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

REPORT TO THE OFFICE OF THE CHIEF FINANCIAL OFFICER

DOL DID NOT COMPLY WITH IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT FOR FY 2017

KPMG LLP reports included in the attached report were prepared under contract to the U.S. Department of Labor, Office of Inspector General, and by acceptance, they become a report of the Office of Inspector General.

Elliot P. Lewis

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

DATE ISSUED: MAY 15, 2018
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INSPECTOR GENERAL'S REPORT

Mr. James Williams
Chief Financial Officer
U.S. Department of Labor
200 Constitution Ave, NW
Washington, DC 20210

Office of Inspector General (OIG) contracted with the independent certified public accounting firm of KPMG LLP (KPMG) to conduct two engagements related to the U.S. Department of Labor's (DOL) compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), for the year ended, September 30, 2017.

Based on the information obtained from these engagements, we determined DOL complied with four of the six IPERA requirements listed in Office of Management and Budget (OMB) Circular A-123, Appendix C. For the two requirements it did not meet, DOL did not achieve its reduction target in Fiscal Year (FY) 2017 for the Unemployment Insurance (UI) program and reported a FY 2017 UI improper payment rate of 12.50 percent, which did not meet the IPERA requirement of "less than 10 percent."

KPMG conducted an examination of DOL's compliance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments.* OMB Circular A-123, Appendix C sets out the requirements for determining compliance under IPERA.

Additionally, KPMG conducted certain agreed upon procedures related to the following objectives:

- Evaluation of DOL's accuracy and completeness of reporting of IPERA in the FY 2017 Agency Financial Report (AFR) based on OMB Circular A-123, Appendix C;

- Evaluation of DOL's performance in reducing improper payments based on the requirements in OMB Circular A-123, Appendix C;

- Evaluation of DOL's assessment of risk for high priority programs based on the requirements in OMB Circular A-123, Appendix C and Section 3321 of Title 31 U.S.C;

- Determination if DOL is using Do Not Pay (DNP) as required by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA); and

- Determination of the status of DOL's execution of its corrective action plans in order to address prior year findings and recommendations.

As a result of these engagements, KPMG provided the following two reports: and

- An opinion on DOL's compliance with the requirements of Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, Part II, Section A.3 (OMB A-123, Appendix C) for the year ended September 30, 2017.

- An agreed-upon procedures (AUP) report to assist the OIG in evaluating certain objectives of OMB A-123, Appendix C. This report includes a description of the procedures performed and the results of those procedures.

Compliance with IPERA means the agency has met all of the following six requirements:

1. Published an AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website

   - DOL complied with this requirement

2. Conducted a program-specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31, United States Code

- DOL complied with this requirement

3. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment

   - DOL complied with this requirement, although we recommended improvements to the estimates for the Federal Employees Compensation Act (FECA) program.

4. Published programmatic corrective action plans in the AFR

   - DOL complied with this requirement

5. Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments

   - DOL did not comply with this requirement

     DOL published the annual reduction targets for the DOL programs; it did not meet the target rate established for the UI program. The target improper payment rate for FY 2017 was 11.55 percent. DOL reported an improper payment rate of 12.50 percent.

6. Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR

   - DOL did not comply with this requirement

     DOL's reported FY 2017 improper payment rate of 12.50 percent for the UI benefit program did not meet the IPERA requirement of "less than 10 percent." The FECA program met the less than 10 percent requirement with a reported improper payment rate of 2.06 percent.

Furthermore, we contracted with KPMG to perform agreed-upon procedures to assist the OIG in evaluating the following objectives for the year ended September 30, 2017:

1. DOL accurately and completely reported its IPERA information in the FY 2017 AFR based OMB Circular A-123, Appendix C.

   - KPMG identified differences while conducting the agreed-upon procedures. Specifically, for the UI program, KPMG noted that management did not maintain the point-in-time data for the calculation of improper payment information reported in the AFR. As a result, differences were identified when KPMG recalculated the reported amounts with more current data. Additionally, KPMG noted that ETA's Trade Adjustment Assistance program was assessed for risk, but was inadvertently excluded from the Susceptibility to Improper Payments Risk Assessments Results table in the FY 2017 AFR.

2. DOL reduced improper payments based on the requirements in OMB Circular A-123, Appendix C.

    - KPMG identified the UI program did not meet its reduction target for FY 2017.

3. DOL assessed the risk of high priority programs based on the requirements in OMB Circular A-123, Appendix C and Section 3321 of Title 31 United States Code (U.S.C).

    - KPMG noted that DOL had assessed the risk of its high priority UI program; however, KPMG identified differences in the reported overpayment and underpayment information for the UI program, resulting from the use of a more current data source in KPMG's recalculation.

4. DOL used DNP as required by the IPERIA of 2012.

    - KPMG did not identify differences in conducting the agreed-upon procedures.

5. DOL executed its corrective action plans in order to address prior year findings and recommendations and tracked the status of those plans.

    - KPMG did not identify differences in conducting the agreed-upon procedures.

Elliot P. Lewis

Elliot P. Lewis
Assistant Inspector General for Audit

EXAMINATION REPORT

KPMG LLP
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Independent Accountants' Report

Secretary and Inspector General
U.S. Department of Labor

We have examined the United States Department of Labor's (DOL) compliance with the requirements of Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments, Part II, Section A.3* (OMB A-123, Appendix C), as enumerated in Exhibit 1, for the year ended September 30, 2017. Management of DOL is responsible for DOL's compliance with OMB A-123, Appendix C. Our responsibility is to express an opinion on DOL's compliance with OMB A-123, Appendix C based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether DOL complied, in all material respects, with the specified requirements above. An examination involves performing procedures to obtain evidence about whether DOL complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on DOL's compliance with specified requirements.

Our examination disclosed material noncompliance with certain elements of OMB A-123, Appendix C applicable to DOL during the year ended September 30, 2017. Specifically, we noted DOL did not meet its annual reduction targets for the Unemployment Insurance program. In addition, DOL did not report a gross improper payment rate of less than 10 percent for the Unemployment Insurance program.

In our opinion, because of the effect of the material noncompliance described in the preceding paragraph, DOL has not complied with the aforementioned requirements for the year ended September 30, 2017.

DOL's written response to the findings identified in our compliance examination is presented in Appendix A. DOL's response was not subjected to the examination procedures applied in the examination of DOL's compliance with the requirements of OMB A-123, Appendix C, and accordingly, we express no opinion on the response.

