




December 20, 2005

MEMORANDUM FOR: EMILY STOVER DE ROCCO
Assistant Secretary for Employment
and Training

FROM: 
ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Management Letter No. 06-06-004-03-315
Claimants with Unemployment Claims in Both
Mississippi and Louisiana Related to Hurricane
Katrina

SUMMARY

We have identified 238 potentially fraudulent claims in Mississippi and Louisiana related to Hurricane Katrina. Only after review of each case can a determination be made as to whether these cases are fraudulent and, if so, in which State the fraud occurred.

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.

BACKGROUND

On August 29, 2005, Hurricane Katrina hit the Louisiana, Mississippi, and Alabama coasts resulting in a national disaster. Both the States of Louisiana and

Mississippi were inundated with Unemployment Insurance (UI) and Disaster Unemployment Assistance (DUA) claims.

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 Louisiana Department of Labor, and the Mississippi Department of Employment Security, can a determination be made as to the legitimacy of these unemployment claims.

SCOPE

Our objective is to assist the States to ensure that only legitimate UI and DUA claims are paid and that fraudulent claims are terminated as soon as possible to reduce the drain on the States' Unemployment Trust Funds and the Federal FEMA funds used to pay DUA.

We obtained Hurricane Katrina-related UI and DUA databases from Mississippi and Louisiana. At the time we received this data, Mississippi had processed UI/DUA claims for weeks ending September 10 through October 15, 2005; and Louisiana had processed UI/DUA claims for weeks ending September 10 through November 5, 2005. The number of claims processed for each State for these periods was as follows:

State	Number of Claims Processed	
	UI	DUA
Mississippi	65,058	15,103
Louisiana	186,531	86,443

We matched the States' UI/DUA data files against each other by Social Security Number (SSN), through the latest available week-ending date for Mississippi, to see if claimants filed UI/DUA claims in both States.

This work was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of the examination of relief efforts provided by the Federal government in the aftermath of Hurricanes Katrina and Rita. Upon issuance in final, a copy of this Management Letter will be forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

RESULTS

We identified 238 claims where the same SSN was used to file claims in both States and **benefits were paid in both States for the same week-ending dates**. The following is a summary of the 238 cases:

Number of Cases	Description
3	UI claims in both States. Claimants have wages in both States
130	DUA claims in Louisiana. UI claims in Mississippi
25	DUA claims in Mississippi. UI claims in Louisiana
64	DUA claims in both Mississippi and Louisiana
16	Same SSN in both States but different names on claims in each State: 12 with UI claims in Mississippi and DUA in Louisiana 4 with DUA claims in both States
Total 238	

Information on the specific cases will be provided under separate cover.

OIG auditors and investigators met with State UI personnel (Louisiana on November 29 and 30, and Mississippi on December 1 and 2, 2005) to present our data to them. We requested the States' assistance in reviewing these claims to determine if they are fraudulent.

State wages are required for a claimant to file a UI claim; therefore, where both UI and DUA claims are being paid to the same claimant, it is more likely that the DUA claim is fraudulent. Where DUA is being paid to a claimant in both States, one of the claims is most likely fraudulent. Consequently, Federal FEMA dollars for DUA are more likely at risk than State UI funds.

RECOMMENDATION

Because of the susceptibility for these federally-funded DUA claims to be fraudulent, we recommend that ETA encourage the Regional ETA offices to assist the States in their case reviews to expedite the identification of fraudulent claims.

AGENCY RESPONSE

In response to the draft Management Letter, the Assistant Secretary for Employment and Training stated that ETA has staff onsite in both States to provide technical assistance. The response further stated that each claim is being reviewed and, if an immediate explanation is not found, a non-monetary issue will be established in the State's automated benefit system, an attempt made to contact the claimant for additional information, and action taken to stop and recover improper payments, as appropriate. Finally, the response stated ETA will work with the States to crossmatch their DUA claims against their

bordering states' claims to identify potentially fraudulent claims. 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 recommendation resolved. It will be closed upon receipt of the results of ETA's actions 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



DEC 15 2005

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM: EMILY STOVER DeROCCO *Emily Stover DeRocco*

SUBJECT: Draft Management Letter No. 06-06-004-03-315
Claimants with Unemployment Claims in Both
Mississippi and Louisiana Related to Hurricane
Katrina

Thank you for the recent work of your office which crossmatched 251,589 regular state Unemployment Insurance (UI) claims against 101,546 Disaster Unemployment Assistance (DUA) claims that were paid by Mississippi and Louisiana. This crossmatch identified 238 potential cases where fraud may have occurred. The Employment and Training Administration is working with the states to investigate these cases and to implement systems that will uncover and guard against similar occurrences in the future. Our current and planned actions are outlined below.

Current Status: ETA has staff on-site in both states providing program and technical assistance. These staff participated in the Office of Inspector General exit conference and are consulting with state staff on next steps. The immediate steps that are underway on the potential cases include:

- Each claim is being reviewed to determine if the match resulted from an obvious error, or if there is another legitimate reason for the payments.
- If an immediate explanation is not found, a non-monetary issue will be established in the state's automated benefit system, which triggers state staff to contact the claimant to obtain additional facts on the claim. If additional information is provided, the state will determine whether or not the payments were proper, and if not, payments will be stopped and action taken to recover improper payments. If the claimant does not respond/provide additional information within a time set by state law, payments will be stopped, previous payments will be determined to be improper, and action taken to recover them.

Future Planned Actions: ETA Regional and National Office staff will work with state staff to develop and implement a system to crossmatch their DUA claims against bordering states UI/DUA claims to identify any other potentially fraudulent claims.

Thank you for the opportunity to provide comments and for the prompt work of your staff to identify opportunities for fraudulent UI or DUA claims following Hurricane Katrina.