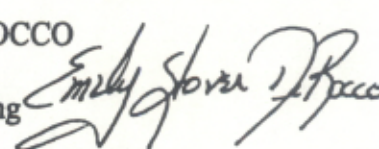




MAR 29 2002

MEMORANDUM FOR: ELLIOTT P. LEWIS  
Acting Deputy Inspector General for Audit

FROM: EMILY STOVER DeROCCO  
Assistant Secretary for  
Employment and Training 

SUBJECT: Response to Audit of the Unemployment  
Insurance Data Validation Pilot Program  
Draft Audit Report No. 22-02-005-03-315

We have reviewed the OIG findings of the above-referenced audit and provide the following responses.

1. *Establish written procedures concerning the completeness of performance reports.*

The Employment and Training Administration (ETA) accepts the OIG recommendation that it establish written procedures to help ensure completeness of performance reports. ETA will devise and document a cost-effective mechanism to (1) identify incomplete data used in performance measures and (2) inform primary report users of report incompleteness. These steps will be guided by the Circular A-123 management control principle that resources be used consistent with agency mission.

2. *Validate UI program performance data annually, instead of on the current 3-year cycle.*

ETA accepts the OIG recommendation to validate the Unemployment Insurance (UI) program performance data that directly support Department of Labor performance goals for UI (Goal 2.2a) annually instead of every three years. However, we would note that although ETA can require the states to validate the data used for key Government Performance and Results Act (GPRA) measures annually, we do not expect to see this occur nationwide until about FY 2005, because of our expectation of the speed with which UI Data Validation (DV) will be implemented. Unemployment Insurance Program Letter (UIPL) #14-02, issued on 02/22/02, requires state workforce agencies to implement UI DV fully by July 31, 2003. A full validation would involve complete validation of both benefits and tax performance data. We believe that some state agencies will meet this deadline while others will still be in the process of implementing the new validation program. Some state agencies will not pass all validation items initially and may require additional time to correct programming problems in FY 2004.



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We also note that the Department's UI GPRA goals have changed since the UI DV audit was performed. Of particular relevance to UI DV, the goal of making fair unemployment insurance benefit eligibility determinations has been replaced with the goal of setting up UI tax accounts in a timely manner. Therefore, data for the timeliness of new status determinations will be validated annually, along with the timeliness of first payments. There are two other UI goals; the measures are now under development. Both measures will be based on the Benefit Accuracy Measurement system, which has its own validation mechanism separate from UI DV.

3. *Require reporting entities to retain complete audit trails.*

During the three-state-pilot UI DV program, DOL was testing the methodology for validation; thus no significant audit trail was required beyond the submission of final reports for the contractor. We realize that in operating the UI DV program an audit trail will be necessary to ensure proper validation procedures. We concur with the OIG recommendation to require state agencies to maintain validation audit trails for a minimum of three years following the end of the calendar year in which such validations are conducted.

In addition to our responses to the three OIG findings, we have two additional comments on the OIG audit report: (1) The statement on page 4, second paragraph, last sentence should be corrected to read: "OWS plans full UI DV implementation in all state workforce agencies during FY 2003." (2) On page 8, under Control Techniques, the report refers to a "2 percent tolerable rate;" it should refer to a "2 percent tolerance rate."