As of November 2015, the OIG considers the following as the most serious management and performance challenges facing the U.S. Department of Labor:

- Providing a Safe Learning Environment at Job Corps Centers. ............ 2
- Protecting the Safety and Health of Workers ..................................... 4
- Helping Adults, Youth and Veterans Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market ........... 6
- Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families .......................... 9
- Securing and Managing Information Systems .......................... 11
- Reducing Improper Payments ................................................ 13
CHALLENGE: Providing a Safe Learning Environment at Job Corps Centers

BACKGROUND
The Job Corps program provides residential and nonresidential education, training, and support services to approximately 60,000 disadvantaged, at-risk youth, ages 16-24, at 125 Job Corps centers nationwide. The goal of this $1.6 billion program is to offer an intensive intervention to this targeted population as a means to help them learn a career, earn a high school diploma or pass the General Education Development test, and find and keep a good job.

CHALLENGE FOR THE DEPARTMENT
The Job Corps program remains challenged in its efforts to control violence and provide a safe learning environment at its centers. Without providing a safe learning environment for students and staff, Job Corps cannot meet its core mission of attracting young people who face economic disadvantages or come from debilitating environments, teaching them the skills they need to become employable and independent, and placing them in meaningful jobs or further education.

Job Corps centers have been troubled by violence and other criminal behavior for years, as some center operators have not been enforcing disciplinary policies. In the past year, a student at the St. Louis Job Corps Center allegedly shot and killed another student in their dormitory room, and center operations at the Homestead Job Corps Center in South Florida were suspended and students transferred to other centers after a student there was murdered, allegedly by several of his fellow students.

Previous to these serious incidents, OIG audits disclosed that some Job Corps centers failed to report and investigate serious misconduct, like drug abuse and assaults, or downgraded incidents of violence to lesser infractions to keep students enrolled, creating an unsafe environment for students and staff.

DEPARTMENT’S PROGRESS
Job Corps indicated it took steps in 2014 to address safety issues at its centers. Job Corps stated it instructed its regional offices to take immediate action to ensure centers are enforcing the program’s zero tolerance policy. In addition, Job Corps reported it is developing a comprehensive center safety profile intended to provide management staff with current data on significant incident reports and comments and concerns expressed by students or the public regarding center safety. Job Corps stated regional office staff has been instructed to conduct unannounced monitoring visits to centers with a focus on high-risk or low-performing centers, and it is seeking an extra $3.5 million to help coordinate oversight at its regional offices.

Job Corps also stated it is in the process of developing a risk management assessment tool to help program managers identify centers with a higher level of programmatic risk, including factors such as safety and student conduct. In response to concerns about the underreporting of data regarding student conduct infractions and dispositions, Job Corps reported it has conducted training on entering complete and accurate data in a timely manner into its Center Information System.
WHAT REMAINS TO BE DONE
To provide a safe and healthful center environment for Job Corps students and staff, the Department needs to expeditiously implement the various initiatives it has recently begun to protect the safety of its students. After these initiatives have been implemented, the Department must be more vigilant in its monitoring to ensure center operators and Regional Office personnel fully enforce Job Corps’ zero tolerance policy. The Department also needs to examine whether its admissions screening process is adequately vetting the youth who apply for admission to the program, and whether it needs to modify the performance clauses in center operators’ contracts to remove possible disincentives to enforcing its zero tolerance policy.
CHALLENGE: Protecting the Safety and Health of Workers

BACKGROUND
The Department administers the Occupational Safety and Health Act of 1970 (OSH Act) and the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act). DOL’s effective enforcement of these laws is critical to protecting workers from death, injury, and illness.

The two DOL agencies primarily responsible for enforcing these laws are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). OSHA and its state partners are responsible for the safety and health of 130 million workers employed at more than 8 million establishments. MSHA is responsible for the safety and health of more than 350,000 miners who work at more than 13,000 mines.

CHALLENGE FOR THE DEPARTMENT
The Department faces challenges in determining how to best use its limited resources to help ensure the safety and health of workers, particularly in high risk industries such as construction, forestry, fishing, agriculture, and mining. OIG audits have found OSHA lacks outcome-based data needed to determine the effectiveness of its programs. OSHA is also challenged to protect workers from retaliation and discrimination when they “blow the whistle” on unsafe or unhealthy workplace practices.