Our examination was conducted for the purpose of forming an opinion on DOL's compliance with the requirements of OMB A-123, Appendix C. The information in the Inspector General's Report, OIG Recommendations, and Appendix B sections are presented for purposes of additional analysis. Such information has not been subjected to the examination procedures applied in the examination of DOL's compliance with the requirements of OMB Circular A-123, Appendix C, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

May 15, 2018

EXHIBIT 1

Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments, Part II, Section A.3* states:

To determine compliance under IPERA, the agency Inspector General should review the agency's AFR or PAR (and any accompanying information) for the most recent fiscal year. Compliance under IPERA means that the agency has:

- Published an AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;
- Conducted a program-specific risk assessment for each program or activity that conforms with Section 3321 of Title 31 U.S.C.;
- Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment;
- Published programmatic corrective action plans in the AFR;
- Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments; and
- Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR.

If an agency does not meet one or more of these requirements, then it is not compliant under IPERA.

AGREED UPON PROCEDURES REPORT

KPMG LLP
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1801 K Street, NW
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Independent Accountants' Report on Applying Agreed-Upon Procedures

Secretary and Inspector General
U.S. Department of Labor

Chief Financial Officer
U.S. Department of Labor:

We have performed the procedures enumerated in Exhibit 2, which were agreed to by the Office of Inspector General (OIG) and management of the U.S. Department of Labor (DOL), solely to assist you in evaluating the objectives enumerated in Exhibit 1 for the year ended September 30, 2017. DOL management is responsible for the objectives enumerated in Exhibit 1. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in Exhibit 2 either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and the associated results are presented in Exhibit 2.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the objectives. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to present our findings as a result of performing the agreed-upon procedures enumerated in Exhibit 2. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

May 15, 2018

EXHIBIT 1

The agreed-upon procedures were conducted to assist the Department of Labor Office of Inspector General and management in evaluating the following objectives for the year ended September 30, 2017:

- DOL accurately and completely reported its Improper Payments Elimination and Recovery Act (IPERA) information in the FY 2017 Agency Financial Report based on Office of Management and Budget (OMB) Circular A-123, Appendix C;[1]

- DOL reduced improper payments based on the requirements in OMB Circular A-123, Appendix C;[2]

- DOL assessed the risk of high priority programs based on the requirements in OMB Circular A-123, Appendix C and Section 3321 of Title 31 United States Code (U.S.C);[3]

- DOL used Do Not Pay (DNP) as required by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA);[4] and

- DOL executed its corrective action plans in order to address prior year findings and recommendations and tracked the status of those plans.[5]

[1] Agreed-Upon procedures 1 through 37
[2] Agreed-Upon procedures 38 and 39
[3] Agreed-Upon procedures 15 through 37, and 40
[4] Agreed-Upon procedures 13
[5] Agreed-Upon procedures 41 and 42

EXHIBIT 2

Agreed-Upon Procedures and Results

1. Obtained the FY2017 Agency Financial Report (AFR) and inspected the Payment Integrity section included in Other Information (OI) to confirm if all the section titles below, which are required by Office of Management and Budget (OMB) A-136, were presented. Reported any section titles not included:
   - Payment Reporting
   - Recapture of Improper Payments Reporting
   - Agency Improvement of Payment Accuracy with the Do Not Pay Initiative
   - Barriers
   - Accountability
   - Agency Information Systems and Other Information
   - Sampling and Estimation

   Results:
   No differences were identified as a result of applying this procedure.

2. For the Susceptibility to Improper Payments Risk Assessment Results table in the Payment Integrity section of the FY2017 AFR (Payment Integrity section) performed the following:
   - Compared the list of programs presented in the table, to the FY2017 IPERA Program Inventory, which was provided to us by DOL management, to confirm all programs were included in the AFR. Reported any differences.
   - Compared all programs identified as “Susceptible to Improper Payments. Already Reports” from the table, Susceptibility to Improper Payments Risk Assessment Results, in the Payment Integrity Section of the FY 2017 AFR to all programs identified as “Reports IP estimate annually due to IP rate exceeding threshold” from the FY2017 Program Inventory – Triennial Risk Assessment and Recapture Analysis Tracker,

which was provided to us by DOL management. Reported any differences.

Results:
As a result of our procedure, we identified that the Employment and Training Administration-Trade Adjustment Assistance was listed on the Program Inventory but not in the FY2017 AFR.

3. For the DOL Programs Required to Submit Improper Payments Estimates ($ in millions) table in the Payment Integrity Section of the FY 2017 AFR performed the following:

- For each of the measures listed below related to Unemployment Insurance (UI), compared the estimated percentage of total outlays and total dollar amount for FY2017 per the table to the UI FY2017 Data Call Calculations 101317 Table Data spreadsheet, which was provided to us by DOL management. Reported any differences.
  - Proper payments
  - Improper Payments (IP) Rate
  - Overpayments (OP)
  - Underpayments (UP)
  - IP Made Directly by the Federal Government
  - Net IP (IP Minus Amounts Recovered by States)
  - IP Minus “Work Search” Errors
- For each of the measures listed below related to Federal Employees’ Compensation Act (FECA), compared the estimated percentage of total outlays and total dollar amount for FY2017 per the table to the FECA Improper Payment Matrix, which was provided to us by DOL management. Reported any differences.
  - Proper payments
  - IP Rate
  - Overpayments
  - Underpayments
  - IP Made Directly by the Federal Government
  - IP Made by Recipients of Federal Money

Results:
No differences were identified as a result of applying this procedure.

4. For the IP Reduction Target Rates (% of total outlays) table presented in the Payment Integrity section of the FY2017 AFR, compared the FY 18 target rate (as % of total outlays) for UI to the UI Estimated IP Rate IPIA 2018 and the FY 18 target rate (as % of total outlays) for FECA to the applicable FY18 Target Rates as reported in the FY2016 AFR. Reported any differences. **Results:** No differences were identified as a result of applying this procedure.
5. For the UI Program Improper Payment Root Cause Category Matrix ($ in millions) table presented in the Payment Integrity section of the FY2017 AFR, compared the total dollar amount of overpayments and underpayments to the UI FY2017 Data Call Calculations 101317 Table Data spreadsheet, which was provided to us by DOL management, for each of the items listed below. Reported any differences. • Program Design or Structural Issue • Inability to Authenticate Eligibility • Failure to Verify Other Eligibility Data • Administrative or Process Error Made by: State or Local Agency • Insufficient Documentation to Determine • Other **Results:** No differences were identified as a result of applying this procedure.
6. Compared the % of Overpayments (2017 IPIA Rate) in the table UI Program Percent (%) of Total Dollars Overpaid by Cause presented in the Payment Integrity section of the FY2017 AFR to the % of Overpayments shown in the UI Benefit Accuracy Measurement (BAM) Data File Cause Rate, which was provided to us by DOL management. Reported any differences. Compared the % of Overpayments (2016 IPIA Rate) in the table UI Program Percent (%) of Total Dollars Overpaid by Cause presented in the Payment Integrity section of the FY2017 AFR to the % of Overpayments (2016 IPIA Rate) shown in table 2.2 on page 178 of the published FY2016 AFR. Reported any differences.

