



September 29, 2006

MEMORANDUM FOR: EMILY STOVER DeROCCO
Assistant Secretary for Employment
and Training

A handwritten signature in blue ink, reading "Elliot P. Lewis", is positioned above the typed name.

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: The States of Texas and Mississippi Overpaid
Unemployment Benefits to Some Texas Public
Service Employment Participants
Management Letter No. 06-06-011-03-315

INTRODUCTION

Normally, a Management Letter is provided to be read in conjunction with an accompanying audit report. However, due to the proactive nature of our current work related to Hurricane Katrina, we will be issuing Management Letters to inform the Department, in this case, the Employment and Training Administration (ETA), of issues/problems we believe should be disclosed to help the Department's programs operate efficiently and effectively while reducing the possibility of fraud, waste, and abuse.

This Management Letter is an interim reporting mechanism and should be read with the understanding that only after the information in this Management Letter is evaluated/investigated by the OIG's Offices of Audit (OA) and Labor Racketeering and Fraud Investigations (OLRFI), the Mississippi Department of Employment Security, and the Texas Workforce Commission (TWC) can a determination be made as to the legitimacy of the unemployment claims discussed herein.

BACKGROUND

On August 29, 2005, Hurricane Katrina hit the Louisiana, Mississippi, and Alabama coasts, resulting in a national disaster. A national emergency was declared, making disaster unemployment assistance (DUA) available to residents of the affected areas who lost their jobs, or were unable to return to their jobs as a result of Hurricane Katrina, if they did not qualify for State unemployment compensation (UC). Additionally, on September 23, 2005, Hurricane Rita hit the

Texas and Louisiana coasts, resulting in another national emergency declaration on September 24, 2005.

On September 7, 2005, ETA awarded the State of Texas a National Emergency Grant (NEG) to assist over 37,500 Louisiana and Mississippi evacuees who were displaced by the hurricane. The \$75 million grant, administered by TWC, had an initial release of \$23.5 million. The NEG was later modified to allow for public sector temporary public service employment (PSE) jobs that were not directly related to the disaster, and to provide the same Katrina-related allowable services to individuals affected by Hurricane Rita.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine if claimants received unemployment benefits from the States of Mississippi or Texas for the same weeks they received PSE wages.

We obtained Mississippi's Hurricanes Katrina-related UC and DUA database for the weeks ending September 10, 2005, through December 24, 2005.

We obtained Texas' Hurricanes Katrina- and Rita-related UC and DUA databases for the weeks ending September 10, 2005, through December 10, 2005. We also obtained a State data file that identified over 30,000 individuals enrolled in NEG activities. From that group, we isolated 1,445 individuals who had participated in PSE.

We obtained PSE payroll records from the following Local Workforce Development Boards (WDB) through the week ending January 28, 2006 (the latest week for which we had benefit payment records): Tarrant County, Deep East Texas, South East Texas, Golden Crescent, Alamo, and Capitol Area.

From State hard copy records, we manually updated benefit payments for our sampled claimants through March 11, 2006. Consequently, our audit period was from the weeks ending September 10, 2005, through March 11, 2006.

We compared the Texas PSE participant database against both the Texas and Mississippi DUA/UC payments databases, and identified 21 individuals being reported as working under Texas' NEG PSE projects on or after the date they began receiving DUA or UC payments. An additional three individuals were identified as working under Texas' NEG PSE projects on or after the date they began receiving DUA or UC payments from Mississippi.

We then computed questionable overpayments, using an "imputed" PSE exit date for any participants that the State still showed as enrolled, but who were no longer on the PSE program's payroll.

This work was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of the Federal Government's examination of relief efforts in the aftermath of Hurricanes Katrina and Rita. When we issue this report in final, we will forward a copy to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

RESULTS

Texas and Mississippi Paid 20 Individuals Unemployment Compensation or Disaster Unemployment Assistance for the Same Weeks They Received Public Service Employment Wages in Texas

Twenty individuals enrolled in Texas' PSE program under the State's NEG No. EM-15072-05-60 received \$21,882 of UC or DUA from Texas or Mississippi for the same period they received PSE wages.

Texas paid benefits of \$17,384 to 17 individuals.

