

DC DOES Response to Draft Report

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
Department of Employment Services

VINCENT C. GRAY  
MAYOR



F. THOMAS LUPARELLO  
ACTING DIRECTOR

September 19, 2014

Mr. Elliot P. Lewis  
Assistant Inspector General for Audit  
U.S. Department of Labor  
Office of the Inspector General  
Washington, D.C. 20210

RE: District of Columbia Department of Employment Services' implementation of recommendations for Unemployment Insurance Program benefit payments, draft audit report number 03-14-003-03-315.

Dear Mr. Lewis:

The District of Columbia Department of Employment Services (DC DOES) appreciates the opportunity to provide a response to the Office of the Inspector General's (OIG) audit report on the implementation of recommendations for Unemployment Insurance Program benefit payments. These responses address both recommendations and specific results of the audit report.

Recommendation 1: Develop and implement policies and procedures to track the status of all audit report recommendations. These policies and procedures should prioritize the corrective actions to be taken, set milestones, and assign responsibility to the appropriate senior DC DOES official to ensure the recommendations are implemented timely and functioning as intended.

Recommendation 2: Regarding the first recommendation cited in Results A, determine to the extent possible, the number of claims for which issues were not detected when indicators were disabled from February 2009 through July 2010 to ensure that only eligible individuals received unemployment benefits and take necessary actions to recoup unemployment benefits that were improperly issued.

Recommendation 3: Complete corrective actions related to the remaining eight recommendations made in the DC OIG and NASWA reports that we found were either not fully implemented or were implemented after our fieldwork.

DC DOES concurs with these recommendations. DC DOES recognizes the importance of maintaining adequate internal controls to detect, prevent and recover improper payments, and remains strongly committed to continuous improvement in ensuring the integrity of its benefit program. Additionally, through the newly formed Program Performance Monitoring unit, DC DOES will improve status tracking of all audit report recommendations. While DC DOES has concurred with the overall recommendations of the audit report, there are several results of the audit report with which DC DOES does not concur. Specifically in Result

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A, DOL OIG stated that "DC DOES cannot ensure that the \$4 million dollars in benefits paid during this 17-month period were made to only eligible claimants, and it remains at increased risk to unauthorized changes being made to its UI MIS." DC DOES does not agree with this result.

The DC DOES Benefit Payment Control (BPC) unit has identified, investigated, established and recovered a material number of improper payments. Given the number of claimant responses resulting in an overpayment, DC DOES can confidently estimate that the aggregate amount of improper payments will be approximately \$500,000. Additionally, DC DOES has completed and issued DOES-SEC-002, Change Control policy which addresses the findings of the audit report. The accompanying document entitled, "Response to Audit Results" provides greater detail of the aforementioned corrective actions.

Based upon the resolution of 62 of 69 findings and the forthcoming implementation of corrective actions for the remaining findings, DC DOES is extremely concerned with alarming language of the finding. DC DOES has successfully implemented measures to significantly reduce or alleviate the risk associated with the DOL OIG's findings.

In partnership with the ETA Regional Office, we look forward to completing any work necessary to remediate any outstanding corrective actions. The job of integrity is an ongoing one and DC DOES is dedicated to continuing to harden its processes and procedures to further mitigate risk wherever possible.

Sincerely,



F. Thomas Luparello  
Acting Director

Enclosure

Cc: Leo Miller, DOL  
M. Jeffery Miller, DMPED

**District of Columbia Department of Employment Services  
Response to Audit Results**

**Result A: Three recommendations to address problems that resulted from disabling the automated processing controls were not implemented.**

1. Determine the number of claims for which issues were not detected when indicators were disabled from February 2009 through July 2010 to ensure that only eligible individuals received unemployment benefits. Further, take necessary actions to recoup unemployment benefits that were not issued in accordance with statutes and regulations while these indicators were disabled. The results of these actions should be reported to the Inspector General when completed.

**DC DOES Response**

DC DOES does not concur with this finding. As of mid-August 2014, BPC has established 186 overpayments, totaling \$235,640 and recovered \$86,407 of the identified improper payments. Given the number of claimant responses resulting in an overpayment, DC DOES can confidently estimate that the aggregate amount of overpayments will be approximately \$500,000.

DC DOES Benefit Payment Control (BPC) unit continues to attempt to contact claimants, however many remain non-responsive. DC DOES is investigating various strategies for contacting non-responsive claimants but also welcomes any technical assistance from the ETA Regional Office regarding the imposition of the liability due to these claimants.

DC DOES is cognizant that BPC processes are cumbersome and they struggle to provide timely and/or adequate documentation. To improve overall performance, BPC is utilizing a multi-tiered corrective action plan to address issues with overpayment detection, establishment, collection and monitoring.

First, BPC management will conduct monthly refresher training for all Claims Examiners as well as hold bi-weekly one-on-one meetings to discuss ways to address challenging issues. These efforts will help to standardize BPC processes and improve outcomes.