- Work Search
- Benefit Year Earnings
- Separation
- Able and Available
- Employer Service Registration
- Other Eligibility Issues
- Base Period Wages
- All Other Issues

Results:
We identified the following differences as a result of applying the procedure:

Category	2017 IPIA Rate (FY17AFR)	BAM UI Cause Rates	Difference
Work Search	37.38%	37.31%	0.07%
Benefit Year	26.41%	26.35%	0.06%
Separation Issues	17.22%	17.38%	-0.16%
Able+Available	5.54%	5.53%	0.01%
Other Eligibility	3.49%	3.48%	0.01%
Base Period Wage Issues	3.16%	3.15%	0.01%
	2016 IPIA Rate (FY17AFR)	**IPIA Rate 2016 AFR**	**Difference**
Work Search	37.92%	37.54%	0.38%
Benefit Year	30.26%	29.95%	0.31%
Separation Issues	12.58%	12.46%	0.12%
Able+Available	6.71%	6.64%	0.07%
Employer Service	2.31%	3.27%	-0.96%
Other Eligibility	2.98%	2.95%	0.03%
Base Period Wage Issues	2.94%	2.93%	0.01%
Other Issues	4.31%	4.27%	0.04%

7. For the FECA Program Improper Payment Root Cause Categories ($ in millions) table presented in the Payment Integrity section of the FY2017 AFR compared the total dollar amount of overpayments and

underpayments to the FECA Improper Payment Matrix, which was provided to us by DOL management, for each of the measures listed below. Reported any differences.

- Inability to Authenticate Eligibility
- Failure to Verify Death Data
- Administrative or Process Error Made by: Federal Agency
- Administrative or Process Error Made by: Other Party
- Other

Results:
No differences were identified as a result of applying this procedure.

8. Compared the responses (i.e., cost effective or not cost effective) in the cost-benefits analysis for each program presented in the Formal Recapture Audit Program Cost-Benefit Analyses Results table within the Payment Integrity section of the FY2017 AFR, to the responses in the cost-benefits analysis shown within the Recapture Audit Cost Effectiveness Analysis files, which were provided to us by DOL management. Reported any differences.

Results:
We identified there was no Recapture Audit Cost Effectiveness Analysis provided for OIG and UI programs.

9. For the Overpayments Recaptured through UI Payment Recapture Audits ($ in millions) table presented in the Payment Integrity section of the FY2017 AFR, compared each of the Benefit measures listed below to the respective supporting documents noted in each bullet. Reported any differences.

- Compared amount Identified, Amount Recaptured, and FY 2017 Recapture % to the UI Recapture Audits Data PDF file, which was provided to us by DOL management.
- Compared FY 2018 Recapture Target % (Target) and the FY 2019 Recapture % (Target) to the IPERA UI Recapture Audits excel document, which was provided to us by DOL management.

Results:
No differences were identified as a result of applying this procedure.

10. For the Disposition of Amounts Recaptured Through UI Payment Recapture Audits ($ in millions) table presented in the Payment Integrity section of the FY2017 AFR, compared each of the measures listed below to the UI Recapture Audits Data File, which was provided to us by DOL management. Reported any differences.

    - Amount Recovered
    - Original Purpose

    Results:
    No differences were identified as a result of applying this procedure.

11. For the Aging of Outstanding Overpayments Identified in UI Payment Recapture Audits ($ in millions) table presented in the Payment Integrity section of the FY2017 AFR, compared each of the measures listed below, as a % of Overpayments and in Dollars, to the FY2017 Data Call Calculations 10132017 Table Data spreadsheet, which was provided to us by DOL management. Reported any differences.

    - Amount Outstanding (0 - 6 months)
    - Amount Outstanding (6 months to 1 year)
    - Amount Outstanding (over 1 year)
    - Amount Determined to Not be Collectible

    Results:
    No differences were identified as a result of applying this procedure.

12. For the UI Overpayments Established and Recovered by Fiscal Year (Excluding Waivers)($ in millions) table presented in the Payment Integrity section of the FY2017 AFR, compared each set of measures, from years 2009 through 2017, presented below to the respective supporting document noted in each bullet. Reported any differences.

    Years 2009 through 2016 -

    - Compared Overpayments Established UI/UCFE/UCX/EB, Overpayments Recovered UI/UCFE/UCX/EB, and Recovered percentage to the UI Report 227, “recov_UIxFY_US”.
    - Compared Overpayments Established UI/UCFE/UCX/EB + EUC, Overpayments Recovered UI/UCFE/UCX/EB+EUC, and Recovered percentage to UI Report 227, “recov_ALLxUS”.

Year 2017 –

- Compared Overpayments Established UI/UCFE/UCX/EB, Overpayments Recovered UI/UCFE/UCX/EB, and Recovered percentage to UI Report 227, “recov_UI_CY17_Q2”.
- Compared Overpayments Established UI/UCFE/UCX/EB + EUC, Overpayments Recovered UI/UCFE/UCX/EB+EUC, and Recovered percentage to UI Report 227, “recov_UI_CY17_Q2”.

Results:
No differences were identified as a result of applying this procedure.

13. For the Results of the Do Not Pay (DNP) Initiative in Preventing Improper Payments ($ in millions) table presented in the Payment Integrity section of the FY2017 AFR, compared each of the measures listed below to the Do No Pay Payment Activity Report, which was provided to us by DOL management. Reported any differences.

- Number (#) of payments reviewed for possible IP
- Dollars ($) of payments reviewed for possible IP
- Number (#) of payments stopped
- Dollars ($) of payments stopped
- Number (#) of potential IP reviewed & determined proper
- Dollars ($) of potential IP reviewed & determined proper

Results:
No differences were identified as a result of applying this procedure.

14. Compared all programs from the FY2016 Program Inventory to those in the FY2017 Program Inventory, both of which were provided by management. Reported any programs that were included in the FY2016 Program Inventory which are not included in the FY 2017 Program Inventory.

Results:
No differences were identified as a result of applying this procedure.

15. Compared the risk score for all programs presented in the FY2017 Program Inventory – Triennial Risk Assessment and Recapture Analysis Tracker to the risk scores presented in the individual Program-Specific Risk

Assessments, both of which were provided to us by DOL management. Reported any differences.

Results:
No differences were identified as a result of applying this procedure.

16. Selected a haphazard sample of 5 programs, obtained the FY2017 Program-Specific Risk Assessments from DOL management, and recalculated the lines listed below. Reported any differences.