MSHA continues to struggle to meet its statutory mine inspection requirements and other enforcement responsibilities, such as protecting the rights of miners who report workplace safety and health concerns. At MSHA, this challenge is made even more difficult by the demands of maintaining a cadre of experienced, diverse, and properly trained enforcement staff and top management. Almost 40% of MSHA’s health and safety personnel are eligible to retire by 2017. This is a particularly pressing issue given the nearly 2 years it takes to train new mine inspectors. Moreover, 78% of MSHA’s top leadership is eligible to retire by 2017. MSHA is also challenged by the underreporting of occupational injuries and illnesses by mine operators. This underreporting hinders MSHA’s ability to focus its resources on mines that have elevated accident and injury rates. MSHA recently implemented the first phase of its new standards for a phased reduction in the amount of allowable respirable dust in coal mines by August 2016. While MSHA has reported positive results in the first phase, the agency remains challenged to ensure compliance with the more rigorous standard taking effect in 2016, particularly in the face of an ongoing court challenge by the industry to the new regulations.

DEPARTMENT’S PROGRESS
OSHA stated it is considering changes to the way it does business to better use its limited resources. In this regard, the Department initiated a multi-year study of OSHA’s Site Specific Targeting program to assess the impact of program interventions on future employer compliance. The study is scheduled to be completed by the end of calendar year 2015. OSHA has introduced 10 new performance measures for monitoring State Plans, one of which is intended to help OSHA determine the effectiveness of State Plan inspection targeting. For its whistleblower protection program, OSHA has created and updated its dedicated website – www.whistleblowers.gov. The site provides workers, employers, and the public with easily accessible information about the 22
federal whistleblower protection statutes OSHA currently administers. OSHA has also established whistleblower dedicated Assistant Regional Administrator positions in its regions.

MSHA stated it has new and ongoing initiatives and other strategies in FY 2015 to protect the nation’s miners, with the goal of continuing the long-term trend toward reduced fatality rates. MSHA stated it stepped up its targeted enforcement at metal/nonmetal mines and continued to engage in compliance initiatives including implementation of the first phase of the Respirable Dust Rule to end black lung disease among coal miners, promotion of the Rules to Live By initiative to prevent common types of mining deaths, and issuance of guidance on ladder safety and workplace examinations to improve compliance with the most frequently cited violations of metal/nonmetal standards. MSHA issued a final rule on proximity detection systems for continuous mining machines in underground coal mines and a proposed rule for proximity detection systems on mobile machines, also in underground coal mines. In addition, MSHA stated it implemented technological advancements to make mine rescue safer and more efficient and extended its mine rescue reach by establishing regional mine emergency stations. MSHA also stated it has developed a succession plan for FYs 2013-2017 and is implementing key strategies for leadership development such as training, mentoring and detailing employees to developmental assignments.

WHAT REMAINS TO BE DONE
OSHA’s performance measures have been focused on activities rather than outcomes. While OSHA cites several studies that have shown a positive impact from OSHA inspections, the agency needs to continue its efforts to develop metrics that reflect the impact of its enforcement efforts on improving workplace safety and health. When its study of the Site Specific Targeting Program is completed, OSHA needs to analyze the study results and use them to improve its targeting efforts. Similarly, OSHA needs to evaluate its ten new performance measures to identify the measures that have been having a positive impact on improving worker safety and health. While OSHA has implemented timeliness measures for its Whistleblower Program, it needs to develop performance measures that will indicate if the program is working as intended and if complaints are being thoroughly investigated.

