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

BRIEFLY…

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DOL NEEDS TO DO MORE TO REDUCE IMPROPER PAYMENTS AND IMPROVE REPORTING

WHY OIG CONDUCTED THE REVIEW

In Fiscal Year (FY) 2014, the Department of Labor (DOL) identified its Unemployment Insurance (UI) benefit program and Federal Employees' Compensation Act (FECA) program as susceptible to significant improper payments. In FY 2016, DOL reported $3.85 billion and $106.32 million in improper payments for those programs, respectively.

Office of Inspectors General (OIG) are required by law to annually review improper payment reporting in Agency Financial Reports (AFR) to determine if their 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 DOL's compliance for FY 2016.

WHAT OIG DID

We performed a review to determine the following:

> Did DOL comply with the reporting and reduction requirements of IPERA; IPERIA; and Office of Management and Budget (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/2017/03-17-002-13-001.pdf.

WHAT OIG FOUND

DOL's reported UI improper payment rate of 11.65 percent did not meet its goal of 10.63 percent, nor did it meet IPERA's 10 percent compliance requirement. The FECA program's reported improper payment rate of 3.54 percent did not meet its goal of 2.50 percent.

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; publish programmatic corrective action plans in the AFR; and report information on its efforts to recapture improper payments.

We again identified concerns regarding the validity of DOL's published improper payment estimate for the FECA program. DOL continued to exclude certain categories of compensation payments in its improper payment estimate for FECA, but did not determine the full effect of those exclusions on its estimate. Further, OWCP did not determine the effect of issues identified by fraud investigations and estimate the extent to which these issues existed in the payment population. For example, the FECA improper payment estimate may have been understated because OWCP presumed the total $263 million paid in FY 2016 for compounded drugs was medically necessary. Evidence compiled by OIG indicates otherwise.

In FY 2016, DOL used the Do Not Pay List (DNP) as required, although none of the matches from the DNP Portal resulted in the identification of improper payments.

WHAT OIG RECOMMENDED

We made one new recommendation for DOL to improve the FECA program estimation methodology by including high-risk areas, while three prior-year IPERA recommendations remain open that were related to improving the estimation methodology and transparency of reporting.

The Office of the Chief Financial Officer agreed with the information presented in the report and plans to reevaluate the FECA Improper Payments Estimation Methodology.