- Estimated Improper Payments at 1.5% Error rate (calculated) – Multiplied line, Total Program Outlays for most recent fiscal year ended, by 1.5% and compared it to line, Estimated Improper Payments at 1.5% Error Rate (calculated).
- Greater of 1.5% or $10M (calculated) – Took the greater of line, Estimated Improper Payments at 1.5% Error Rate (calculated), and $10 million, and compared it to line, Greater of 1.5% or $10M (calculated).
- Error rate to meet greater of 1.5% and $10M (calculated) – Divided line, Greater of 1.5% or $10M (calculated) by line, Total Program Outlays for most recent fiscal year ended, and compared to line, Error Rate to Meet Greater of 1.5% and $10M (calculated).
- Error rate to meet $10M only (calculated) – Divided $10 million by line, Total Program Outlays for most recent fiscal year ended, and compared to line, Error Rate to Meet $10M only (calculated).

Results:
No differences were identified as a result of applying this procedure.

17. For the programs selected in step 16 above perform the following procedures:

- Summed the qualitative weights assigned to each program in the program risk assessment to ensure it sums to 100%. Reported any differences.
- Inspected the individual program risk assessment, which was provided to us by DOL management, and confirmed a response was provided for each program's qualitative weights. Reported any qualitative weights that did not have a response.

Results:
No differences were identified as a result of applying this procedure.

18. Compared the programs that are identified as "Conducts recapture auditing" within the original FY 2013 IPERA Program Inventory – Triennial Risk Assessment, and the FY 2017 Program Inventory-Triennial Risk Assessment and Recapture Analysis Tracker, both of which were provided to us by DOL management, to all programs identified as "Already conducts a formal recapture audit program" within the Formal Recapture Audit Program Cost-Benefit Analysis Results table in the Payment Integrity section in the FY2017 AFR. Reported any differences. **Results:** No differences were identified as a result of applying this procedure.
19. Inspected the Recapture Audit Cost Effectiveness Analysis, which was provided to us by DOL management, to confirm if the question or factor has a management's response, or a "N/A" indicator. Reported any questions or factors that do not have a management's response or a "N/A" factor. **Results:** No differences were identified as a result of applying this procedure.

20. Recalculated, as described below, the following measures for the UI program:
• Proper Payments
  ○ % of outlays – From the *FY2017 Data Call Calculations 101317 Table Data spreadsheet*, subtracted the 2017 Total IP rate from 100%.
  ○ Total $ amount – From the *UI FY2017 Data Call Calculations 101317 Table Data spreadsheet*, multiplied the sum of the FY2018 Pres. Budget for UI and UCFE/UCX for FY2017 by the Proper payment percentage.
• IP Rate
  ○ % of outlays - From the *UI FY2017 Data Call Calculations 101317 Table Data spreadsheet*, summed the 2017 UI OP percentage and the 2017 UI UP percentage.
  ○ Total $ amount - From the *UI FY2017 Data Call Calculations 101317 Table Data spreadsheet*, summed the 2017 UI OP dollar amount and the 2017 UI UP dollar amount.
• Overpayments

    - % of outlays – From the *IPERA UI INTEG_IP IPIA17*, summed column, IPIA Rate, for each state.
    - Total $ amount - From the *UI FY2017 Data Call Calculation 101317 Table Data spreadsheet*, multiplied the 2017 UI Paid by the UI OP percentage.
- Underpayments
    - % of outlays – From the *IPERA UI INTEG_IP IPIA17,* summed column, UP Rate, for each state.
    - Total $ amount - From the *UI FY2017 Data Call Calculation 101317 Table Data spreadsheet*, multiplied the 2017 UI Paid by the UI UP percentage.
- IP Made By Recipients of Federal Money
    - % of outlays – From the *UI FY2017 Data Call Calculations 101317 Table Data spreadsheet*, summed the 2017 UI OP percentage and the 2017 UI UP percentage.
    - Total $ amount - From *UI FY2017 Data Call Calculations 101317 Table Data spreadsheet*, summed the 2017 UI OP dollar amount and the 2017 UI UP dollar amount.
- Net IP (IP Minus Amounts Recovered by States)
    - % of outlays – From the *UI FY2017 Data Call Calculations 101317 Table Data spreadsheet*, divided the 2017 Net Recov. Dollar amount by the 2017 UI paid amount.
    - Total $ amount – From the *UI FY2017 Data Call Calculation 101317 Table Data spreadsheet*, subtracted the 2017 Total IP dollar amount by the 2017 Recoveries dollar amount.
- IP Minus "Work Search" Errors
    - % of outlays – From the *UI INTEG_IP IPIA*, multiplied the overpayment rate excluding WS (IPIA Rate Excluding Work Search) by the total outlays from the FY2017 Data Call Calculations 101317 Table Data spreadsheet (cell D2), then added the amount underpaid (cell D4) divided by the amount paid (cell D2).
    - Total $ amount – From the *UI FY2017 Data Call Calculations 101317 Table Data spreadsheet*, summed the 2017 UI UP dollar amount and the 2017 OP Ex. WS dollar amount.

Compared our recalculated measures to the corresponding amounts presented in the UI FY2017 Data Call Calculations 101317 Table Data spreadsheet, and the IPERA UI Bam Data File AFR 2017 Integrity Rates, both of which were provided to us by DOL management, and reported any differences.

Results:
No differences were identified as a result of applying this procedure.

21. Recalculated, as described below, the percentage of outlays and total dollar amounts following measures for the FECA program from the FECA Improper Payment Matrix, which was provided to us by DOL management:

- Proper Payments:
    - % of outlays – From tab, *Improper Payment Rate*, subtracted 100% from the FY2017 Improper Payment Rate.
    - Total $ amount - From tab, *Chargeback*, multiplied the Total Chargeback Amount from FY2017 by the FY2017 Proper Payment Rate, from tab, *Improper Payment Rate*.
- IP Rate:
    - % of outlays – From tab, *Improper Payment Rate*, divided the Total FY IP Amount by the Total Chargeback Amount, from tab, *Chargeback*.
    - Total $ amount – From tab, *Improper Payment Rate*, summed the Total CB2017 Errors and the Dollar amount of fraud for CB2017.
- Overpayments
    - % of outlays – From tab, *Root Cause of Category Matrix*, divided the Total Overpayments in column J by the Total Chargeback Amount from tab, *Chargeback*.
    - Total $ amount – From tab, *Root Cause of Category Matrix*, summed all overpayment amounts in column J from row 11 to row 22.
- Underpayments
    - % of outlays – From tab, *Root Cause of Category Matrix*, divided the Total Underpayments in column K by the Total Chargeback Amount from tab, *Chargeback*.
    - Total $ amount – From tab, Root Cause of Category Matrix, summed all underpayment amounts in column K from row 11 to row 22.
- IP Made Directly by the Federal Government
    - % of outlays – From tab, *Payment Reporting*, divided the total dollar amount of Proper Payments by the sum of total dollar amount of IP

(Overpayments plus Underpayments): and the dollar amount of IP Made Directly by the Federal Government.

