

APPENDIX B: AGENCY'S RESPONSE TO THE REPORT


U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



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MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM: MOLLY E. CONWAY 
Principal Deputy Assistant Secretary

SUBJECT: Response to the Office of Inspector General (OIG) Draft Audit Report No. 04-18-003-03-315, *Improved Oversight of States' Use of New Hire Tools Would Help Reduce Improper Payments*

Thank you for the opportunity to respond to Draft Audit Report No. 04-18-003-03-315, dated September 5, 2018. Addressing improper payments in the Unemployment Insurance (UI) program is a top priority for the U.S. Department of Labor (USDOL). As noted in the report, states are required to use the National Directory of New Hires (NDNH), pursuant to Unemployment Insurance Program Letter (UIPL) No. 19-11. USDOL's Employment and Training Administration (ETA) actively works with states to implement this requirement; however, ETA certainly can and will do more to reduce improper payments. To reinforce the fact that this is a top priority, the President's budget request in Fiscal Years (FY) 2018 and 2019 included a set of six important UI program integrity legislative proposals, including legislation that would require states to use the NDNH for detecting UI claimants who have returned to work.

ETA will work aggressively with states to identify strategies to improve program integrity and reduce improper payments resulting from state errors and ineffective use of the NDNH and the State Directory of New Hires (SDNH), including by identifying model integrity operations, sharing promising practices, and developing and providing training to address these issues to improve prevention, detection, and recovery of UI improper payments. Effective use of NDNH and SDNH data are particularly critical to enable states to better prevent and detect improper payments due to benefit year earnings (BYE), which result when individuals return to work, continue to claim UI benefits, and fail to report earnings.

The draft audit report appropriately acknowledges the results of ETA's Strategic Plan, as reported in USDOL's Agency Financial Report, recognizing that ETA's actions have contributed to states reducing the BYE overpayment rate by eight percent for the annual reporting periods from 2013 to 2017. It is also encouraging that the draft audit report indicates that our state partners see the ETA-supported UI Integrity Center of Excellence as a positive resource and that they are using information provided by the UI Integrity Center of Excellence, such as the Model Blueprint for Benefit Payment Control Operations, to improve their integrity operations. The Model Blueprint provides state best practices for effectively using new hire data, such as

identifying workflows after a “hit,” enhancing employer compliance with new hire reporting, and using the data for recovery purposes.

ETA appreciates and agrees with the USDOL OIG’s recommendations included in the draft audit report—ETA can and will improve its monitoring and oversight of state UI agencies’ use of the NDNH and SDNH. As noted in the draft audit report, states face challenges with reduced administrative funding and staffing levels in light of historically low UI workloads, which directly impacts administrative funding. Nevertheless, ETA believes there are opportunities to offer improved guidance and technical assistance to states on making the most of the NDNH as an integrity tool. In addition, ETA’s integrity strategic plan continues to evolve, and we remain committed to exploring new approaches to addressing improper payments. ETA is currently working with the UI Integrity Center of Excellence and private entities to investigate new options that may provide more immediate indicators of possible BYE-related improper payments that may lead to greater prevention of these types of overpayments.

As the draft audit report asks the narrow question about states’ effective use of the NDNH and SDNH to reduce improper payments, the response below addresses only that question. However, please be assured the reduction of improper payments is a top priority for USDOL and ETA will continue to work to develop policies and procedures to safeguard the integrity of the UI system. USDOL looks forward to working with the OIG to achieve continued improvement and reduction of improper payments.

Below is each of the OIG’s recommendations contained in the draft audit report, followed by ETA’s responses:

OIG Recommendation 1: Develop and implement new procedures that identify states that are underutilizing NDNH and the SDNH tools and target those states for additional technical assistance.

ETA Response: ETA agrees with this recommendation. ETA will work closely with the U.S. Department of Health and Human Services, Office of Child Support Enforcement (OCSE), which maintains the NDNH, and all states to conduct a review of available data on states’ NDNH and SDNH usage. The review will enable ETA to identify correlations associated with ETA 227 reporting and target specific reporting problems. From the results of this study, ETA will identify a baseline of current state usage and will implement a data driven technical assistance plan to address underutilization of the NDNH and SDNH and provide identified states with technical assistance, including use of resources available through the UI Integrity Center of Excellence. ETA will begin securing the data from OCSE and perform the data analysis immediately and expects to begin offering targeted state technical assistance in early 2019.

OIG Recommendation 2: Revise and redistribute recommended operating procedures for state and national new hire cross-matching that includes the use of Enhanced NDNH procedures.

ETA Response: ETA agrees with this recommendation. ETA plans to develop and issue revised and updated guidance on the recommended operating procedures related to state use of SDNH

and NDNH information to prevent, detect, and recover BYE improper payments, including procedures for timely follow-up with non-responsive claimants and employers. The UI Integrity Center of Excellence will identify and develop guidelines that can evolve into standard operating procedures and/or best practices adopted by states. ETA will issue the new guidance by the second quarter of FY 2019.

OIG Recommendation 3: Develop and implement improved oversight procedures to ensure the results of NDNH and SDNH investigations reported on the ETA 227 Overpayment Detection and Recovery Activities quarterly report are complete and accurate.

ETA Response: ETA agrees with this recommendation. ETA will monitor all states' ETA 227 submissions; identify states that are failing to accurately report results of NDNH and SDNH investigations; and provide custom technical assistance to those states. In addition, ETA plans to conduct multiple interactive webinars to provide instructions to state UI agencies on how to properly report information on the ETA 227 concerning NDNH and SDNH investigation activities throughout FY 2019.

ETA appreciates the opportunity to respond to the draft audit report and its recommendations. If you have questions, please contact Gay M. Gilbert, Administrator, Office of Unemployment Insurance, at (202) 693-3029.