



September 13, 2006

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

A handwritten signature in blue ink that reads "Elliot P. Lewis".

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Individuals Received Disaster Unemployment
Assistance in Louisiana While Receiving
Unemployment Compensation in Mississippi
Management Letter No. 06-06-009-03-315

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.

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 Offices of Audit (OA) and Labor Racketeering and Fraud Investigations (OLRFI), the Louisiana Department of Labor, and the Mississippi Department of Employment Security, can a determination be made as to the legitimacy of the unemployment claims discussed herein.

SUMMARY

The purpose of the Disaster Unemployment Assistance (DUA) program is to provide unemployment assistance to those individuals who become unemployed or cannot commence employment as a direct result of a major disaster, but are not covered under the Federal or state Unemployment Compensation (UC) programs. Therefore, DUA is not payable in lieu of, or in addition to, UC. We analyzed DUA and UC claims filed in the States of Louisiana and Mississippi

following Hurricanes Katrina and Rita to identify instances of individuals receiving DUA in one of the two states while receiving state unemployment compensation in the other State.

We did not find any DUA payments by the State of Mississippi to Louisiana UC recipients; however, the State of Louisiana paid \$54,782 of Hurricanes Katrina- and Rita-related DUA to 45 individuals who also received UC from the State of Mississippi. Louisiana has already collected a refund of \$4,900 of the above overpayments from the bank that administered the debit card accounts that the State used to deposit claimants' benefit payments. The Louisiana DUA overpayments identified in this report are in addition to other DUA claims similarly overpaid as reported in our March 20, 2006, Management Letter No. 06-06-008-03-315.

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 Unemployment Insurance (UI) and Disaster Unemployment Assistance (DUA) claims.

SCOPE AND METHODOLOGY

We previously issued two Management Letters regarding multiple claims for certain individuals. We first issued Management Letter No. 06-06-004-03-315 on December 20, 2005, in which we notified ETA that our data mining techniques had identified over 200 claimants that had multiple DUA/DUA or UC/DUA claims between Mississippi and Louisiana. Management Letter No. 06-06-008-03-315, issued March 20, 2006, identified the amount of overpayments for the claims identified in the first Management Letter.

Both previously issued Management Letters were based on Hurricane Katrina benefits data files we obtained in late October (Mississippi) and early November 2005 (Louisiana). At that time, Mississippi had processed 85,370 UC and 16,415 DUA claims for weeks ending September 10 through October 15, 2005. Louisiana had processed 186,531 UC and 86,871 DUA claims for weeks ending September 10 through November 5, 2005.

We updated those files with additional Hurricanes Katrina and Rita claims with benefits paid through the week ending December 10, 2005, in Louisiana, and December 24, 2005, in Mississippi.¹ At the time, Mississippi had processed

¹ We subsequently updated our data files through June 3, 2006, but have not yet performed any data mining on that file for additional multiple claimants. However, due to the time that has passed since the disaster on August 29, 2005, we do not anticipate that any new DUA claims would have been filed after December 24, 2005.

119,069 UC and 21,139 DUA claims, and Louisiana had processed 220,998 UC and 102,777 DUA claims.

We used this updated file to perform a computer analysis, but manually updated benefit payments for any exceptions through March 4, 2006. Consequently, our scope for this report is September 10, 2005, through March 4, 2006.

We used both Mississippi and Louisiana DUA/UC computer-processed claims and benefits data to determine if claimants filed unemployment claims in more than one of the two states in violation of the law. Using computer benefit files that were updated to reflect payments made and claims filed through December 10, 2005, we matched Mississippi's and Louisiana's UC/DUA data files against each to determine if other claimants, not previously identified, had filed DUA/DUA or UC/DUA claims in both States.² For the 45 additional multiple claims identified by this match, we manually updated, from Louisiana's benefit history file, the amount of benefits paid to these 45 claimants between December 10, 2005, through the week ending March 4, 2006. All benefit payments to these individuals between September 10, 2005 (first week DUA benefits were paid), through March 4, 2006, are questioned in this draft Management Letter.

RESULTS

The State of Louisiana paid \$54,782 of Hurricanes Katrina- and Rita-related DUA to 45 individuals who also received UC from the State of Mississippi. Louisiana has already collected refunds of \$4,900 of the above overpayments from the bank that administered the debit card accounts that the State used to deposit claimants' benefit payments. The Louisiana DUA overpayments identified in this report are in addition to other DUA claims similarly overpaid, as reported in our March 20, 2006, Management Letter No. 06-06-008-03-315.