- Total $ amount – From tab, *Root Cause Matrix*, subtracted the Total value of Sample OMB Root Cause – Table 2 by the Total Overpayments and Underpayments related to Administrative or Process Error Made by: Other Party in columns J and K respectively.

- IP Made By Recipients of Federal Money
  - % of outlays – From tab, Payment Reporting, divided the total dollar amount of Proper Payments by the total dollar amount of IP (Overpayments Plus Underpayments): and the dollar amount of IP Made by Recipients of Federal Money.
  - Total $ amount – From tab, Root Cause Category Matrix, summed the total dollar amounts of overpayments and underpayments related to Administrative or Process Error Made by: Other Party from columns J and K respectively.

Compared our recalculated measures to the corresponding amounts presented in the FECA Improper Payment Matrix and reported any differences.

Results:
No differences were identified as a result of applying this procedure.

22. From the FECA Improper Payment Matrix, which was provided to us by DOL management, selected a haphazard sample of 25 claims from tabs, IP Compensation Audit and IP Medical Bill Audit, and compared the following attributes for each sample item to the Integrated Federal Employee Compensation System (iFECs) database. Reported any differences.

- IP Compensation Audit Samples – Case number, claimant name, payment paid date, payment amount
- IP Medical Bill Audit Samples – Claimant case number, bill amount, amount paid

Results:
No differences were identified as a result of applying this procedure.

23. For each sample selected in procedure 22 with an overpayment amount or an underpayment amount, compared the revised payment amount from Form CA-7, which was provided to us by DOL management, to the revised

payment amount per the pay rate screen as reflected in iFECs. Reported any differences.

Results:
No differences were identified as a result of applying this procedure.

24. For each sample selected in procedure 22, subtracted the payment amount from procedure 22 from the revised payment amount from procedure 23. Compared this amount to the overpayment amount or underpayment amount as listed in the FECA Improper Payment Matrix, which was provided to us by DOL management. Reported any differences.

Results:
We identified the following differences in applying this procedure:

Case Number	Reported amount	Recalculated amount	Difference
XXXXX5358	$25.63	$25.56	$0.07
XXXXX2300	$1,529.82	$1,907.55	-$377.73
XXXXX0581	$12,297.25	$12,097.25	$200.00

25. In the FECA Improper Payment Matrix, which was provided to us by DOL management, within tabs, IP Compensation Audit and IP Medical Bill Audit, summed all amounts paid and all amounts of improper payments and compared to amounts shown on tab, Improper Payment Rate. Reported any differences.

Results:
No differences were identified as a result of applying this procedure.

26. In the FECA Improper Payment Matrix, which was provided to us by DOL management, calculated the total dollar value and total error value for both the compensation claims and medical claims included within the Improper Payment Rate tab. Compared the calculated amounts to the total dollar value and total error value of the sample universe for both compensation claims and medical claims as shown in the tab Improper Payment Rate. Reported any differences.

Results:

No differences were identified as a result of applying this procedure.

27. Using the total dollar and error values calculated in procedure 26, divided the total value of errors by the total dollar value for both compensation and medical claims to calculate their improper payment rate. Compared this calculated improper payment rate to the Improper Rate presented in the Improper Payment Rate tab included in the FECA Improper Payment Matrix, which was provided to us by DOL management. Reported any differences.

Results:
No differences were identified as a result of applying this procedure.

28. In the FECA Improper Payment Matrix, which was provided to us by DOL management, within tab Improper Payment Rate, added the improper payment rate calculated at procedure 27 with the Fraud IP Rate, and compared the total to the FY2017 Improper Payment Rate. Reported any differences.

Results:
No differences were identified as a result of applying this procedure.

29. Selected a haphazard sample of 9 State Submission Status reports as of October 13, 2017 and compared the measures presented in the bullet below to the OIG IPIA 2017 database tables, which were provided to us by DOL management: b_master, b_errisu, and b_comparison. Reported any differences.

- Amount paid, OP Rate, UP Rate, Improper (OP+UP), OP Rate Exl. Wrk. Srch., and OP Rate excluding WS+UP Rate, and the number of samples.

Results:
We identified the following differences in applying this procedure:

State	Disclosure	Reported Amount	Recalculated Amount	Difference
NC	Amount Paid	$215,490,804	$215,490,803	$1.00
MA	OP Rate	21.47%	21.55%	-0.08%
TX	OP Rate	9.29%	8.95%	0.34%
MA	Improper (OP+UP)	22.02%	22.09%	-0.07%
MA	OP Rate Exl. WS	8.70%	8.90%	-0.20%

TX	OP Rate Exl. WS	7.12%	6.89%	0.23%
MA	# of Samples	515	521	-6

30. For each sample selected in procedure 29, compared the formula from the query from the OIG IPIA 2017 database for each measure presented in the bullet below, to the Benefit Accuracy Measurement State Operations Handbook (No. 395, 5th edition). Reported any differences.

- Amount paid, OP Rate, UP Rate, Improper (OP+UP), OP Rate Exl. Wrk. Srch., and OP Rate excluding WS+UP Rate.

Results:
No differences were identified as a result of applying this procedure.

31. Recalculated the FY18 IP Target Rate, as described below, for both FECA and UI and compared the recalculated rates to the IP Target Rates in the FECA Improper Payment Matrix, which was provided to us by DOL management, and the UI Estimated IP Rate IPIA 2018. Reported any differences.

- FECA – Agreed the FY18 IP Target Rate (as % of total outlays) from the 2017 AFR to the FY18 Estimated IP % from the 2016 AFR.
- UI – From the UI Estimated IP Rate IPIA 2018, multiplied the IP Rate FY 2017 by 110%.

Results:
No differences were identified as a result of applying this procedure.

32. Recalculated the total amount of UI overpayments and underpayments, as described below, for the categories listed below, and compared the recalculated amounts to the overpayments and underpayments in the UI FY2017 Data Call Calculations 101317 Table Data spreadsheet, which was provided to us by DOL management. Reported any differences:

- Program Design or Structural Issue
  - Overpayments – Multiplied the 2017 UI OP dollar amount by the OP Structural percentage.
  - Underpayments – Multiplied the 2017 UI UP dollar amount by the UP Structural percentage.

