



March 20, 2006

MEMORANDUM FOR: EMILY STOVER DEROCCO  
Assistant Secretary for Employment  
and Training

*Elliot P. Lewis*

FROM: ELLIOT P. LEWIS  
Assistant Inspector General  
for Audit

SUBJECT: Follow-up on Claimants with Unemployment  
Claims in Both Mississippi and Louisiana  
Related to Hurricane Katrina  
Management Letter No. 06-06-008-03-315

## SUMMARY

This Management Letter is a follow-up to information the Office of Inspector General (OIG) provided to you on December 20, 2005, in Management Letter No. 06-06-004-03-315. We previously reported that we had identified 238 potentially fraudulent claims in Mississippi and Louisiana related to Hurricane Katrina. However, upon more detailed review, we determined the correct number to be 233. Prior to our initial Management Letter, we had identified these claims for the States of Mississippi and Louisiana, and provided each State, for its review, the information we had regarding these claims.

Our analysis of these 233 claims<sup>1</sup> indicates that Mississippi and Louisiana combined to **overpay 213 individuals \$276,986** in Disaster Unemployment Assistance (DUA) benefits. Louisiana has already recovered, either from individuals or JPMChase Bank, which administered Louisiana's debit card payment system, \$37,338 in overpayments for 38 of these claims. Consequently, **\$239,648 overpaid to 175 individuals** is still outstanding. Our review identified the following bases for the overpayments:

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<sup>1</sup> Our analysis was based on the written record and, in some cases, conversations with State staff; we did not interview any participants or employers.

- A. 125 claimants received both Louisiana DUA payments and Mississippi Unemployment Insurance (UI) payments
- B. 22 claimants received both Mississippi DUA payments and Louisiana UI payments
- C. 66 claimants received DUA payments from both Mississippi and Louisiana
- D. 17 Social Security Numbers (SSN) were on both Mississippi's and Louisiana's claimant files, but the claimants' names were different for each State
- E. 3 claimants received UI payments from both Mississippi and Louisiana

We have provided to the OIG's Office of Labor Racketeering and Fraud Investigations (OLRFI) both the claim files and the Office of Audit's (OA) assessment of the claims.

Under separate cover, we have provided you and the States of Louisiana and Mississippi with details on the individual overpayments.

## **INTRODUCTION**

Normally, a Management Letter is provided to be read in conjunction with an accompanying audit report. However, due to the proactive nature of our current work related to Hurricane Katrina, we will be issuing Management Letters to inform the Department, in this case, the Employment and Training Administration (ETA), of issues/problems we believe should be disclosed to help the Department's programs operate efficiently and effectively while reducing the possibility of fraud, waste, and abuse.

## **BACKGROUND**

On August 29, 2005, Hurricane Katrina hit the Louisiana, Mississippi, and Alabama coasts resulting in a national disaster. Both the States of Louisiana and Mississippi were inundated with UI and DUA claims.

This Management Letter is an interim reporting mechanism and should be read with the understanding that, only after the information in this Management Letter is evaluated/investigated by the OIG's OA and OLRFI, the Louisiana Department of Labor, and/or the Mississippi Department of Employment Security, can a determination be made as to the legitimacy of these unemployment claims.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

Our objective is to assist the States to ensure that only legitimate UI and DUA claims are paid and that fraudulent claims are terminated as soon as possible to reduce the drain on the States' Unemployment Trust Funds and the Federal Federal Emergency Management Agency funds used to pay DUA.

In our previous Management Letter, we indicated that we obtained Hurricane Katrina-related UI and DUA databases from Mississippi and Louisiana. At the time we received this data, Mississippi had processed UI/DUA claims for weeks ending September 10 through October 15, 2005, and Louisiana had processed UI/DUA claims for weeks ending September 10 through November 5, 2005. The number of claims processed for each State for these periods was as follows:

| State       | Number of Claims Processed |        |
|-------------|----------------------------|--------|
|             | UI                         | DUA    |
| Mississippi | 65,058                     | 15,103 |
| Louisiana   | 186,531                    | 86,443 |

We matched the States' UI/DUA data files against each other by SSN, through the latest available week-ending date for Mississippi, to see if claimants filed UI/DUA claims in both States.

During our follow-up review, we obtained updated UI/DUA claims records for 216 of the 233 claimants. We did not analyze the 17 claims for which the States' files contained matching SSNs but different names. The States informed us these were errors that occurred while entering claims information into their respective systems. Because none of the 17 claimants from either State received benefits from more than 1 State, we accepted the States' explanation.

We analyzed each of the 216 files and rendered a conclusion based on the facts of each claim and the DUA provisions of Title 20, Code of Federal Regulations, Part 625 (20 CFR 625). More complete reviews by the OIG's OLRFI or the State agencies may result in a different determination as to the legitimacy of these DUA claims.

This work was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of the examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. Upon issuance in final, a copy of this Management Letter will be provided to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

## **RESULTS**

### **A. 125 claimants received both Louisiana DUA payments and Mississippi UI payments**

Louisiana paid these 125 claimants \$147,490 in DUA benefits for week ending dates September 10, 2005, through January 28, 2006, with most payments being made to JPMChase bank debit card accounts. Louisiana recovered \$30,086 from the bank for 31 of these DUA payments: for 29 claimants, the State recovered all payments; for 2 claimants, the State recovered partial amounts. As a result, **96 claimants were overpaid DUA of \$117,404.** (See attachment 1 of information previously provided.)