Twenty-one individuals were enrolled in Texas' NEG PSE program during the same period of time they received UC or DUA benefits from the State, with 17 of the individuals receiving one or more weeks of UC or DUA benefits from Texas while receiving PSE wages. While 6 of these 17 claimants did report some earnings, they reported less PSE earnings than they received. The total unemployment benefits paid to these 17 individuals while they received PSE wages was \$17,384. These overpayments occurred even though claimants are required to biweekly report any earnings to the TWC.

We presented the information for the original 21 individuals to Texas prior to our final analysis. The State claimed it had already identified all but one of these individuals for investigation of overpayments and/or ineligibility, as well as initiated investigations or adjustments on each individual. The State later provided evidence that it had made numerous adjustments to benefits and identified all of these cases for further investigation.

Mississippi paid \$4,498 to three individuals.

Three individuals were enrolled in Texas' NEG PSE program during the same period of time they received UC benefits from Mississippi. These three individuals received \$4,498 of Mississippi UC benefits for the same period they received PSE wages. These overpayments could have occurred because Mississippi did not have access to Texas' PSE data files. Consequently, Mississippi would not have known these individuals were employed in Texas if the claimants failed to report their wages when recertifying for biweekly UC benefits in Mississippi, as required by State law.

RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training ensure that the:

1. State of Texas establishes the \$17,384 of DUA (\$2,340) and UC (\$15,044) overpayments and collects any overpayments not already collected;
2. State of Mississippi establishes the \$4,498 of UC overpayments and collects the funds; and
3. States of Texas and Mississippi determine, establish, and collect any additional overpayments to these individuals that may have been made after January 28, 2006.

AGENCY RESPONSE

In response to the draft Management Letter, the Assistant Secretary for Employment and Training stated that the State of Texas has established overpayments and begun the collection process on all except two of the cases, which are under review. Texas will begin the collection process on these two cases if overpayments are established. Likewise, Mississippi is reviewing its three cases and will establish overpayments and begin the collection process if it determines these individuals were overpaid. In addition, ETA staff is working with both States to ensure any additional overpayments made to these individuals after January 28, 2006, are identified and collection efforts taken. The Assistant Secretary's response is included in its entirety as an Attachment.

OIG CONCLUSION

Based on the Assistant Secretary's response, we consider the recommendations resolved. They will be closed upon receipt of documentation to support the States' actions to set up and recover all overpayments, as described in the response.

This final Management Letter is submitted for appropriate action. We request a response within 60 days describing actions taken in response to the recommendation.

If you have any questions concerning this Management Letter, please contact John Riggs, Regional Inspector General for Audit, in Dallas at (972) 850-4003.

Attachment

cc: Steven Law
Deputy Secretary

Phyllis Newby
ETA Audit Liaison

U.S. Department of Labor

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



SEP 28 2006

MEMORANDUM FOR: ELLIOT P. LEWIS

FROM: EMILY STOVER DeROCCO *Emily Stover DeRocco*

SUBJECT: The States of Texas and Mississippi Overpaid
Unemployment Benefits to Some Texas Public
Service Employment Participants Draft Management Letter
06-06-011-03-315

This responds to recommendations contained in Office of the Inspector General's (OIG) Management Letter No. 06-06-011-03-315.

An audit was conducted by the OIG to determine if claimants received unemployment benefits from the States of Mississippi or Texas for the same weeks they received Public Service Employment (PSE) wages following Hurricane Katrina. The audit concluded that Texas paid benefits of \$17,384 to 17 individuals who were enrolled in the Texas PSE program and Mississippi paid \$4,498 to three individuals enrolled in the Texas PSE program. Our current and planned actions are outlined below.

ETA is monitoring Mississippi and Texas as these states establish and collect the overpayments made to these individuals.

- Texas established overpayments and has begun the collection process on all except two of the cases. The remaining two cases are under review. If overpayments are established, Texas will begin the collection process.
- Mississippi is currently reviewing its three cases and will determine whether these individuals were overpaid. If overpayments are established, Mississippi will begin the collection process.
- ETA staff are working with Texas and Mississippi to ensure that any additional overpayments made to these individuals after January 28, 2006, are identified and collection efforts taken.

Thank you for the opportunity to provide comments and for the work of your staff to identify fraudulent claims in Texas and Mississippi after Hurricane Katrina.