- Inability to Authenticate Eligibility
  - Overpayments - Multiplied the 2017 UI OP dollar amount by the OP Authenticate percentage.
- Failure to Verify Other Eligibility Data
  - Overpayments - Multiplied the 2017 UI OP dollar amount by the OP Verify percentage.
  - Underpayments - Multiplied the 2017 UI UP dollar amount by the UP Verify percentage.
- Administrative or Process Error Made by State of Local Agency
  - Overpayments - Multiplied the 2017 UI OP dollar amount by the OP Admin percentage.
  - Underpayments - Multiplied the 2017 UI UP dollar amount by the UP Admin percentage.
- Insufficient Documentation to Determine
  - Overpayments - Multiplied the 2017 UI OP dollar amount by the OP Documentation percentage.
- Other
  - Overpayments - Multiplied the 2017 UI OP dollar amount by the OP Other percentage.
  - Underpayments - Multiplied the 2017 UI UP dollar amount by the UP Other percentage.

Results:
No differences were identified as a result of applying this procedure.

33. Recalculated the percentage of overpayments for 2017 and the relative change, as described below, for the UI program for each of the categories listed below. Compared the recalculations to the respective 2017 AFR. For the FY 2016 percentages, compared the values in the 2017 AFR to table 2.2 on page 178 of the 2016 AFR. Reported any differences.

- Work Search
  - 2017 – From the *UI BAM Data File Cause Rate*, for the US, divided the estimated amount for Work search by the total overpayments.
  - Relative Change – Subtracted the 2017 percentage from the 2016 percentage.

- Benefit Year Earnings
    - 2017 – From the *UI BAM Data File Cause Rate*, for the US, divided the estimated amount for Benefit Year Earnings by the total overpayments.
    - Relative Change – Subtracted the 2017 percentage from the 2016 percentage.
- Separation
    - 2017 – From the *UI BAM Data File Cause Rate*, for the US, divided the estimated amount for Separation by the total overpayments.
    - Relative Change – Subtracted the 2017 percentage from the 2016 percentage.
- Able and Available
    - 2017 – From the *UI BAM Data File Cause Rate*, for the US, divided the estimated amount for Able+Available by the total overpayments.
    - Relative Change – Subtracted the 2017 percentage from the 2016 percentage.
- Employer Service Registration
    - 2017 – From the *UI BAM Data File Cause Rate*, for the US, divided the estimated amount for ES Registration by the total overpayments.
    - Relative Change – Subtracted the 2017 percentage from the 2016 percentage.
- Other Eligibility Issues
    - 2017 – From the *UI BAM Data File Cause Rate*, for the US, divided the estimated amount for Other Eligibility by the total overpayments.
    - Relative Change – Subtracted the 2017 percentage from the 2016 percentage.
- Base Period Wages
    - 2017 - From the *UI BAM Data File Cause Rate*, for the US, divided the estimated amount for Base Period Wage Iss. by the total overpayments.
    - Relative Change – Subtracted the 2017 percentage from the 2016 percentage.
- All Other Issues
    - 2017 – From the *UI BAM Data File Cause Rate*, for the US, divided the estimated amount for Other Issues by the total overpayments.

- Relative Change – Subtracted the 2017 percentage from the 2016 percentage.

Results:
We identified the following differences in performing this procedure:

Category	Reported Amount	Recalculated Amount	Difference
Work Search	37.38%	36.73%	0.65%
Benefit Year Earnings	26.41%	26.53%	-0.12%
Separation Issues	17.22%	17.54%	-0.32%
Able+Available	5.54%	5.58%	-0.04%
ES Registration	2.15%	2.24%	-0.09%
Other Eligibility	3.49%	3.48%	0.01%
Base Period Wages Issues	3.16%	3.18%	-0.02%
Other Issues	4.66%	4.72%	-0.06%

34. Recalculated the total amount of FECA overpayments and underpayments, as described below, for the categories listed below, and compared the recalculated amounts to the amounts in the FECA Improper Payment Matrix, which was provided to us by DOL management. Reported any differences.

- Inability to Authenticate Eligibility
  - Overpayments – From tab, *Root Cause Category Matrix*, multiplied the Total Sample % for Inability to Authenticate root cause by the Total Chargeback Amount from tab, *Chargeback*.
  - Underpayments – From tab, *Root Cause Category Matrix*, multiplied the Total Sample % for Inability to Authenticate root cause by the Total Chargeback Amount from tab, *Chargeback*.
- Failure to Verify Death Data
  - Overpayments – From tab, *Root Cause Category Matrix*, multiplied the Total Sample % for Failure to Verify Death Data root cause by the Total Chargeback Amount from tab, *Chargeback*.
- Administrative or Process Error Made by Federal Agency
  - Overpayments – From tab, *Root Cause Category Matrix*, multiplied the Total Sample % for Administrative or Process Error Made by: Federal Agency root cause by the Total Chargeback Amount from tab, *Chargeback*.

- Underpayments – From tab, *Root Cause Category Matrix*, multiply the Total Sample % for administrative or Process Error Made by: Federal Agency root cause by the Total Chargeback Amount from tab, *Chargeback*.

- Administrative or Process Error Made by Other Party
  - Overpayments – From tab, *Root Cause Category Matrix*, multiplied the Total Sample % for Administrative or Process Error Made by: Other Party root cause by the Total Chargeback Amount from tab, *Chargeback*.
  - Underpayments – From tab, *Root Cause Category Matrix*, multiplied the Total Sample % for Administrative or Process Error Made by: Other Party root cause by the Total Chargeback Amount from tab, *Chargeback*.
- Other
  - Overpayments – From tab, *Root Cause Category Matrix*, multiplied the Total Sample % for Other root cause by the Total Chargeback Amount from tab, *Chargeback*.

Results:
No differences were identified as a result of applying this procedure.

35. Recalculated the UI measures, as described below and compared the recalculated measures to the measures presented in the FY2017 AFR. Reported any differences

- Amount Identified – From *Report ETA 227, Recapture Audits Data file*, summed all amounts in column UI+EB+EUC Adjusted Ops Est.+.
- Amount Recaptured – From *Report ETA 227, Recapture Audits Data file*, summed all amounts in column UI+EB+EUC Overpayments Recovered.
- FY 2017 Recapture % – From *Report ETA 227, Recapture Audits Data file*, summed all amounts in column Pct Rec.
- FY 2018 Recapture % (Target) – From the *IPERA UI Recapture Audits*, tab, *recovery measure detail*, summed cells X2137 through X2141 and divided by 5.
- FY 2019 Recapture % (Target) – From the *IPERA UI Recapture Audits*, tab, *recovery measure detail*, summed cells X2137 through X2141 and divided by 5.