According to 20 CFR 625.4(i), in addition to other eligibility requirements, in order to be eligible for DUA, the individual: “. . . is not eligible for compensation . . . for such week under any other Federal or State law. . . . “

Further, 20 CFR 625.14 provides:

*(a) Finding and repayment.* If the State agency of the applicable State finds that an individual has received a payment of DUA to which the individual was not entitled under the Act and this part, whether or not the payment was due to the individual's fault or misrepresentation, the individual shall be liable to repay to the applicable State the total sum of the payment to which the individual was not entitled, and the State agency shall take all reasonable measures authorized under any State law or Federal law to recover for the account of the United States the total sum of the payments to which the individual was not entitled.

*(e) Application of State law.* Any provision of State law authorizing waiver of recovery of overpayments of compensation shall not be applicable to DUA.

Consequently, \$117,404 in Louisiana DUA benefits is unallowable because these 96 individuals established UI claims in Mississippi and received Mississippi UI benefits. The State of Louisiana should establish overpayments and recover these funds.

#### **B. 22 claimants received both Mississippi DUA payments and Louisiana UI payments**

For the same reasons given above, **20** of these 22 **DUA claimants were overpaid \$36,648** through the week ending January 14, 2006. These 20 individuals received UI benefits in Louisiana related to their Hurricane Katrina-related unemployment and, therefore, were not eligible for DUA in Mississippi. (See attachment 3 of information previously provided.) The remaining two claims did not result in overpayments because the State of Mississippi canceled one claimant's DUA checks based on the individual's eligibility for Louisiana UI; a second Mississippi claimant returned his DUA check because he had filed a Louisiana UI claim. Consequently, \$36,648 in Mississippi DUA benefits is

unallowable and the State of Mississippi should establish overpayments and recover these funds.

### **C. 66 claimants received DUA payments from both Mississippi and Louisiana**

Mississippi and Louisiana combined to overpay 66 claimants \$92,848 in DUA benefits; however, Louisiana subsequently recovered \$7,252 in debit card account deposits for 7 claims. As a result, **59 claimants were overpaid DUA of \$85,596.**

We reviewed both Mississippi and Louisiana claim files for all 66 claimants to determine in which State the individuals were eligible for DUA benefits. We assumed the individuals met the nonmonetary eligibility requirements to receive DUA; i.e., the individual was unemployed as a result of the disaster. Making an exact determination was difficult because many of the files contained conflicting information, such as: last employer; last employers' addresses; State wage information in relation to reported last employer; State of residence at the time of the disaster, etc. Conversely, a number of claims were clear as to where the overpayment occurred.

We made a determination regarding the State in which the overpayments occurred based on the claim files' evidence and the provisions of 20 CFR 625.12, which state:

(a) *Applicable State.* The applicable State for an individual shall be that State in which the individual's unemployment is the result of a major disaster.

(b) *Limitation.* DUA is payable to an individual only by an applicable State as determined pursuant to paragraph (a) of this section. . . .

Consequently, \$85,596 in DUA benefits for 59 individuals is unallowable, as follows:

- Louisiana **overpaid 43 claimants \$50,470** through the week ending January 28, 2006. (See attachment 2 of information previously provided.)
- Mississippi **overpaid 15 claimants \$33,600** through the week ending January 28, 2006. (See attachment 4 of information previously provided.)
- Both Mississippi and Louisiana **overpaid one claimant: Mississippi by \$840, and Louisiana by \$686.** (See attachments 2 and 4 of information previously provided--claimant marked with an \*. Also, see attachment 5 of information previously provided for details of this claim.)

**D. 17 SSNs were on both Mississippi's and Louisiana's claimant files but the claimants' names were different for each State**

As stated in a previous section of this Management Letter, we did not analyze the 17 claims for which the States' files contained matching SSNs but different names. The States informed us these were errors that occurred while entering claims information into their respective systems. Because none of the 17 claimants from either State received benefits from more than 1 State, we accepted the States' explanations.

**E. 3 claimants received UI payments from both Mississippi and Louisiana**

All three of these claimants had sufficient wages in both States to draw a UI claim in each State. However, these claimants should have been paid a combined wage claim, i.e., combining wages from the two States and paying the appropriate weekly benefit amount from one of the States. The State paying the claim would then bill the other State for that State's share of the benefits.

We notified both States of this issue and provided the claims' details. Therefore, we will leave it to the States to resolve this issue between them.

**RECOMMENDATION:**

In a December 15, 2005, response to Management Letter No. 06-06-004-03-315, the Assistant Secretary for Employment and Training stated that ETA has staff onsite in both States to provide technical assistance, with immediate steps to include reviewing each claim to determine legitimacy of payments made. In a more recent response, dated February 22, 2006, to the above management letter, the Assistant Secretary detailed the results of the States' investigation of 126 of the 238 claims we had initially identified as potentially fraudulent. We could not determine from the description provided in this response, how the States' review results compare to the information provided in this management letter.

In view of ETA's actions to date, we recommend that the Assistant Secretary for Employment and Training continue its technical assistance to the States and continue to have the States establish and collect the \$239,648 of DUA overpayments in accordance with Federal regulations.

**AGENCY RESPONSE**

The Assistant Secretary's February 22, 2006, response to Management Letter No. 06-06-004-03-315 addressed the State's progress to date in investigating potentially fraudulent claims, stating that the investigation was ongoing, as was

the determination of whether the completed cases were fraudulent. Therefore, the Assistant Secretary did not provide comments to this management letter.

### **OIG CONCLUSION**

Based on the Assistant Secretary's February 22, 2006, response to Management Letter No. 06-06-004-03-315, we consider the recommendation resolved. It will be closed upon receipt of documentation to support the States' actions to establish the overpayments, as described in the response.

This final Management Letter is submitted for appropriate action. We request a response within 60 days describing actions taken in response to the recommendation.

If you have any questions concerning this Management Letter, please contact John Riggs, Regional Inspector General for Audit, in Dallas at (972) 850-4003.

cc: Steven Law  
Deputy Secretary

Phyllis Newby  
ETA Audit Liaison