Second, DC DOES have initiated a software upgrade of the Benefits Audit, Reporting and Tracking System (BARTS). BARTS 4.3 is a robust system that performs multiple types of audits and automatically manages cases. The system also streamlines the adjudication process, reduces paperwork for agency stakeholders, including staff, claimants and employers, and provides performance metrics by division, department, units, and Claims Examiners.

DOES will also utilize the BARTS Fast Path feature to consume BARTS and internal cross match results as well as the results of targeted integrity monitoring efforts, (e.g. The Watch Dog Report). This implementation will be completed by fiscal year, second quarter 2015.

Finally, performance is currently monitored via ETA reports produced on a weekly, monthly and/or quarterly basis, and unstandardized reporting processes. DOES is currently developing

dashboards and other reporting tools for BPC management. These tools will provide data for greater visibility into BPC operational performance and key performance indicators. This is a vital part of DOES' performance improvement and monitoring process.

2. Expediently ensure the completion and issuance of a clear and detailed written policy for requesting and implementing programming modifications to its MIS, and formalize a mechanism by which such a policy will be periodically reviewed and updated. The final policy should be reviewed by the DOES General Counsel and the Director, and a copy forwarded to the Inspector General.

**DC DOES Response**

DC DOES does not concur with this finding. Based on further feedback from DOL OIG, in December 2013, DOES provided the updated DOES Policy DOES-SEC-002, Change Control and the supporting documentation that the policy was forwarded to all DC DOES staff and contractors.

It is standard operating procedure that DC DOES General Counsel reviews and approves business policy for legal sufficiency before it is issued. However, under this circumstance DC DOES General Counsel does not have the requisite technical knowledge to review and approve technical policies. These policies were written and approved by the Office of Information Technology, Chief Information Officer and they conform to industry best practices for change management and the DC Office of Information Technology (OCTO) policies.

Additionally, forwarding DC DOES policy to the DC Inspector General is not standard operating procedure. However, a copy of the policy will be forwarded to DC OIG, if deemed necessary.

3. In collaboration with the MIS vendor, modify the existing DOES System Change Approval form to require the review and approval by the Director and General Counsel of DOES, as well as the inclusion of all relevant information, such as the reason for a computer system change, the effect of not implementing the change, and a risk assessment.

**DOES Response**

DC DOES does not concur with this finding. Based on further feedback from DOL OIG, in April 2014, DC DOES provided the DOES System Change Approval form. This form addressed the issues sited in the report. It should also be noted that DC DOES has implemented an automated approval workflow solution that mimics the hard copy process flow. DC DOES rarely utilizes the paper approval process.

Additionally, DC DOES undergoes an annual Comprehensive Annual Financial Report (CAFR) audit. Recent findings as a result of this audit have never produced material weaknesses in DC DOES change management processes.

**Result B: Corrective actions for two recommendations related to DC government employees who improperly collected UI benefits while employed were not completely implemented.**

4. Implement a process to identify DC government employees receiving UI benefits and take action if they are not eligible.

**DOES Response**

DC DOES concurs with this finding. Please see the responses to Result A for further corrective actions, (e.g. the Watch Dog results being loaded into BARTS for improved monitoring).

5. Monitor repayment agreements for DC government employees who owe DC DOES amounts related to UI overpayments.

**DC DOES Response**

DC DOES concurs with this finding. Please see the responses to Result A for corrective actions.

**Result C: Repayment agreements were not adequately monitored for compliance.**

6. Monitor for compliance, all repayment agreements, including employers who owed DC DOES for underpayment of UI wage taxes.

**DC DOES Response**

DC DOES concurs with this finding. Please see DOES response to Result A for corrective actions.

**Result D: A quality assurance mechanism to verify UI claimants' eligibility before the payment of UI benefits was not developed.**

7. Create a quality assurance process as part of the UI eligibility determination

**DC DOES Response**

DC DOES does not concur with this finding. Several UI policies and procedures govern quality assurance verifications including Systematic Alien Verification for Entitlements (SAVE), Social Security Administration (SSA), National Directory of New Hires (NDNH), and Separation Information Data Exchange (SIDES), among other verifications. Additionally, the Claims Validation Unit has been staffed and is fully operational.

**Result E: DC DOES had not executed a contract with a firm to conduct vital records cross matches.**

8. Gain real-time access to vital records to ensure a claimant's social security information was valid and did not belong to a deceased individual.

**DC DOES Response**

DC DOES is pleased that DOL OIG has agreed that corrective actions for this finding have been completed. However, there is some inconsistent language between the *Results* section and the *List of Reports and 69 Recommendations Reviewed* section. As such, DC DOES is uncertain the document fully reflects the completion of the corrective action.

**Result F: An Internal Auditor position reporting to the Director had not been filled.**

9. Establish an Internal Audit position and/or office, with a degreed, certified individual who reports to the Director.

**DC DOES Response**

DC DOES is pleased that DOL OIG has agreed that corrective actions for this finding have been completed. However, there is some inconsistent language between the *Results* section and the *List of Reports and 69 Recommendations Reviewed* section. As such, DC DOES is uncertain the document fully reflects the completion of the corrective action.