- Amount Recovered – From *Report ETA 227, Recapture Audits Data file*, summed all amounts in column UI+EB+EUC Overpayments Recovered.
- Original Purpose – From *Report ETA 227, Recapture Audits Data file*, summed all amounts in column UI+EB+EUC Overpayments Recovered.

Results:
We identified the following differences in performing this procedure:

UI Recapture % (Target)	Reported Amount	Recalculated Amount	Difference
For FY 2018 & 2019	71.00%	71.10%	.10%

36. Recalculated the UI measures, as described below in dollars and as a percentage and compared the recalculated amounts and percentages to those presented in the FY2017 AFR. Reported any differences

- Amount Outstanding (0 - 6 months)
    - Dollars – From the *FY2017 Data Call Calculation 101317 Table Data spreadsheet*, summed the UI/EB and EUC amounts for less than 180 days.
    - Percentage – Divided the total amount less than 180 days by the total amount of all payments.
- Amount Outstanding (6 months to 1 year)
    - Dollars - From the *FY2017 Data Call Calculation 101317 Table Data spreadsheet*, summed the UI/EB and EUC amounts between 180 days to 360 days.
    - Percentage – Divided the total amount between 180 days and 360 days by the total amount of all payments.
- Amount Outstanding (over 1 year)
    - Dollars - From the *FY2017 Data Call Calculation 101317 Table Data spreadsheet*, summed the UI/EB and EUC amounts over one year.
    - Percentage - Divided the total amount over one year by the total amount of all payments.
- Amount Determined to Not be Collectible
    - Dollars - From the *FY2017 Data Call Calculation 101317 Table Data spreadsheet*, summed all write-off amounts.
    - Percentage - Divided the total write-off amount by the total amount of all payments.

Results:
No differences were identified as a result of applying this procedure.

37. Recalculated the UI measures, as described below for IP analysis years 2009 – 2017, from the IPERA UI Overpayments Spreadsheet, which was provided to us by DOL management. Compared the recalculated measures to the DOL measures presented in the FY2017 AFR. Reported any differences.

- Overpayments Established UI/UCFE/UCX/EB – For each year from 2009 through 2017, the total UI/UCFE/UCX/EB overpayment established is the sum of fields' c3, c4, c29, c30, c235, and c251 from the ar227 report. The total UI/UCFE/UCFE/EB amount established is adjusted by subtracting the sum of columns c49, c50, and c296 from the ar227 report.
- Overpayments Recovered UI/UCFE/UCX/EB – For each year from 2009 through 2017, summed fields C206, C207, C208, C209, C278, and C279 from ar227 report.
- Recovered % - From each year from 2009 through 2017, divided the total UI and EB Recovered by the total Adjusted Established Amount Identified for Recovery and multiplied by 100 percent.
- Overpayments Established UI/UCFE/UCX/EB + EUC – For each year from 2009 through 2017, the total UI/UCFE/UCX/EB+EUC overpayment established is the sum of fields c3, c4, c29, c30, c235, and c251 from the report ar227 plus the sum of columns c3, c4, c29, and c30 from the au227 report. The total UI/UCFE/UCFE/EB+EUC amount established is adjusted by subtracting the sum of columns c49, c50, and c296 from ar227 report and the sum of columns c49 and c50 from the au227 report.
- Overpayments Recovered UI/UCFE/UCX/EB + EUC – For each year from 2009 through 2017, summed fields C206, C207, C208, C209, C278, and C279 from the AR227 report with columns C206, C207, C208, C209 from the au227 report.
- Recovered – For each year from 2009 through 2017, Divided the total UI, EB and EUC Recovered by the total Adjusted Established Amount Identified for Recovery, and multiplied by 100 percent.

Results:
We identified the following differences in performing this procedure (in millions):

Year	Overpayments Established UI/UCFE/UCX/EB	Overpayments Established UI/UCFE/UCX/EB	Difference
2009	$1,456.40	$1,296.89	$159.51
2010	$1,906.31	$1,847.94	$58.37
2011	$1,887.18	$1,912.17	-$24.99
2012	$1,740.18	$1,795.44	-$55.26
2013	$1,577.54	$1,562.76	$14.78
2014	$1,496.20	$1,494.19	$2.01
2015	$1,324.41	$1,438.52	-$114.11
2016	$1,078.92	$1,119.02	-$40.10
	Overpayments Recovered UI/UCFE/UCX/EB	**Overpayments Recovered UI/UCFE/UCX/EB**	**Difference**
2009	$850.10	$782.16	$67.94
2010	$966.02	$940.22	$25.80
2011	$997.97	$1,011.90	-$13.93
2012	$1,015.21	$1,045.23	-$30.02
2013	$1,075.82	$1,034.00	$41.82
2014	$983.35	$1,043.98	-$60.63
2015	$933.47	$954.13	-$20.66
2016	$840.41	$812.24	$28.17
	Overpayments Recovered UI/UCFE/UCX/EB	**Overpayments Recovered UI/UCFE/UCX/EB**	**Difference**
2009	58.43%	60.31%	-1.88%
2010	50.67%	50.88%	-0.21%
2011	52.88%	52.92%	-0.04%
2012	58.34%	58.22%	0.12%
2013	68.20%	66.16%	2.04%
2014	65.72%	69.87%	-4.15%
2015	74.80%	66.33%	8.47%
2016	77.89%	72.58%	5.31%
	Overpayments Established UI/UCFE/UCX/EB + EUC	**Overpayments Established UI/UCFE/UCX/EB + EUC**	**Difference**
2009	$1,735.25	$1,425.99	$309.26
2010	$2,834.45	$2,607.76	$226.69
2011	$2,995.96	$3,038.86	-$42.90
2012	$3,021.50	$2,865.55	$155.95
2013	$2,456.13	$2,578.97	-$122.84
2014	$1,984.97	$2,122.37	-$137.40
2015	$1,522.94	$1,685.23	-$162.29
2016	$1,140.03	$1,198.95	-$58.92

	Overpayments Recovered UI/UCFE/UCX/EB + EUC	Overpayments Recovered UI/UCFE/UCX/EB + EUC	Difference
2009	$914.27	$814.35	$99.92
2010	$1,179.89	$1,110.36	$69.53
2011	$1,299.43	$1,306.53	-$7.10
2012	$1,400.16	$1,402.59	-$2.43
2013	$1,512.61	$1,455.21	$57.40
2014	$1,297.26	$1,408.31	-$111.05
2015	$1,142.17	$1,170.93	-$28.76
2016	$959.51	$944.95	$14.56

	Overpayments Recovered UI/UCFE/UCX/EB + EUC	Overpayments Recovered UI/UCFE/UCX/EB + EUC	Difference
2009	52.69%	57.11%	-4.42%
2010	41.63%	42.58%	-0.95%
2011	43.37%	42.99%	0.38%
2012	46.34%	48.95%	-2.61%
2013	61.59%	56.43%	5.16%
2014	65.35%	66.36%	-1.01%
2015	75.00%	69.48%	5.52%
2016	84.17%	78.81%	5.36%

38. Compared the FY2017 Improper Payment Rates for UI and FECA per the DOL Programs Required to Submit Improper Payments Estimates table in the Payment Integrity section of the FY2017 AFR, to the IP Rates in the FECA Improper Payment Matrix, and UI FY2017 Data Call Calculations 101317 Table Data spreadsheet, which was provided to us by DOL management, respectively. Reported any differences.

