U.S. Department of Labor

Office of the Chief Financial Officer
Washington, D.C. 20210

May 21, 2025

MEMORANDUM FOR: **LAURA NICOLOSI**
Assistant Inspector General for Audit

FROM: **KEVIN L. BROWN**
Acting Chief Financial Officer

SUBJECT: Response to Draft Report No. 22-25-007-13-001, *The U.S. Department of Labor Did Not Meet the Requirements for Compliance with the Payment Integrity Information Act for FY 2024*

The Department of Labor's (DOL or the Department) Office of the Chief Financial Officer (OCFO) thanks the Office of Inspector General (OIG) for its annual review of the Department's compliance with requirements under the Payment Integrity Information Act of 2019 (PIIA), and for the opportunity to respond to its draft Fiscal Year (FY) 2024 report entitled "The U.S. Department of Labor Did Not Meet the Requirements for Compliance with the Payment Integrity Information Act for FY 2024" (Report No. 22-25-007-13-001).

The Department appreciates the OIG's acknowledgement of the steps management has taken to ensure the highest standards of payment integrity, transparency, and to become fully compliant with Payment Integrity Information Act of 2019 (PIIA) standards. The Department is committed to good stewardship of public funds and takes seriously its responsibility to prevent, detect, and recover improper payments (IP) in its programs and to report fully and accurately on those efforts.

We thank and appreciate the OIG for their continued efforts in investigating and prosecuting suspected unemployment compensation fraud schemes. DOL will continue to work with states to implement payment integrity efforts, especially to combat fraud, and continuously improve fraud risk mitigation while ensuring eligible American workers in need receive benefits they are due.

Recommendation #1: Update review procedures to ensure accurate responses to Office of Management and Budget (OMB) payment integrity data call prompts, compliance with the Payment Integrity Information Act of 2019, and that information is complete, accurate, and consistent before the final submission of the OMB payment integrity data call; and further refine reviews of published information on PaymentAccuracy.gov.

DOL agrees in part and disagrees in part with this Recommendation.

DOL acknowledges the FECA program did not report a reduction target due to misunderstanding of the OMB DataCall question structure – DOL will implement enhanced review and reporting procedures to avoid this and related typographical errors in the future. We also acknowledge that the PaymentAccuracy.gov Dashboard does not reflect DOL's DataCall responses at the time of this review, but we note that the downloadable Dataset on PaymentAccuracy.gov does appear to reflect DOL's responses appropriately. DOL will determine if there's a cost-effective way to conduct continuous monitoring in order to ensure that our data is published consistently on the Governmentwide PaymentAccuracy.gov.

Recommendation #2: Maintain the Employment and Training Administration's current focus on increasing technical assistance and funding to states to improve improper payment reduction strategies to reduce the improper payments estimate rate below the 10 percent threshold.

DOL agrees with this Recommendation.

The UI program is a Federal-state partnership and the significant majority of UI payments are made by states, under state law, using state funds. The Department will continue efforts to implement its aggressive and ever-evolving UI Program Integrity Strategic Plan, which contains the Department's antifraud and improper payment reduction strategies, targeting the leading root causes of improper payments.

We appreciate OIG's acknowledgement of the structural issues that further impact the top root causes of IP. The Department believes its ongoing commitment and strategic efforts to reduce the IP rate constitute a strong and cost-effective approach to improving financial integrity in the Federal-state UI partnership and we look forward to continued collaboration with OIG and other stakeholders to do more.

Recommendation #3: Update the Employment and Training Administration's policies and procedures over the reporting of Federal Pandemic Unemployment Compensation, Pandemic Emergency Unemployment Compensation, and Pandemic Unemployment Assistance information to include outlays after the expiration of the programs, until such time as the outlays are no longer greater than the statutory threshold.

DOL disagrees with this Recommendation.

DOL reiterates Management's Response to a materially similar Recommendation in the FY 2023 iteration of this report. In short, these programs expired in law on September 6, 2021 – almost five years ago - though many states discontinued them even before this date. In DOL's DataCall responses and in the PUA Sampling and Estimation Plan, DOL clearly reported that PUA could only be reported once. In the FY 2023 Agency Financial Report and DataCall responses, DOL clearly reported the intent to discontinue full reporting programs on these programs. In FY 2024, DOL discussed this with OMB and determined that these programs should no longer be subject to full reporting under PIIA and OMB Circular A-123 Appendix C. The Department appreciates OIG's Recommendation and concerns, therefore we provided clear reporting in DOL's FY 2024 Agency Financial Report and the FY24 DataCall responses regarding latent outlays and recoveries to finalize accounting in the expired Pandemic response programs. While we understand auditors must be cautious and take literal interpretations, the Department must use common sense to be good stewards of taxpayer dollars. Common sense dictates full reporting is simply not possible because:

- the programs expired in law half a decade ago,
- no new benefits are being paid,
- recoveries vastly outweigh final payments to states,
- because these outlays are to finalize accounting with states, there are no corrective actions to lower previously reported IP, and
- as previously reported there is no means to report a current IP rate on these latent outlays with states in the PUA program.

DOL and OIG simply disagree on the requirements of OMB Circular A-123 Appendix C. DOL rejects the auditor's suggestion that guidance requires blind, literal interpretation to provide reporting that simply has no logical basis nor value to decision makers. Absent a change in law or guidance from OMB, DOL will not be providing further full reporting on these Pandemic-response programs which stopped making benefit payments half a decade ago. However, we appreciate the auditor's intent and will continue to be transparent in reporting ongoing recoveries and latent outlays until they fall below the $10 million threshold.

Again, we appreciate OIG's efforts in reviewing DOL's compliance with PIIA, being a partner in payment integrity, and for their efforts in investigating and prosecuting fraud. If you have any further questions or require additional information on the Department's payment integrity efforts, please contact myself or Chris Polen at (202) 693-6800.