MSHA needs to continue taking action to further enhance its knowledge of the underreporting of accidents, injuries and illnesses by mine operators and use this knowledge to finalize its strategy to address mine operator programs and practices that discourage reporting. MSHA also needs to continue working on the next steps in mine safety, including training the mine rescue community on state-of-the-art communications, monitoring and tracking systems; developing new mine rescue and command and control guidance; investing in video tools for advancing rescue teams; and upgrading seismic and robotics technology. MSHA also needs to continue conducting stakeholder outreach so that mine operators have ample time to adjust to the new respirable coal dust requirements. MSHA further needs to continue its efforts to ensure key health, safety, and top management positions do not experience significant vacancies.
CHALLENGE: Helping Adults, Youth and Veterans Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market

BACKGROUND
In FY 2015, the Department's Employment and Training Administration (ETA) was appropriated $1.8 billion for grants to states for Workforce Innovation and Opportunity Act (Opportunity Act) Adult, Dislocated Worker, and Youth programs. On July 1, 2015, most provisions of the Opportunity Act, which replaced the Workforce Investment Act of 1998, took effect. The Opportunity Act contains provisions to strategically align workforce development programs to develop participants' skills to meet needs of employers and to improve accountability and transparency in reporting. ETA also operates the Job Corps program, spending $1.6 billion dollars annually to provide residential and nonresidential education, training, and support services to approximately 60,000 disadvantaged, at-risk youths (ages 16-24), at 125 Job Corps centers nationwide.

The Veterans' Employment and Training Service (VETS) assists veterans in obtaining and maintaining civilian employment primarily through its Jobs for Veterans State Grants Program. Administered by State Workforce Agencies, this program provides employment services to disabled and other eligible veterans, conducts outreach to employers, and engages in advocacy efforts to increase employment opportunities for veterans.

CHALLENGE FOR THE DEPARTMENT
The Department remains challenged to ensure its job training programs and related services are helping those with barriers to employment to secure the skills and credentials they need to obtain jobs paying a living wage. This challenge is made even more difficult by a lack of reliable outcome data that prevents the Department from being able to evaluate the effectiveness of its workforce development programs.

Our work in Job Corps has found its graduates have been often placed in jobs unrelated to the occupational skills training they received or in jobs that required little or no training. A 2014 GAO report on Workforce Investment Act (WIA) training outcome data concluded that data on credential attainment and training-related employment can potentially provide more meaningful information on the value of training services. The Department faces challenges in assuring credentials that participants obtain from DOL-funded training programs are industry-recognized and actually help participants obtain jobs in those industries. The Department continues to be challenged to ensure the accuracy of reported outcomes data, as states do not have the technical capabilities needed to track and report this data. While provisions in the Opportunity Act are designed to standardize performance metrics and data collection, the new act does not include a requirement to report on training-related placements.

The employment situation for veterans has improved, as evidenced by the Bureau of Labor Statistics’ announcement in August 2015 that the unemployment rate for veterans had dropped to 4.2% – a 7 year low. As military downsizing continues, the Department will continue to be challenged to meet the demand for employment services by veterans returning to civilian life, particularly for those with barriers to employment. In particular, facilitating veteran attainment of licensing and credentialing for civilian jobs similar to their military jobs is one of the Department's most important and challenging objectives. The Department estimates about 90% of future
participants served by its Jobs for Veterans State Grants program will require career services, such as career planning and assessment and referrals to job training and support services. A lack of reliable data has been preventing VETS from determining how well states have been meeting veterans’ needs for services that lead to good jobs.

DEPARTMENT’S PROGRESS

In July 2015, provisions in the Opportunity Act took effect to improve accountability by requiring the reporting of common performance indicators used by federally funded workforce training programs. For example, the Act created a single set of common measures for adults across all core programs authorized under the bill, including both occupational training and adult education programs, and a similar set of common measures across all youth serving programs authorized under the bill. ETA has begun providing guidance and technical assistance to states to assist with the transition to the new Opportunity Act requirements, and has proposed regulations to implement the new legislation.

ETA expects to begin to receive the initial results from its WIA Gold Standard Evaluation by the end of 2015 and the final impact findings in 2017. ETA stated it plans to use these results to identify those practices and services that are having a positive impact on participants’ ability to obtain good jobs.