    Results:
    No differences were identified as a result of applying this procedure.

39. Compared the FY2017 IP Target Rates, for UI and FECA, from the FY2016 AFR, to the FY2017 IP Rate for UI and FECA, from the FY2017 AFR. Reported the difference if the applicable FY2017 IP Target Rates were not met.

Results:
We identified the following difference in performing this procedure:

Program	FY 2017 Actual	FY 2017 Target	Difference
Unemployment Insurance	12.50%	11.55%	0.95%

40. From table, DOL Programs Required to Submit Improper Payments Estimates ($ in millions), within the Payment Integrity section of the AFR, identified all programs with total dollars amounts for IP Rate: over $750 million. Inspected the FY2017 AFR to ascertain if DOL has included in the AFR information on:

- DOL's corrective action plans for the program;
- Plans to recover improper payments;
- Actions to prevent future improper payments.

Results:
No differences were identified as a result of applying this procedure.

41. Obtained the FY2016 AFR, and confirmed if management has indicated that the corrective action plan is either open or closed, and reported those actions that are still marked as open.

Results:
No differences were identified as a result of applying this procedure.

42. For each corrective action published in the FY2017 AFR, confirmed if the following disclosures have been made for each corrective action plan. Reported any differences.

- Each corrective action plan is linked to the root cause they are addressing
- The results of actions taken to address the root causes
- The planned or actual completion date of the actions taken

Results:
No differences were identified as a result of applying this procedure.

OIG RECOMMENDATIONS

Based on the work performed by KPMG this year, we made certain observations related to DOL's IPERA process. As a result, we have updated the recommendations to the Chief Financial Officer and Director of OWCP to take action to:

1. Perform an analysis over the payments excluded from the sampled population used to calculate the FECA improper payment rate and document its assessment; and

2. Amend for any FECA payment categories determined to have a material impact on the improper rate calculation, its methodology to include those payments in the sampled population.

Furthermore, we made three new recommendations to management to take action to:

3. Develop and implement formalized policies and procedures related to the maintenance of supporting documentation for the IPERA reporting process;

4. Develop and implement formalized policies and procedures that require a detailed review of the IPERA information in the AFR, including the related calculations and supporting documentation; and

5. Maintain its current focus on increasing its technical assistance and funding to states to improve the improper payment reduction strategies in order to ensure compliance with the improper payments estimate rate threshold.

APPENDIX A: AGENCY'S RESPONSE TO THE REPORT

U.S. Department of Labor

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

May 11, 2018

MEMORANDUM FOR: **ELLIOT P. LEWIS**
Assistant Inspector General for Audit

FROM: **JAMES WILLIAMS**
Chief Financial Officer

SUBJECT: Response to the Office of Inspector General's draft report "DOL Did Not Comply with Improper Payments Elimination and Recovery Act for FY 2017" (Report No. 03-18-002-13-001)

The Office of the Chief Financial Officer (OCFO) would like to thank the Office of Inspector General (OIG) for its annual review of the Department's compliance with requirements under the Improper Payments Elimination and Recovery Act (IPERA) and for the opportunity to respond to its draft Fiscal Year (FY) 2017 report entitled "DOL Did Not Comply with Improper Payments Elimination and Recovery Act for FY 2017" (Report No. 03-18-002-13-001).

The Department remains committed to good stewardship of public funds and takes seriously its responsibility under IPERA to prevent, detect, and recover improper payments in its programs and to report fully and accurately on those efforts.

To that end, regarding recommendations one and two, the Department recently completed an analysis of payment types excluded from its improper payment sampling and estimation methodology for the Federal Employees' Compensation Act (FECA) program. Based on this analysis, the Department intends to revise its methodology for the FECA program to include the two previously excluded categories of payments — those made in the initial 90 days of claim acceptance, and payments for non-fully imaged cases initiated prior to November 2000. Subject to Office of Management and Budget (OMB) review, the Department is prepared to implement this revised methodology for FY 2018 and subsequent reporting.

Regarding recommendations three and four, the Department is considering and will implement, where cost effective, additional measures to strengthen its procedures over detailed reviews and maintenance of supporting documentation for payment integrity information reported in the Agency Financial Report.

With respect to recommendation five, the Department has implemented a number of measures to address improper payments in the federal-state Unemployment Insurance (UI) program. The Department has identified program-specific root causes of improper payments and developed a comprehensive set of corrective actions in its UI Integrity Strategic Plan to reduce improper payments below IPERA thresholds. The corrective actions and timelines are discussed in detail in the FY 2017 Agency Financial Report[1]. In partnership with states, the Department will continue to implement and refine the strategic plan.

Despite these efforts, a number of essential UI program features also serve as structural barriers that hinder the Department's ability to reduce improper payments below thresholds specified by IPERA. These essential program features include legal requirements for states to make payments that could later be determined improper due to receipt of information that was not available at the time the payment was required to be made, or as a result of legal requirements for notice and the opportunity to be heard prior to stopping payment of benefits.

There are strong public policy reasons for these program design and structural requirements. They promote the effectiveness of the critical UI safety net by getting benefit payments to eligible unemployed individuals for whom suitable work is not available during periods between jobs. Additionally, by providing temporary partial wage replacement to the unemployed, the program plays a vital role in maintaining purchasing power and in stabilizing local economies during periods of economic downturn.

The Department will maintain its focus on safeguarding the integrity of its programs and looks forward to working with the OIG to achieve continued improvement.

If you have any further questions or require additional information on the Department's payment integrity efforts, please contact me or Dylan Sacchetti at (202) 693-6800.

[1] U.S. Department of Labor. FY 2017 Agency Financial Report. pp. 165-169. https://www.dol.gov/sites/default/files/media_0/_Sec/2017annualreport.pdf

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APPENDIX B: ACKNOWLEDGEMENTS

Key contributors to this report were Stephen Fowler (Audit Director), Jessy Joseph (Audit Director), and Michael Elliott (Audit Manager)

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