

**U.S. Department of Labor
Office of Inspector General
Office of Audit**

BRIEFLY...

Highlights of Report Number 17-14-001-03-315, issued to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

Within the U.S. Department of Labor (DOL), the Employment and Training Administration's (ETA) Office of Unemployment Insurance (OUI) is responsible for producing the UI Weekly Claims Report (Claims Report) from data collected and reported by the states. This data is used by the government and the private sector as an economic indicator to describe and predict the state of the nation's economy. Although no federal legislation or regulation requires ETA to embargo or release the Claims Report, ETA has elected to publish the Claims Report, and because the information contained in the Claims Report has the potential to move financial markets, ETA instituted policies to protect it via an embargo to ensure that no one individual or company would be advantaged by having access to it before the general public. ETA also allows pre-release access via a press lock-up to improve the accuracy and public understanding of the data when it's first released. However, specialized computer equipment and the advent of algorithmic trading now allow market activity to be initiated from inside government lock-ups immediately upon the lifting of the embargo.

WHY OIG CONDUCTED THE AUDIT

ETA officials reported to the Office of Inspector General that ETA released the Claims Report one day early on August 8, 2012. The audit objective was to answer the following question:

Does ETA adequately protect the Weekly UI Claims Report to ensure no one can gain an advantage by having access to the report before the general public?

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/2014/17-14-001-03-315.pdf>.

January 2, 2014

CONTROLS OVER THE RELEASE OF THE UI WEEKLY CLAIMS REPORT NEED IMPROVEMENT

WHAT OIG FOUND

Although ETA corrected control deficiencies identified after it released the Claims Report prematurely, we found the policies and procedures ETA followed to protect the Claims Report during the embargo were either not documented in writing or, when written, were not designed to minimize the risk of unauthorized use or disclosure. ETA's reliance on institutional knowledge of current control practices is not an adequate replacement for properly documented procedures, as this knowledge may be lost if experienced individuals leave the agency or are otherwise unavailable.

In addition, our audit found that as ETA currently operates an optional press lock-up to provide news organizations pre-release access to the embargoed Claims Report, it unintentionally creates an unfair competitive advantage for certain news organizations and their clients. This is because even if news organizations adhere to the terms and conditions of the lock-up, their early access to the data positions them to potentially communicate this information to their clients, allowing them to trade on this data faster than the Department can post the information to its website and faster than the general public can access it once the embargo is lifted.

WHAT OIG RECOMMENDED

We made six recommendations to the Acting Assistant Secretary for Employment and Training to improve the controls over the release of the Claims Report that included eliminating the competitive advantages provided to news organizations inside the lock-up, or, absent a viable solution, consider discontinuing the use of the press lock-up. We made the same recommendation to the Commissioner of the Bureau of Labor Statistics since it also utilizes a lock-up to disseminate embargoed data (see Appendix D).

Agency officials generally agreed with our recommendations.