Job Corps indicated it implemented a standards-based system of teaching and learning and began to identify and replicate the practices of high-performing centers. To improve the usefulness of its reported performance data, Job Corps stated it has updated its Job Training Match Crosswalk to align with the revised DOL O*NET-Standard Occupational Classification database, which characterizes all jobs in the U.S. labor market. Another area of progress cited by Job Corps is its system-wide credentialing strategy to align all career technical training offered throughout the program with an industry recognized credential, thereby offering every graduate the opportunity to earn at least one industry recognized credential upon program completion. Job Corps also stated it has increased its oversight of under-performing training programs by improving monitoring and more effectively using performance improvement plans, center assessments, and other oversight tools.

VETS stated it has provided more emphasis and efforts in three areas: 1) preventing unemployment of recently-separated veterans by engaging with them before they leave military service; 2) serving veterans with significant barriers to employment; and 3) expanding nationwide outreach. VETS also noted participation in the Department of Labor Employment Workshop portion of the military’s Transition Assistance Program has increased almost 30% since 2013, and it has redesigned the workshop curriculum to be more responsive to the career needs of participants. VETS stated it has designated categories of transitioning service members as eligible to receive services from its Disabled Veterans Outreach specialists before they leave active duty, and has partnered with the Department of Defense to allow eligible transitioning service members to participate in registered apprenticeships during their last six months of military service. VETS also partnered with the Department of Veterans Affairs to establish a Joint Work Group whose goal is to improve the quality of employment services and outcomes for
veterans with disabilities. Finally, VETS stated it has expanded its nationwide outreach program by adding staff in the national and six regional offices to improve awareness of VETS' program and cooperation with stakeholders.

**WHAT REMAINS TO BE DONE**

The Department must reconcile public comments and issue final regulations to implement the provisions of the Opportunity Act by January 22, 2016. The performance requirements of the Opportunity Act take effect starting July 2016; therefore, ETA needs to establish a new data collection and update technology to collect this new data. At a minimum, ETA will need to address data reliability and validity challenges over the initial implementation year. ETA also needs to ensure the results of the WIA Gold Standard Evaluation are used to identify those services that are having a positive impact on participants' ability to obtain good jobs.

In Job Corps, the Department needs to complete its plans to issue new guidance on performance improvement plans and to revise its procedures for conducting regional office center assessments. The Department also needs to evaluate the effectiveness of Job Corps’ system-wide credentialing strategy. The Department should continue to pursue statutory access to the National Directory of New Hires. Such access would streamline the process of obtaining earnings data needed to assess the impact of services provided by ETA, VETS, and other agencies within the Department. The Department should also consider conducting a longitudinal study, similar to the WIA Gold Standard Evaluation, of the job counseling, training, and placement services for veterans provided by the Department. Such a study could provide a better understanding of the impact of the Department’s services on the employment outcomes of veterans.
CHALLENGE: Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families

BACKGROUND
The Employee Benefits Security Administration (EBSA) protects the integrity of pensions, health, and other employee benefits for about 143 million people. EBSA's enforcement authority extends to an estimated 677,000 private retirement plans, 2.3 million health plans, and a similar number of other employee welfare plans that together hold $8.7 trillion in assets. EBSA's responsibilities include providing oversight of the federal Thrift Savings Plan, the largest defined-contribution plan in the United States, with nearly $450 billion in assets and 5 million participants.

CHALLENGE FOR THE DEPARTMENT
EBSA's limited authority and resources present challenges in achieving its mission of administering and enforcing ERISA requirements protecting the pensions, health, and other employee benefits for approximately 143 million participants and beneficiaries. An important part of EBSA's mission is to deter and correct violations of ERISA through a strong enforcement program to ensure workers receive promised benefits. Given the number of plans the agency oversees relative to the number of investigators, EBSA has to devise ways to focus its available resources on investigations, audits and other reviews that it believes will most likely result in the deterrence, detection, and correction of ERISA violations. In order to do so, EBSA must determine which of its enforcement initiatives are the most effective.

For many years, EBSA's oversight efforts have been challenged by the fact that billions of dollars in pension assets held in otherwise regulated entities, such as banks, escaped audit scrutiny. ERISA provides an option for a limited-scope audit under which plan auditors, generally, need not audit investment information certified by certain banks or insurance carriers presumably because they are being audited by other entities for other purposes. As a result, the independent public accountants that conduct their audits express “no opinion” on the financial statements of plans that receive certifications from these institutions holding assets on behalf of the plans. These limited-scope audits weaken assurances to stakeholders and may put retirement plan assets at risk because they provide little or no confirmation regarding the existence or value of plan assets. These concerns were renewed by recent audit findings that as much as $3.3 trillion in pension assets, including an estimated $800 billion in hard-to-value alternative investments, received limited-scope audits that provided few assurances to participants as to the financial health of their plans.

