

BRIEFLY...

Highlights of Report Number 03-14-004-13-001, issued to the Acting Chief Financial Officer for the U.S. Department of Labor (DOL).

WHY READ THE REPORT

“Improper payments” occur when: funds go to the wrong recipient; the right recipient receives the incorrect amount of funds (including overpayments and underpayments); documentation is not available to support a payment; or the recipient uses funds in an improper manner. Although not all improper payments are fraud, and not all improper payments represent a loss to the government, all improper payments degrade the integrity of government programs and compromise citizens’ trust in government.

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires federal agencies to identify and reduce improper payments (over and underpayments) and report annually on their efforts.

In its Fiscal Year (FY) 2013 Agency Financial Report (AFR), DOL estimated the Unemployment Insurance (UI) benefit program made \$7.68 billion in improper payments and identified it as susceptible to significant improper payments. The cluster of Workforce Investment Act (WIA) grant programs and the Federal Employees Compensation Act (FECA) program have been classified as at risk by OMB, but DOL’s annual risk assessments have not supported the high-risk designation.

This report summarizes actions DOL has taken to comply with IPERA, as well as OIG’s continuing concerns regarding the methodologies used by DOL to estimate improper payments in the UI, FECA, and WIA programs.

WHY OIG CONDUCTED THE AUDIT

IPERA requires each federal agency’s Inspector General to annually review its agency’s improper payment reporting in the AFR and accompanying materials, to determine whether the agency complied with IPERA. This report provides our assessment of DOL’s compliance with IPERA reporting requirements.

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/2014/03-14-004-13-001.pdf>.

April 2014

THE DEPARTMENT OF LABOR'S COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010 IN THE FY 2013 AGENCY FINANCIAL REPORT

WHAT OIG FOUND

The OIG found that DOL met IPERA reporting requirements to publish its AFR and post it on the DOL website, conduct specific risk assessments for each program and activity, publish improper payment estimates for programs identified as susceptible to significant improper payments, publish programmatic corrective action plans in the AFR, and report information on its efforts to recapture improper payments.

DOL did not quite meet its annual reduction target for the UI program. The target UI improper payment rate was 9.23 percent, while DOL reported an actual rate of 9.32 percent. DOL used a new OMB-approved methodology to determine its reported UI improper payment rate of 9.32 percent, which met IPERA’s “less than 10 percent” requirement. However, by offsetting UI overpayments with subsequent recoveries, the new methodology understated the UI improper payment rate. Without this netting, the FY 2013 UI improper payment rate would have been 11.5 percent.

As noted by DOL in its AFR, the UI program is administered by states and DOL has limited authority to ensure states pursue improper payment activities. Nonetheless, DOL made UI payment integrity a priority in FY 2013 and coordinated with states to recover \$1.5 billion in overpayments.

The report also discusses concerns related to the use of questioned costs from Single Audit Act and OIG reports as a proxy for improper payments in the WIA grant programs. In response to concerns we previously raised about the methodology used to estimate improper payments in the FECA program, DOL will test a new methodology in FY 2014.

WHAT OIG RECOMMENDED

Three recommendations from prior OIG work related to improper payments in the UI, WIA, and FECA programs remain open. Completing the corrective actions related to these recommendations would address the concerns we continue to raise in this report. We did not make any additional recommendations.

In its response to the draft report, OCFO maintained that the methodologies the Department used were valid and approved by OMB in accordance with its guidance.