



BRIEFLY...

IMPROVED OVERSIGHT OF STATES' USE OF NEW HIRE TOOLS WOULD HELP REDUCE IMPROPER PAYMENTS

September 27, 2018

WHY OIG CONDUCTED THE AUDIT

In Fiscal Year 2017, the Department of Labor estimated the Unemployment Insurance (UI) program improperly paid more than \$1 billion to claimants who were ineligible for benefits because they had returned to work. ETA classifies these types of overpayments as "benefit year earnings (BYE) overpayments."

In 2011, ETA mandated states use the National Directory of New Hires (NDNH) to detect and prevent Benefit Year Earnings (BYE) improper payments. States also use the State Directory of New Hires (SDNH) to identify BYE overpayments.

WHAT OIG DID

We conducted this performance audit to answer the following question:

Did states effectively use the NDNH and SDNH to reduce improper payments that resulted from claimants who returned to work but continued to collect benefits?

To answer this question, we visited four states, where we conducted interviews, did statistical testing and analyzed data. We also conducted a nationwide survey. Our audit period was October 1, 2014, through December 31, 2016.

READ THE FULL REPORT

<http://www.oig.dol.gov/public/reports/oa/2018/04-18-003-03-315.pdf>

WHAT OIG FOUND

Generally, states used new hire detection tools to reduce BYE overpayments, but ETA could do more to assist states efforts. We based this determination on the following results.

ETA took corrective actions to reduce BYE overpayments. Federal regulations require agencies identify programs and activities susceptible to significant improper payments and take corrective actions. ETA did this and decreased the BYE overpayment rate by 8 percent.

Despite reductions in BYE overpayments, states underutilized new hire directories. ETA did not use state-reported data to identify states that were underutilizing new hire directories. Consequently, ETA and states missed opportunities to reduce BYE overpayments.

States did not make timely overpayment determinations for new hire investigations. We tested 544 cases in 4 states and found 3 of these 4 states were slow to make determinations for reasons that included non-responsive claimants and employers, and resource limitations. These delays resulted in higher average overpayments and contributed to the \$70.5 million in overpayments we estimated states had established between October 1, 2014, and December 31, 2016.

States did not report complete and accurate results of new hire investigations, as required. ETA said it performed desk reviews for completeness and data anomalies; however, its reviews were not sufficient to detect the problems we found. Ensuring complete and accurate data is important to assess how effective states' use of new hire cross-matching had been in reducing BYE overpayments in individual states, or the program as a whole.

WHAT OIG RECOMMENDED

We made three recommendations to the Employment and Training Administration to improve management oversight and ensure states fully utilize new hire tools.

ETA agreed with our recommendations.