EBSA is further challenged by the large increase in the types and complexity of investment products available to pension plans. EBSA's proposed conflict of interest rule is intended to ensure workers enrolled in retirement plans can be assured the investment advice they receive is delivered with their best interest in mind, but the rule faces significant opposition from Congress and industry stakeholders.

EBSA also faces challenges in protecting participants in ERISA-covered, self-funded health plans from improper claim denials. EBSA has little or no information about the plans it oversees because it has exempted 98% of
health plans from the requirement to file Form 5500 informational reports. EBSA should reexamine the filing exemption for small plans and capture data on claims for health plans on Form 5500.

DEPARTMENT’S PROGRESS
In FY 2011, EBSA implemented the Sample Investigation Program (SIP) to measure compliance with the civil provisions of ERISA. EBSA reported it has processed 1,415 SIP cases through September 15, 2015, and thoroughly analyzed the data. EBSA stated the analysis showed that the employee benefit plans, violations and investigations studied were too different from each other to draw meaningful statistically-supported inferences regarding overall compliance or the impact of EBSA’s investigations. EBSA said it will continue to analyze the data, including identifying consequential trends, to make it statistically more useful to the agency, but will only be able to report on certain issues in a qualitative way. Going forward, EBSA plans to scale back the SIP program to redirect resources to other compliance projects, including one on bonding. Rather than attempt to measure overall compliance with all of ERISA’s many provisions, EBSA stated it is focusing on this specific compliance issue of special importance to the integrity of plans and plan benefits.

WHAT REMAINS TO BE DONE
EBSA should continue to analyze violation trends as an additional methodology to help guide its resource allocation strategies.

EBSA should concentrate on ensuring final regulations on the conflict of interest rule are issued and continue its work to obtain legislative changes repealing the limited-scope audit exemption. In the interim, EBSA should continue to expand its existing authority to clarify and strengthen limited scope audit regulations and evaluate the ERISA Council’s recommendations on the issue.

Regarding health plans, EBSA needs to reexamine the filing exemption for small plans and capture data on claims for health plans on Form 5500, increase its enforcement activities, and improve its analysis of the denial of claims data at the plan and insurer levels. EBSA should also continue participant complaint reporting, collaborating with states on data and enforcement activities, and work with plans and review other ways it could improve the external review process for participants and beneficiaries.
CHALLENGE: Securing and Managing Information Systems

BACKGROUND
More than 50 of the Department’s major information systems contain sensitive information that is central to its mission and to the effective administration of its programs. Departmental systems are used to analyze and house the nation’s leading economic indicators, such as the unemployment rate and the Consumer Price Index. They also maintain critical and sensitive data related to the Department’s financial activities, enforcement actions, worker safety, health, pension, and welfare benefits, job training services, and other worker benefits.

CHALLENGE FOR THE DEPARTMENT
Safeguarding data and information systems is a continuing challenge for all federal agencies, including the Department of Labor. The recent cyber-theft of an estimated 22 million federal personnel records from the Office of Personnel Management highlights the risks faced by federal agencies. OIG’s audits and investigations have identified deficiencies in configuration management and account management, as well as security and access controls weaknesses in the Department’s major information systems, including web applications. These deficiencies pose an increased risk to the security of data and information maintained in Departmental systems.

The Department remains challenged to fully implement two-factor authentication for 100% of its users, particularly its privileged users. The Department also needs to reduce the number of users with privileged access to systems to minimize its exposure to attacks similar in nature to the OPM data breach. The Department continues to be challenged to mitigate the significant deficiencies associated with its systems’ access controls and its third party oversight and configuration management processes. The Department must address challenges related to mitigating the risks associated with the acquisition and management of cloud solutions such as ensuring contracts contain provisions that protect the integrity, security and availability of government owned data, and monitoring usage rates to ensure charges do not exceed funded amounts. The Department also needs to mitigate the risks posed by today’s smartphones. Mobile devices can be easily misplaced or stolen, are susceptible to electronic eavesdropping, and their whereabouts can be easily tracked and secretly monitored.