Two actions on the part of the State of Louisiana created the potential for overpayments. First, although the deadline for submitting eligibility documentation was extended from 21 days to 90 days from the day the DUA claim was filed, the State continued to pay DUA to individuals who did not properly establish eligibility even after the 90 days had passed because of the volume of documentation that had to be processed to establish eligibility. Second, Louisiana decided to pay all DUA/UC claimants through the week ending November 19, 2005, without requiring claimants to certify weekly eligibility.

The Employment and Training Administration's (ETA) Employment and Training Handbook No. 356, page II-1, paragraph 1, states:

² This report includes only those claimants who received UC in one state and DUA in the other.

Relationship of Unemployment Compensation (UC) to DUA.

The first line of defense to an individual's unemployment due to a disaster is the unemployment compensation program. Section 401(a) of the Stafford Act prohibits the payment of DUA for any week of unemployment for which an unemployed individual qualifies for unemployment compensation or waiting period credit under any Federal or State Law. The purpose of the DUA program is to provide unemployment assistance to those individuals who become unemployed or cannot commence employment as a direct result of a major disaster but are not covered under the Federal or State UC programs. **Therefore, DUA is not payable in lieu of, or in addition to, UC.** [Emphasis added.]

Since these 45 Louisiana DUA claimants were eligible for Mississippi UC benefits, they were not eligible for DUA benefits from Louisiana.

Title 20, Code of Federal Regulations (CFR), Section 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 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.

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

Because these 45 claimants received DUA benefits to which they were not entitled, the State of Louisiana should establish overpayments for the amounts we have identified, and collect the funds not already collected, from these claimants.

We have provided the details of the overpayments made to the 45 claimants to the OIG's Office of Labor Racketeering and Fraud Investigations, the State of Louisiana, and ETA under separate cover,

We did not find any DUA payments by the State of Mississippi to Louisiana UC recipients.

RECOMMENDATION

We recommend the Assistant Secretary for Employment and Training direct the State of Louisiana to:

1. Establish and collect the overpayments not already collected.
2. Determine any additional overpayments after the week ending March 4, 2006, to these claimants and include them in the State's overpayments and collections.

Also, because of the susceptibility for these federally-funded DUA claims to be fraudulent, we recommend the Assistant Secretary:

3. Continue to work with the OIG's Office of Labor Racketeering and Fraud Investigations and the State of Louisiana to expedite the identification of fraudulent claims for appropriate action.

AGENCY RESPONSE

In response to the draft Management Letter, the Assistant Secretary for Employment and Training stated that the Louisiana Department of Labor has turned over the cases in question to the OIG's OLRFI, and will take steps to set up and recover all overpayments upon receiving the results of OLRFI's investigations. The Assistant Secretary's response is included in its entirety as an Attachment.

OIG CONCLUSION

Based on the Assistant Secretary's response, we consider the recommendation resolved. It will be closed upon receipt of documentation to support the State's actions to set up and recover all 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.

Attachment

cc: Steven Law
Deputy Secretary

Phyllis Newby

ETA Audit Liaison



AUG 31 2006

MEMORANDUM FOR ELLIOT P. LEWIS

FROM: EMILY STOVER DeROCCO *Emily Stover DeRocco*

SUBJECT: Individuals Received Disaster Unemployment Assistance
in Louisiana While Receiving Unemployment
Compensation in Mississippi Draft Management Letter
06-06-009-03-315

Thank you for your recent Draft Management Letter 06-06-009-03-315 notifying the Employment and Training Administration (ETA) that 45 individuals appear to have received Disaster Unemployment Assistance payments to which they were not entitled from the Louisiana Department of Labor (LDOL) while concurrently receiving unemployment compensation payments from Mississippi.

ETA's Dallas Regional Office has communicated with the LDOL regarding these claims. All have been flagged, and the cases have been turned over to the Office of the Inspector General's (OIG) Office of Labor Racketeering and Fraud Investigation for investigation. When the LDOL receives the results of the OIG investigations, proper steps will be taken by LDOL to set up and recover all overpayments.

Thank you for your continued attention to possibly fraudulent claims related to Hurricanes Katrina and Rita, and for your investigative assistance to the LDOL. We look forward to continuing our close working relationship.