

## RESPONSE TO DRAFT REPORT


U.S. Department of Labor

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



SEP 29 2004

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

FROM: EMILY STOVER DeROCCO   
Assistant Secretary  
for Employment and Training

SUBJECT: New Hire Detection is a Better Method for Establishing UI  
Overpayments than the Wage UI/Benefit Crossmatch -  
Draft Audit Report No. 05-04-002-03-315

Thank you for the opportunity to comment on the subject draft audit report. We agree with the five recommendations in the report. We also agree the New Hires Detection system is the best method for detecting UI overpayments that result from unreported earnings when unemployment insurance claimants are working and collecting benefits at the same time.

We found the report to be very informative and offer the attached comments.

Again, thank you for the opportunity to comment.

Attachment

Attachment

**OIG Recommendations – Draft Audit Report No. 05-04-002-03-315**

**Recommendation #1**

“continue to provide technical assistance and resources to the state UI programs not using the New Hire detection method to initiate and/or complete plans for implementation as soon as possible”

**ETA Comment:**

ETA agrees with the above recommendation. ETA is committed to assisting states in implementing and/or improving systems to reduce UI overpayments and promoting the use of New Hire detection systems. During fiscal year 2003, a total of \$10 million was awarded to states for UI integrity related projects. Of the \$10 million, approximately \$4.6 million was awarded to states to implement or enhance New Hire Detection systems. During fiscal year 2004, a total of about \$8 million will again be awarded to state UI agencies for integrity related projects. Of this amount, \$2.3 million will be provided for benefit payment control crossmatches, including New Hire Detection systems.

**Recommendation #2**

“work with DHHS to communicate to Congress the need for amending the Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA), or introducing new legislation, to require employers to report a new hire’s first day of earnings and provide a clear, consistent, nationwide definition for this date”

**ETA Comment:**

ETA agrees with the above recommendation. We have already begun initial discussions with the Department of Health and Human Services (DHHS) concerning states’ access to the National Directory of New Hires (NDNH). In the course of these discussions, we will explore with DHHS the potential and implications of amending PRWORA to require employers to report a date of first earnings for new hires.

**Recommendation #3**

“encourage state UI programs to access the NDNH and coordinate efforts with the U.S. Department of Health and Human Services (DHHS) and the state UI programs to accomplish this”

**ETA Comment:**

ETA agrees with the above recommendation. As previously indicated, discussions between USDOL and DHHS about how to provide states access to the NDNH have already begun and future discussions will include state agencies.

**Recommendation #4**

“work with DHHS, the lead department, to encourage state agencies compiling the State Directory of New Hires (SDNH) to expand monitoring and outreach programs that will improve employer compliance and seek enforcement through penalties for employers who repeatedly fail to report new hires”

**ETA Comment:**

ETA agrees with the above recommendation. As part of our discussion regarding access to the NDNH, we will ask DHHS to encourage those state agencies that are responsible for compiling the State Directory of New Hires (SDNH) to expand monitoring and outreach programs that will improve employer compliance. We will also work with the DHHS to assess the idea of seeking statutory or regulatory authority to initiate enforcement through penalties for employers who repeatedly fail to report new hires. Finally, we will also discuss with DHHS whether additional resources may be provided to the states to implement such enforcement efforts.

**Recommendation #5**

“assist the state UI programs in analyzing resources to determine the best detection methods, how to best allocate resources, and frequency of New Hire Crossmatches”

**ETA Comment:**

ETA agrees with the above recommendation. We will continue to provide ongoing technical assistance to states in analyzing performance data and in disseminating information about successful practices through program directives, meetings, and conferences.

As noted in the draft audit report, states use a number of methods to detect overpayments. We support the states continued use of a variety of methods to detect overpayments in addition to the New Hire detection system(s). There are limitations that exist with the NDNH and SDNH system (with the SDNH, for example, multi-state employers report new hires to only one state). Therefore, until states actually have access to the NDNH, and employer compliance in reporting new hires increases significantly, states will continue to benefit from operating the UI Benefit/Wage crossmatch system to detect unreported wages.