration with OIG and other stakeholders to do more.

Recommendation #3: Update the Employment and Training Administration's policies and procedures over the reporting of Federal Pandemic Unemployment Compensation, Pandemic Emergency Unemployment Compensation, and Pandemic Unemployment Assistance information to include outlays after the expiration of the programs, until such time as the outlays are no longer greater than the statutory threshold.

DOL disagrees with this Recommendation.

DOL reiterates Management's Response to a materially similar Recommendation in the FY 2023 iteration of this report. In short, these programs expired in law on September 6, 2021 – almost five years ago - though many states discontinued them even before this date. In DOL's DataCall responses and in the PUA Sampling and Estimation Plan, DOL clearly reported that PUA could only be reported once. In the FY 2023 Agency Financial Report and DataCall responses, DOL clearly reported the intent to discontinue full reporting programs on these programs. In FY 2024, DOL discussed this with OMB and determined that these programs should no longer be subject to full reporting under PIIA and OMB Circular A-123 Appendix C. The Department appreciates OIG's Recommendation and concerns, therefore we provided clear reporting in DOL's FY 2024 Agency Financial Report and the FY24 DataCall responses regarding latent outlays and recoveries to finalize accounting in the expired Pandemic response programs. While we understand auditors must be cautious and take literal interpretations, the Department must use common sense to be good stewards of taxpayer dollars. Common sense dictates full reporting is simply not possible because:

- the programs expired in law half a decade ago,
- no new benefits are being paid,
- recoveries vastly outweigh final payments to states,
- because these outlays are to finalize accounting with states, there are no corrective actions to lower previously reported IP, and
- as previously reported there is no means to report a current IP rate on these latent outlays with states in the PUA program.

DOL and OIG simply disagree on the requirements of OMB Circular A-123 Appendix C. DOL rejects the auditor's suggestion that guidance requires blind, literal interpretation to provide reporting that simply has no logical basis nor value to decision makers. Absent a change in law or guidance from OMB, DOL will not be providing further full reporting on these Pandemic-response programs which stopped making benefit payments half a decade ago. However, we appreciate the auditor's intent and will continue to be transparent in reporting ongoing recoveries and latent outlays until they fall below the $10 million threshold.

Again, we appreciate OIG's efforts in reviewing DOL's compliance with PIIA, being a partner in payment integrity, and for their efforts in investigating and prosecuting fraud. 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.

REPORT FRAUD, WASTE, OR ABUSE TO THE DEPARTMENT OF LABOR

Online
https://www.oig.dol.gov/hotline.htm

Telephone
(800) 347-3756 or (202) 693-6999

Fax
(202) 693-7020

Address
Office of Inspector General
U.S. Department of Labor
200 Constitution Avenue NW
Room S-5506
Washington, DC 20210