



September 29, 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 Both Louisiana and Mississippi
Management Letter No. 06-06-010-03-315

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.

BACKGROUND

On August 29, 2005, Hurricane Katrina hit the Louisiana, Mississippi, and Alabama coasts, resulting in a national disaster. A national emergency was declared, making disaster unemployment assistance (DUA) available to residents of the affected areas who lost their jobs, or were unable to return to their jobs as a result of Hurricane Katrina, if they were not eligible for State unemployment compensation (UC).

On September 23, 2005, Hurricane Rita hit the Texas and Louisiana coasts, resulting in another national emergency declaration.

As Mississippi and Louisiana are border States and because states were inundated with DUA claims as a result of Hurricane Katrina and basic eligibility review controls were temporarily removed to expedite handling the massive number of claims for evacuees from across the United States, we believed the risk of multiple claims filed, and the resulting improper payments, was significant.

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.

A DUA-eligible individual can receive DUA benefits only from the state in which he/she became unemployed as a result of a major disaster. Consequently, no individual can receive DUA benefits from more than one state for a specific disaster.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine if individuals received Hurricane Katrina-related DUA benefits in both Louisiana and Mississippi.

We issued Management Letter No. 06-06-009-03-315 on September 13, 2006, in which we reported that Louisiana paid \$54,782 of Hurricanes Katrina- and Rita-related DUA to 45 individuals who also received UC from Mississippi. The Management Letter was based on updated Katrina benefits data 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 Mississippi¹. We subsequently manually updated benefit payments for any exceptions through March 4, 2006.

We matched the benefits data files that were used for Management Letter 06-06-009-03-315 to determine if other claimants, not previously identified, had filed DUA claims in both Louisiana and Mississippi in violation of the law. For the 43 additional multiple DUA claims paid to 40 claimants identified by this match, we analyzed the case files and benefits records

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.

for all 40 claimants from both States² to make a determination regarding in which State the individuals could receive DUA benefits, if otherwise eligible.

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

RESULTS

The States of Louisiana and Mississippi both paid 43 DUA claims to the same 40 individuals, resulting in overpayments of \$74,382 in DUA benefits:

- Louisiana overpaid 38 claims totaling \$59,682 through the week ending March 4, 2006. Of these 38 claims, the State recovered \$3,430 for 4 claims (one was a partial recovery) from the bank that administered the debit card accounts the State used to deposit claimants' benefit payments. Consequently, payments to 35 claimants in the amount of \$56,252 remain unrecovered.
- Mississippi overpaid 5 claims by \$14,700 through the week ending February 25, 2006.

Because of the emergency nature of the Hurricane Katrina disaster, Louisiana's and Mississippi's controls over determining DUA claimants' initial eligibility were basically nonexistent. The President pledged to provide hurricane victims access to streamlined registration and enrollment in Federal benefit programs for which they qualified. The Office of Management and Budget (OMB) provided implementation policy to "ensure a citizen-centered approach in a cost-effective manner that prevents fraud and abuse." OMB further provided that, to eliminate improper payments, "All new procedures that relax prepayment eligibility verification procedures should be time-limited." In the case of Louisiana, this **temporary** suspension of controls over documentation of eligibility for Federal benefit programs resulted in documentation not being required for 90 days, or almost one-half of the time period during which initial DUA claims were paid.

Control problems were exacerbated by the massive evacuation of individuals from Louisiana and Mississippi to states all across the United States. Telephone and Internet claims were being filed nationwide to both States. Because of the extremely high volume of claims being filed, no claim was initially denied. If the

² 40 claimants were overpaid for 43 claims because 3 claimants were overpaid in both States.

individual did not qualify for UC, the States of Louisiana and Mississippi established DUA claims for the applicants³.

As noted above, Louisiana extended the deadline for submitting eligibility documentation to 90 days (from 21 days) from the date 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.

Furthermore, the Louisiana Governor's decision to pay all DUA/UC claimants through the week ending November 19, 2005, without requiring claimants to certify weekly eligibility, further removed controls over participants' continuing eligibility through November 19, 2005.

We have provided the details of the overpayments made to these 40 claimants to the OIG's OLRFI, the States of Louisiana and Mississippi, and ETA.

RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training direct the States to:

1. Establish and collect the overpayments not already collected.
2. Determine any other overpayments after the week ending March 4, 2006, made to these claimants and include them in the States' 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 OLRFI and the States 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 ETA is monitoring the States' actions as they establish and collect overpayments resulting from the improperly paid benefits. ETA's Regional Offices will continue to work with the States in this regard, as well as in determining whether any other overpayments were made,

³ When an individual applies for unemployment benefits, the state's computer system generates a monetary determination based on the individual's base period wages that establishes the claimant's weekly and maximum benefit amounts, if monetarily eligible. Then the state must manually make a non-monetary determination of eligibility based on reason for separation.

and in ensuring other recommendations are addressed, as appropriate. 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 recommendations resolved. They will be closed upon receipt of documentation to support the States' 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



SEP 29 2006

MEMORANDUM FOR ELLIOT P. LEWIS

FROM: EMILY STOVER DeROCCO *Emily Stover DeRocco*

SUBJECT: Office of the Inspector General Draft Management Letters
No. 06-06-006-03-315, No. 06-06-007-03-315, and
No. 06-06-010-03-315.

This responds to the recommendations that are contained in the Office of the Inspector General's (OIG) Draft Management Letters - No. 06-06-006-03-315, No. 06-06-007-03-315, and No. 06-06-010-03-315.

Audits by the OIG found that Louisiana paid unemployment compensation (UC) or disaster unemployment assistance (DUA) to individuals who were receiving public service employment wages at the same time in Louisiana or Texas and that 43 individuals received DUA from both Louisiana and Mississippi.

We concur with your recommendations as outlined in the subject OIG Draft Management Letters. ETA is monitoring the states' actions as they establish and collect overpayments resulting from these improperly paid benefits.

ETA's Atlanta and Dallas Regional Offices will continue to work with the states to ensure overpayments are established and collection activities initiated on these claims and to determine whether any other overpayments were made. Additionally, the Regional Offices will ensure the recommended National Emergency Grant payroll audits are conducted, the management information systems are updated, and other recommendations are addressed, as appropriate.

Thank you for the opportunity to provide comments and for the work of your staff as they continue to identify fraudulent claims related to Hurricanes Katrina and Rita.