


ETA's Response to Draft Report


U.S. Department of Labor

AUG 10 2015

Assistant Secretary for  
Employment and Training  
Washington, D.C. 20210



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

FROM: PORTIA WU   
Assistant Secretary

SUBJECT: Response to the Office of the Inspector General (OIG) Audit  
Report No. 18-15-003-03-315 – Recovery Act: Effectiveness of  
New York in Detecting and Reducing Unemployment Insurance  
Improper Payments and Implementation of Employment and  
Training Administration National Strategies

Thank you for the opportunity to respond to the report cited above. The Employment and Training Administration (ETA) continues to work aggressively with states to improve the prevention, detection, and recovery of Unemployment Insurance (UI) improper payments and to bring down the improper payment rate. ETA is committed to working with New York to address your recommendations and improve the integrity of its UI program.

ETA appreciates the acknowledgement on page 2 of the report that New York experienced a large increase in claims due to the implementation and extension of Federal UI programs. This change, caused by the recession, created a major challenge for states in addressing improper payments. Significant increases in the volume of UI claims resulted in states shifting resources to ensure timely payments to eligible claimants as required under Federal law. In addition, the complex and changing requirements of the temporary additional benefit programs overloaded state capacity. Many states, like New York, also struggled with antiquated and inflexible information technology systems that impacted their capacity to address program integrity issues. These strains on state resources further hindered their ability to detect, prevent, and recover improper payments.

As you noted in your report, ETA has identified a number of national strategies for state implementation designed to address major root causes of UI improper payments as part of a comprehensive strategic plan. We are pleased that New York has implemented all the national strategies as reported in this audit. ETA will continue working with states to identify and implement new and innovative strategies to improve program integrity and bring down the improper payment rate.

To promote development of innovative integrity strategies, ETA has established a national UI Integrity Center of Excellence (Center) through a cooperative agreement with the New York State Department of Labor. The Center is working collaboratively with ETA, a Steering Committee comprised of representatives from five state workforce agencies, and the National Association of State Workforce Agencies (NASWA) to guide the Center's work and ensure its strategies support all states' integrity activities, creating greater efficiency, improving operations,

and saving millions of taxpayer dollars. The strategies and tools being developed by the Center will be made available to New York and to all states and include, among others: data analytics and predictive modeling methodologies and tools to improve UI fraud prevention and detection; a secure portal for the rapid exchange of fraud information between states as it is identified; locally adaptable staff training on fraud solutions and integrity practices; highlighting integrity practices that should be included in state UI modernization efforts; and creation of a “model” plan for Benefit Payment Control operations.

Finally, for many years, ETA has supported state UI agencies in the modernization of their information technology (IT) legacy systems, which continues to be a high priority for ETA. To further these efforts, ETA provides funding to and works collaboratively with the Information Technology Support Center (ITSC) operated by NASWA. ITSC provides technical assistance and support to individual states and state consortia on their UI IT modernization efforts – UI IT modernization is the main focus of ITSC’s operations.

I have attached our response to the recommendations in the audit report. If you have questions, please contact Holly O’Brien, Regional Administrator for the Boston Office, at (617) 788-0170.

Attachment

**Employment and Training Administration (ETA) Response To  
Office of the Inspector General (OIG) Report No. 18-15-003-03-315 – Recovery Act:  
Effectiveness of New York in Detecting and Reducing Unemployment Insurance Improper  
Payments and Implementation of Employment and Training Administration National  
Strategies**

ETA has been working, and continues to work, aggressively with states to address the issue of UI improper payments and on implementation of the national strategies for the detection, prevention, and recovery of improper payments. Below are ETA's responses to the recommendations in this report.

**Recommendations**

- 1. ETA should work with and encourage New York to develop controls for the periodic review and testing of its legacy systems' data extraction and reporting process.**

During the second quarter of Fiscal Year (FY) 2015, Office of Unemployment Insurance (OUI), in collaboration with the Regional Office staff, provided technical assistance on data extraction methods and reporting to New York staff. ETA will continue to provide the technical assistance required for New York to test its data extraction and reporting processes.

- 2. ETA should work with and encourage New York to include in its systems modernization effort the necessary applications and processes to enable the state to pass ETA data validation requirements. Specific milestones for remedying data validation should be included in the New York Corrective Action Plan.**

To support the New York's information technology (IT) system modernization efforts, in FYs 2013 and 2014, ETA provided supplemental grants to the New York-New Jersey consortium for the development of business and technical requirements for a modernized IT system. One of the conditions of the grant award is for the consortium system to meet the requirements for UI Data Validation (DV) as outlined in ETA's Handbook No. 361. Additionally, in March 2015, ETA issued Training and Employment Notice No. 28-14 to provide a pre-implementation planning checklist for use by states prior to "going live" with a modernized UI IT system. Among the items noted in the checklist is a requirement that the state ensure that UI DV requirements are met prior to production implementation. ETA will continue to work closely with the consortium to monitor its progress and provide technical assistance in collaboration with the National Association of State Workforce Agencies' Information Technology Support Center to support the consortium's efforts.

Finally, ETA will work with New York to ensure that specific actions and milestones for remedying UI DV are included in the corrective action plan submitted as part of the state's FY 2016 State Quality Service Plan (SQSP) submission.