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

BRIEFLY…

Highlights of Report Number 03-15-001-13-001, issued to the Acting Chief Financial Officer for the U.S. Department of Labor (DOL)

WHY READ THE REPORT

In Fiscal Year (FY) 2014 DOL estimated the Unemployment Insurance (UI) benefit program made $5.6 billion in improper payments. The Workforce Investment Act (WIA) grant programs have been classified as at risk by the Office of Management and Budget (OMB), but DOL's annual risk assessments have not supported the high-risk designation. DOL has encountered challenges with its methodology for estimating WIA improper payments. In FY 2014 the Office of Workers' Compensation Programs (OWCP) began estimating the Federal Employees Compensation Act (FECA) improper payment rate through a new sampling methodology. OWCP estimated that FY 2014 improper payments for the FECA program totaled $72.36 million, resulting in an improper payment rate of 2.5 percent. The Office of Inspector General (OIG) made recommendations to enhance the improper payment estimation for the FECA program.

This report summarizes actions DOL has taken to comply with the Improper Payments Elimination and Recovery Act of 2010 (IPERA),and the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA) as well as OIG's concerns regarding the methodologies used by DOL to estimate improper payments in the FECA and WIA grant programs.

WHY OIG CONDUCTED THE AUDIT

IPERA requires each agency's Inspector General to review annually agency improper payment reporting in its Agency Financial Report (AFR) and accompanying materials, to determine whether the agency complied with IPERA and IPERIA. This report provides our assessment of DOL's compliance for FY 2014.

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/2015/03-15-001-13-001.pdf.

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DOL COULD DO MORE TO REDUCE IMPROPER PAYMENTS AND IMPROVE REPORTING

WHAT OIG FOUND

OIG determined 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, and publish programmatic corrective action plans in the AFR.

DOL did not set or publish an FY 2014 reduction target for reducing UI improper payments because it changed the estimation methodology. In FY 2013, DOL was allowed to "net" UI improper payments by subtracting recoveries from the gross total amount. For FY 2014, IPERIA discontinued "netting" improper payments. DOL did publish UI reduction targets for FYs 2015 to 2017 and has established an FY 2015 target of 11.34 percent. We also found that the reported FY 2014 UI improper payment rate of 11.57 percent did not meet the IPERA requirement of "less than 10 percent". DOL made UI payment integrity a priority in FY 2014 and coordinated with states to recover $1.42 billion in overpayments.

OIG found that the FECA improper payment estimates DOL reported in the FY 2014 AFR were understated because OWCP excluded two categories of payments from its improper payment estimates. Further, OWCP needs to incorporate the amount of undetected fraud within the FECA program into its improper payment estimate.

OIG recognizes that WIA poses unique challenges with estimating improper payments. DOL needs to fully disclose in the AFR the limitations of its estimation methodology and that results obtained from Single Audit Act reports do not represent a replacement for a statistical estimate.

WHAT OIG RECOMMENDED

OIG recommended that DOL improve its estimation methodology for the FECA program by including initial payments made in the first 90 days of compensation and compensation payments for non-imaged cases, incorporate an estimate of undetected fraud in the FECA improper payment estimate and report in the Annual Financial Report any limitations with the sampling methodology for the FECA program.

In response to the draft report, OCFO maintained that the methodologies DOL used met the requirements of IPERA and IPERIA and were approved by OMB in accordance with its guidance.