

August 1, 2001

MEMORANDUM FOR: BRENDA M. KYLE
 Acting Chief Financial Officer

FROM: JOHN J. GETEK
 Assistant Inspector General
 for Audit

SUBJECT: Unemployment Compensation for Federal Employees (UCFE)
 Claims at DOL
 Letter Report No. 21-01-003-13-001

The Office of Inspector General (OIG) conducted a limited scope audit of the Department of Labor's (DOL) Unemployment Compensation for Federal Employees (UCFE) payments to former DOL employees for the first and second quarters of Fiscal Year 2001 at the District of Columbia, Department of Employment Services (DC DOES). The objective of our audit was to determine whether DOL has controls over the UCFE system that ensure the State's determination of a claimant's eligibility is appropriate.

While we did determine that the Department had a process for reviewing and approving UCFE claims, we were unable to identify an individual with the overall responsibility for the UCFE program. An individual with this responsibility is necessary to act as a central point of contact for matters involving coordination and communication between agencies in DOL and the SESAs. We believe you should consider appointing an individual to fulfill this responsibility.

We are issuing this letter report to you for information purposes only. We do not expect a response.

If you have any questions, please contact Joseph Ganci, Director, Washington Audit Office on 693-5179.

Background

The criteria for processing UCFE claims are found in: (1) 5 USC Chapter 85 - Unemployment Compensation, (2) 20 CFR Part 609 - Unemployment Compensation for Federal Civilian Employees, (3) UCFE Instructions for Federal Agencies, and (4) individual state laws.

For example, to be eligible to receive unemployment benefits in the District of Columbia (DC) the claimant must have: (1) worked during the base period (the first four of the last five quarters preceding the claim), (2) had wages in at least two quarters of the base period, (3) earned at least \$1,300 in one of those quarters and at least \$1,950 during the base period, (4) had total base wages that were at least 1 and 1/2 times the highest quarter, and (5) been unemployed through no fault of their own. In addition, if the former Federal worker voluntarily departed Federal service, or was discharged due to their own actions, the Federal agency could still be liable for benefits if that employee later found employment for at least 30 days and became unemployed through no fault of their own.

The process for approving and paying UCFE claims in DC is: (1) upon leaving the Government, the Federal agency provides the Federal employee with a notice about Unemployment Insurance (UI); (2) the former Federal employee files a claim with the DC DOES; (3) DC DOES sends form ES-931 Request for Wage and Separation Information, to the appropriate Federal agency asking them to verify the data on the form and to provide the former employee's wages; (4) in DOL, the Office of the Chief Financial Officer (OCFO) fills out these forms; (5) DC DOES makes the final determination, and if appropriate, processes the claim; (6) DC DOES obtains reimbursement from DOL through the Online Payment and Collection System; (7) DC DOES sends DOL's OCFO a detailed listing of the UCFE claimants and the amount paid each claimant; (8) OCFO separates the listing by agency and determines the appropriate accounting code; (9) OCFO sends the list to each appropriate agency to verify the prior employment; and (10) for those claimants determined not to be former DOL employees, the OCFO asks DC DOES for a refund.

DOL's reimbursement to DC DOES for the first and second quarters of Fiscal Year 2001 was \$29,480 and \$84,027, respectively, and DOL's reimbursement nationwide was \$84,140 and \$237,821, respectively. The increase in claims during the second quarter was due to a change in administration.

Scope and Objectives

The objective of our audit was to determine whether DOL has controls over the UCFE system that ensure the State's determination of a claimant's eligibility is appropriate.

Our audit was limited to the DC DOES, Office of Unemployment Compensation, because the majority of employees who left DOL worked in DC. Although claims may be filed in every State, DC, Puerto Rico, and the Virgin Islands, benefits are generally determined by the State that was the unemployed Federal worker's last official duty station.

Our audit was conducted in accordance with applicable generally accepted Government Auditing

Standards issued by the Comptroller General of the United States.

UCFE Claimant Verification Process at DOL Needs to be Strengthened

During discussions with OCFO and UI staff, no one was able to identify the UCFE Program Manager. In its UCFE Instructions for Federal Agencies, DOL's Employment and Training Administration (ETA) states that each Federal agency should assign responsibility for the overall UCFE program to an appropriate program official. We could not find an individual within DOL with this responsibility, which was to:

- ensure that instructions issued by ETA are distributed to and executed by appropriate units at all installations of the agency,
- develop and maintain procedures and operating instructions for the effective administration of all of the DOL's UCFE responsibilities,
- assess the agency's UCFE program operations on a regular basis, and
- take action to correct problems noted during agency assessments and reviews/visits conducted by ETA, SESA, and/or Federal agency representatives.

This individual would be someone who: (1) was knowledgeable about the laws in each State governing the UCFE program; (2) would be involved in the payment verification process and could provide the OCFO with assurances that each claimant is entitled to unemployment benefits from DOL, and that the amount charged to DOL is appropriate; and (3) could serve as central point of contact for matters involving coordination and communication between agencies in DOL and the SESA that could strengthen this process.

We believe you can strengthen the UCFE payment verification process by an individual to fulfill the responsibility of the UCFE Program Manager.