The Department continues to face challenges in managing its financial system, New Core Financial Management System (NCFMS), created by sudden legal and bankruptcy issues faced by the private sector firm that was providing these services. The Department procured the NCFMS assets and entered into an interagency agreement for a federal shared services provider to assume operations and maintenance of NCFMS at a cost of more than $2 million per month. The Department has entered into another $24.9 million time and materials interagency agreement with the shared services provider to operate and maintain NCFMS over a one-year period that began in April 2015. Initially, a time and materials agreement may have been the most appropriate as the shared services provider was gaining an understanding of the operations and stabilizing the system; however, the provider has now been operating NCFMS for almost a year, but the Department has not been able to define its requirements and move to a fixed-price agreement.
DEPARTMENT’S PROGRESS
As of September 15, 2015, the Department reported it had implemented two-factor authentication for about 89% of its users. The Department plans to achieve full compliance with two-factor authentication by September 30, 2015. The Department has piloted a mobile device management solution, MaaS360, to secure mobile device usage across the Department. In April 2015, the Department issued guidance to provide agencies with a standard oversight and monitoring process for its external service providers. The Department stated it has increased the frequency of its monitoring reviews and is in the process of deploying additional enterprise monitoring tools to address the weaknesses associated with agency account management and baseline configuration procedures.

The Department stated it has taken steps to mitigate NCFMS costs, but contended NCFMS operations continue to lack the certainty needed to make a firm-fixed priced agreement a reasonable and prudent choice as we recommended. The Department stated it will closely monitor costs under its current agreement and will consider a firm-fixed priced agreement if and when it becomes the more cost efficient model.

WHAT REMAINS TO BE DONE
The Department needs to fully implement the use of PIV cards to provide greater security of its information systems. Departmental agencies need to prioritize available resources to implement planned actions to correct deficiencies in web applications, configuration management, access controls (including account management), and update its third-party oversight procedures by December 31, 2015. The Department needs to update its policies for managing applications and information in cloud computing environments to include best practices. The Department also needs to implement the OMB M-07-16 requirement to log/verify data extracts and complete its plans to implement a mobile device management program that can be scaled to cover up to 30,000 portable devices.

The Department must closely monitor the operation and maintenance services of NCFMS to mitigate financial and operational risks. The Department should establish a firm-fixed priced agreement with the federal shared service provider for routine operation and maintenance to assist the Department in managing its costs within budgeted amounts and reduce the need for agencies to shift funds from program-related requirements.
CHALLENGE: Reducing Improper Payments

BACKGROUND
In its Fiscal Year (FY) 2014 Agency Financial Report, the Department estimated the Unemployment Insurance (UI) benefit program made $5.6 billion in improper payments. According to OMB, the UI program had the fifth highest amount of reported improper payments among all federal programs. Claimants who failed to actively seek employment and therefore did not meet work search requirements were the leading cause of UI overpayments. OIG investigations also continue to uncover fraud committed by individual UI recipients who do not report or underreport earnings, as well as fraud related to fictitious employer schemes.

The cluster of Workforce Investment Act (WIA) Title I programs (Adult, Youth, and Dislocated Workers) and the FECA benefit program have been classified as at-risk of significant improper payments by OMB former Circular No. A-11, Section 57.

CHALLENGE FOR THE DEPARTMENT
OMB has designated the UI program as being particularly at risk for improper payments, and the Department’s ability to identify and reduce UI improper payments continues to be a challenge. OIG’s investigative casework clearly shows the UI program remains vulnerable to fraud and abuse. As detailed in OIG’s July 2015 investigative advisory report on UI fraud, identity thieves and organized criminal groups have found ways to exploit program weaknesses, and the OIG views this fraud as a significant threat to the integrity of the UI program.

