



May 13, 2016

DOL COULD DO MORE TO REDUCE IMPROPER PAYMENTS AND IMPROVE REPORTING

WHY OIG CONDUCTED THE AUDIT

OIGs are required by law to review annually improper payment reporting in Agency Financial Reports (AFR) to determine whether agencies complied with the requirements of the Improper Payments Elimination and Recovery Act (IPERA), as amended by the Improper Payments Elimination and Recovery Improvement Act (IPERIA). This report provides our assessment of the Department of Labor's (DOL) compliance for fiscal year (FY) 2015.

In FY 2015, DOL was required to report on its efforts to reduce improper payments in three programs: Unemployment Insurance (UI), Federal Employees Compensation Act (FECA), and Workforce Investment Act (WIA) grants. The UI benefit program reported an estimated \$3.5 billion and the FECA program an estimated \$85.7 million in improper payments with corresponding improper payment rates of 10.73 and 2.87 percent. The WIA Title I grants program reported estimated improper payments of \$22.3 million and a 0.88 percent improper payment rate. DOL reported expending the last of its Hurricane Sandy funding in FY 2014, hence, there were no improper payments to report.

WHAT OIG DID

We performed a review to determine the following:

Did DOL comply with reporting and reduction requirements of IPERA; IPERIA; and OMB Memorandum M-15-02, Requirements for Effective Estimation and Remediation of Improper Payments?

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:
<https://www.oig.dol.gov/public/reports/oa/2016/03-16-002-13-001.pdf>

WHAT OIG FOUND

DOL did not comply with the requirements for reducing improper payments. DOL included all the reporting requirements in its FY 2015 AFR; however, we continued to have concerns regarding the methodology DOL used to estimate improper payments in the FECA and WIA grant programs.

DOL met the IPERA, IPERIA, and OMB reporting requirements to publish its AFR and post it on the DOL website, conduct specific risk assessments for each program activity, publish improper payment estimates for programs identified as susceptible to significant improper payments, and publish programmatic corrective action plans in the AFR.

Although DOL's reported improper payment rate of 10.73 percent met its reduction goal of 11.34 percent, the reported rate did not meet the IPERA requirement of "less than 10 percent." In the WIA grants program, the reduction goal was 0.44 percent, but DOL reported an estimated rate of 0.88 percent.

As previously reported, we continued to have concerns regarding the validity of DOL's published improper payment estimates for the FECA and WIA grants programs. DOL again excluded two categories of compensation payments in its improper payment estimates for FECA, but did not determine and report the full effect of those exclusions on its estimates. DOL continued to use A-133 single audit reports to estimate improper payments in the WIA grants program even though single audits are not designed to be systematic assessments of the allowance of WIA grant costs.

WHAT OIG RECOMMENDED

We did not make any new recommendations for FY 2015, but five prior-year recommendations remain unimplemented.

The Chief Financial Officer (CFO) agreed with the information reported and stated the Office of the Chief Financial Officer and stated it will continue to work with OIG, OWCP, ETA, and other responsible program agencies to improve its improper payment reductions and reporting.