

AGENCY RESPONSE TO DRAFT REPORT

U.S. Department of Labor

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



MAR 24 2009

MEMORANDUM FOR: ELLIOT P. LEWIS

FROM: DOUGLAS F. SMALL *Douglas F. Small*
Deputy Assistant Secretary

SUBJECT: Enhanced Oversight Will Improve State Workforce Agencies' Use of the National Directory of New Hires to Prevent and Detect Unemployment Compensation Overpayments; Draft Audit Report Number: 06-09-002-03-315

Thank you for the opportunity to respond to your report cited above. The Employment and Training Administration (ETA) shares your view that the use of the National Directory of New Hires (NDNH) improves the ability of the State Workforce Agencies (SWA) to prevent and detect improper payments in the Unemployment Insurance (UI) program.

Since the time that NDNH became available to the states as a tool to prevent and detect UI overpayments, ETA has provided ongoing technical assistance to states to ensure its optimum use. ETA's promotion and outreach efforts have resulted in 49 of the 53 SWAs having currently implemented the NDNH for their benefit operations.

ETA continues to promote the use of NDNH through a variety of means and efforts. In the past years, Integrity Conferences and training forums planned by staff from the ETA's Office of Workforce Security (OWS) have featured workshops and presentations on NDNH. Experts from ETA, SWAs and the Department of Health and Human Services Office of Child Support Enforcement (OCSE) have presented best practices in the use of NDNH and other UI overpayment detection tools. ETA has also provided the states with supplemental funding to encourage the use of the NDNH in Benefit Payment Control (BPC) activities in addition to mandating its use in Benefit Accuracy Measurement investigations.

ETA has provided the states with formal guidance and oversight related to the use of the NDNH to prevent and detect UI overpayments. However, we agree that our efforts would be strengthened by implementation of the OIG's recommendations to; 1) Update the current Review Guide to include specific review steps addressing the states' use of NDNH for the BPC cross match process, include an assessment of the filtering process for the NDNH cross match, and validate the data reported by the states; (2) increase the frequency of

onsite reviews; (3) require SWAs to submit quarterly 227 reports that include a line item for NDNH cross match results; and (4) continue to pursue legislation to define the "Date of Hire" and mandate its reporting by employers.

ETA's comments on each of these recommendations are outlined below:

- Update of the Review Guide was underway prior to receipt of the OIG recommendations, and it is near completion. It includes procedures for review of states' use of NDNH for benefit payment control purposes, assessment of the filtering process, and validation of data reported for NDNH and other data matching tools.
- While ETA agrees that conducting periodic BPC reviews more often than every four years would be desirable, past and current staffing levels have not permitted more frequent reviews.
- The ETA 227 Report, Overpayment Detection and Recovery Activities, captures data matching results from both State Directory of New Hires (SDNH) as well as the NDNH results in a single line item. The SDNH is a subset of the NDNH, and results are often received earlier than those of NDNH. Any changes to existing reporting requirements require clearance from the Office of Management and Budget (OMB), and would impose new costs on states. ETA will assess the cost-benefit of modifying this report to include a separate line item to report the NDNH cross match results.
- ETA will continue to pursue legislation to establish a standard definition and require employers to include "date of hire" in their new hire reports.

We believe that ETA has provided states with strong leadership and oversight in the use of NDNH to prevent and detect improper UI payments, and we will use the recommendations in this report, to the extent that resources allow, to strengthen our efforts.