

## **BRIEFLY...**

Highlights of Report Number 04-12-001-03-315, issued to the Assistant Secretary for Employment and Training.

### **WHY READ THE REPORT**

The Office of Inspector General (OIG) conducted a performance audit of the Employment and Training Administration's (ETA) measurement used to determine the effectiveness of Unemployment Insurance (UI) overpayment detection activities for state-funded benefits and Extended Benefits (EB). The UI program is designed to provide benefits to individuals out of work, generally through no fault of their own, for periods between jobs.

Between April 1, 2007, and September 30, 2010, the UI program paid \$174 billion in state-funded benefits and EB to unemployed workers. ETA estimated that \$9.4 billion of this amount represented detectable overpayments. ETA established an overpayment detection measure (measure) which compared actual overpayments detected by the states to the overall estimated detectable overpayments. This measure served as a control for ETA to use to assess the states' overpayment detection activities. ETA expected states to meet the Acceptable Level of Performance (ALP) for the measure, which was 50 percent. ETA also established data validation activities to ensure the reliability of the measure.

We previously reported that ETA did not measure the effectiveness of improper payment detection activities for \$126 billion in federally-funded emergency benefits. Using data provided by ETA, we had determined states detected only \$1.3 billion (19 percent) of the estimated \$6.9 billion in detectable overpayments from federally-funded emergency benefits.

### **WHY OIG CONDUCTED THE AUDIT**

We conducted the audit to determine if ETA appropriately measured the effectiveness of overpayment detections related to state-funded benefits and EB.

### **READ THE FULL REPORT**

To view the report, including the scope, methodology, and full agency response, go to: <http://www.oig.dol.gov/public/reports/oa/2012/04-12-001-03-315.pdf>.

**September 2012**

## **ETA DID NOT USE COMPATIBLE DATA WHICH OVERSTATED THE EFFECTIVENESS OF ITS OVERPAYMENT DETECTIONS**

### **WHAT OIG FOUND**

The OIG found that ETA did not appropriately measure the effectiveness of the states' detection of overpayments for state-funded benefits and EB because the measure did not use compatible data.

Specifically, ETA did not include EB in the estimated detectable overpayments; however, it was included in actual overpayments. ETA reported the states detected 52.6 percent of estimated detectable overpayments but later determined this amount was actually 48.5 percent — short of the ALP of 50 percent. Had ETA's estimates for overpayment detections included EB, the states would have had to detect an additional \$142 million to achieve the ALP. Furthermore, the data ETA used in the measure was not always validated; therefore, ETA could not ensure its reliability.

In addition, ETA was not fully successful in getting states to comply with Unemployment Insurance Public Letter 3-07, which requires states to perform cross matches with the National Directory of New Hires (NDNH). Because the NDNH cross matches were not properly done, the estimate of detectable overpayments may be understated.

### **WHAT OIG RECOMMENDED**

The OIG made six recommendations to the Assistant Secretary for Employment and Training in the areas of implementing an overpayment detection performance measure for EB, updating the reporting system to isolate readily detectable overpayments, and improving data validation.

ETA generally agreed with the recommendations.