

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

## **BRIEFLY...**

**Highlights of Report Number: 06-08-001-03-315,  
to the Employment and Training Administration.**

### **WHY READ THE REPORT**

Hurricanes Katrina and Rita devastated the Gulf Coast Region on August 29, 2005, and September 24, 2005, respectively. Among their impacts, numerous local employers were forced out of business and, as a result, an unprecedented number of workers became instantly unemployed. These workers could then potentially claim benefits under State Unemployment Insurance (UI), or Disaster Unemployment Assistance (DUA), funded by the Federal Emergency Management Agency (FEMA).

Despite the enormous challenges in providing benefits, we estimate the affected States paid \$1.3 billion in combined UI and DUA benefits to claimants following the hurricanes; however, we estimate the states collectively paid more than \$100 million in potentially erroneous or fraudulent claims.

### **WHY OIG DID THE WORK**

The Office of Inspector General initiated review work of Hurricane-related payments made under the two programs. Our work was conducted to answer the following question:

- Were internal controls over states' claims initiation, payment processes, and fraud detection effective?

We are issuing this report to provide a complete picture of the OIG's results regarding hurricane-related unemployment benefit overpayments.

### **READ THE FULL REPORT**

To view the report, including the scope, methodology, and full agency response, go to:  
<http://www.oig.dol.gov/public/reports/oa/2008/06-08-001-03-315.pdf>

**June 2008**

## **LACK OF CONTINGENCY PLANS CONTRIBUTED TO MORE THAN \$100 MILLION IN POTENTIAL OVERPAYMENTS OF HURRICANE-RELATED UNEMPLOYMENT BENEFITS**

### **WHAT OIG FOUND**

The OIG found that certain controls over claims initiation, payment processes, and fraud detection were ineffective. These conditions occurred in part because the states did not have operational contingency plans in place to permit rapid processing of claims and at the same time ensure payments were made only to eligible claimants.

### **WHAT OIG RECOMMENDED**

We recommend that the Assistant Secretary for Employment and Training:

1. Develop nationally coordinated contingency plans that provide alternatives for individual states to adopt in processing DUA and UI when normal processing is disrupted by disasters or other reasons. Such plans should specifically include compensating controls for instances when States suspend eligibility and benefit payment controls;
2. Require States to suspend DUA and UI payments after a reasonable, but limited, period of time for claimants who cannot provide proof of employment, or whose alternative documentation does not support initial claimant eligibility;
3. Promote data sharing among states to minimize invalid duplicate payments.

In its response to our draft report, ETA committed to continue to coordinate contingency planning for state unemployment insurance operations when normal processing is disrupted by disasters; issue guidance to remind states of the DUA eligibility requirements, including the requirement to suspend and deny payment, and establish appropriate overpayments, when timely documentation is not provided; and to continue to actively promote the use of data matching tools to reduce improper payments.