The Department also remains challenged in identifying the full extent of improper payments in the FECA and WIA programs. The FY 2014 improper payment estimate for FECA was likely understated because the estimate excluded initial payments made in the first 90 days of a compensation claim, as well as payments made on claims initiated on older claims. While some amount of improper payments may be unavoidable due to the need to make initial payments as quickly as possible to alleviate hardships to injured federal workers, the Department should track the extent of such improper payments and whether they get adjusted to the correct amount. Also, the estimate of fraudulent FECA payments was based on actual restitution amounts and therefore did not reflect an estimate of undetected fraud. For the WIA programs, data are not readily available to allow the Department to directly sample grant payments and develop a statistically valid estimate of improper payments.

DEPARTMENT’S PROGRESS
The Department continues to work with states to implement a number of strategies to improve the prevention, detection and recovery of UI improper payments, and cited positive impacts such as an 83% reduction in the Employment Services registration error rate in the 2014 reporting period compared with the 2011 baseline. The Department also pursued the “Improper Payment High Priority States” initiative to reduce the UI improper payment rate in those states with unacceptably high levels over a prolonged period. According to the Department, each of the six states designated in FY 2012 and two states designated in FY 2013 achieved an improper payment rate below 10%, resulting in their removal from this designation in FY 2015 (although five new states were identified as subject to enhanced monitoring and technical assistance). In September 2015, the Department’s UI Integrity Center of Excellence hosted a UI Technology Symposium for states to exchange
information with each other about technology and tools for the prevention and detection of improper payments. In addition, the Department stated it is working to improve collaboration with federal benefit programs, such as Earned Income Tax Credit and Medicaid, which were recently targeted by fraud schemes involving the use of stolen, personally-identifying information to fraudulently claim benefits.

With respect to improper payments in the FECA program, in FY 2014 the Department implemented a new, OMB-approved methodology for estimating the FECA improper payment rate and will report the FECA improper payment rate on an annual basis. In addition, OWCP stated it is developing a Program Integrity Unit with auditors and data analysts to provide greater oversight and analysis of payment accuracy. OWCP has also contracted with a data analytics firm to assist in developing technology and analytic tools to detect and monitor inherent risk in claims, payments, and providers. The resultant technology should enable OWCP to refine its policy, procedures, and oversight interventions. In the WIA programs, the Department stated it has attempted to identify the full extent of improper payments by including estimates from other sources.

WHAT REMAINS TO BE DONE
The Department needs to employ cost benefit and return on investment analyses to evaluate the impact of its improper payment reduction strategies for UI. The Department can further improve oversight of the states’ detection and prevention of UI overpayments by increasing the frequency of on-site reviews at State Workforce Agencies (SWAs). In addition, the Department needs to continue pursuing legislation to allow states to use a percentage of recovered UI overpayments to detect and deter benefit overpayments.

OIG’s July 2015 investigative advisory report included several recommendations on actions the Department should take to address systemic weaknesses that make the UI program more susceptible to fraudulent activity. For example, SWAs should pay all UI claims by physical check, direct deposit, or a debit card issued by state-approved vendors. Such cards provide for account holder verification and make it easier to identify individuals who are submitting fraudulent claims. ETA also needs to work with SWAs to develop a plan to identify multiple claims that originate from the same IP addresses, provide all identified fraudulent claimant information to a shared database that can be queried to identify the filing of fraudulent claims against multiple states, discontinue auto-populating any data in their systems, and require UI claimants to fill out all employer contact information correctly and completely. Additionally, ETA needs to work with states to strengthen existing systematic audit controls to track access to personally identifiable information, and to identify and implement best practices and strategies for communication between tax operations and benefit operations.

The Department needs to continue developing the technology and analytic tools (e.g., models) to enhance its FECA improper payment estimation methodology.

Finally, the Department needs to continue working with OMB to properly classify the individual grant programs authorized under the newly enacted Workforce Innovations and Opportunity Act. Since data are not readily available to allow the Department to develop a statistically valid improper payments estimate by directly sampling grant payments, the Department needs to consider other sampling methods. Further, the Department needs to provide full disclosure in the Agency Financial Report regarding the limitations of the data used to estimate overpayments.
To learn more about the Office of Inspector General’s current and planned work, please visit www.oig.dol.gov.