

Appendix D

ETA Response to Draft Report


U.S. Department of Labor

Assistant Secretary for  
Employment and Training  
Washington, D.C. 20210



OCT - 6 2015

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

FROM: PORTIA WU   
Assistant Secretary

SUBJECT: Response to the Office of the Inspector General (OIG) Audit  
Report No. 18-15-008-03-315 – Recovery Act: Effectiveness of  
Colorado in Detecting and Reducing Unemployment Insurance  
Improper Payments and Implementation of Employment and  
Training Administration National Strategies

Thank you for the opportunity to respond to the report cited above. The Employment and Training Administration (ETA) continues to work aggressively with states to improve the prevention, detection, and recovery of Unemployment Insurance (UI) improper payments, and to bring down the improper payment rate. ETA is committed to working with Colorado to address your recommendations and improve the integrity of its UI program.

It is important to note that the audit period for this report fell in the aftermath of the Great Recession, which was a time of continued high unemployment. All states, including Colorado, experienced unprecedented increases in claims due to the massive numbers of workers who became unemployed. Additionally, the enactment of both the Emergency Unemployment Compensation program in 2008 and the Federal Additional Compensation program in 2009, and subsequent changes to these programs, contributed to increases in the claims workload. Extremely high workloads and the requirement to rapidly implement the complex new programs strained states' capacity. To maintain the statutory requirement to pay benefits "when due", states were forced to reallocate staff and rapidly train and deploy new staff with sub-optimal amounts of training and experience. This created a major challenge for states in addressing improper payments. In addition, the complex and changing requirements of the temporary emergency and additional benefit programs also overloaded state capacity. Many states, like Colorado, struggled with antiquated and inflexible information technology systems that impacted their ability to address program integrity issues. These strains on state resources further hindered their ability to detect, prevent, and recover improper payments.

As noted in your report, ETA has identified a number of national strategies for state implementation designed to address major root causes of UI improper payments as part of a comprehensive strategic plan. We are pleased that Colorado has implemented all the national strategies as reported in this audit. ETA continues to actively work with all states to identify and implement new and innovative strategies to improve program integrity and bring down the improper payment rate.

To promote development of innovative integrity strategies, ETA has established the national UI Integrity Center of Excellence (Center) through a cooperative agreement with the New York State Department of Labor. The Center is working collaboratively with ETA, a Steering Committee comprised of representatives from five state workforce agencies, and the National Association of State Workforce Agencies (NASWA) to guide the Center's work and ensure its strategies support all states' integrity activities, creating greater efficiency, improving operations, and saving millions of taxpayer dollars. The strategies and tools being developed by the Center will be made available to Colorado and to all states. These strategies include, among others: data analytics and predictive modeling methodologies and tools to improve UI fraud prevention and detection; a secure portal for the rapid exchange of fraud information between states as it is identified; locally-adaptable staff training on fraud solutions and integrity practices; highlighting integrity practices that should be included in state UI modernization efforts; and creation of a "model" plan for Benefit Payment Control operations.

I have attached our response to the recommendations in the audit report. If you have questions, please contact Nicholas Lalpui, Regional Administrator for the Dallas Office, at (972) 850 - 4601.

Attachment

**Employment and Training Administration (ETA) Response To  
Office of the Inspector General (OIG) Report No. 18-15-008-03-315 – Recovery Act:  
Effectiveness of Colorado in Detecting and Reducing Unemployment Insurance Improper  
Payments and Implementation of Employment and Training Administration National  
Strategies**

ETA has been working, and continues to work, aggressively with states to address the issue of UI improper payments and to implement national strategies for the detection, prevention, and recovery of improper payments. Below are ETA's responses to the recommendations in this report.

**Recommendations**

- 1. ETA should work with and encourage Colorado to ensure that any future ETA strategies are implemented timely.**

Generally, ETA provides recommended timeframes for implementation of new national strategies. However, depending on available resources and priorities, a state may request an extension on the implementation timeframes. Taking into consideration the justification for the extension, ETA may approve/disapprove the timeline provided by the state. Given the various factors that may impact the implementation of a project at the state-level, ETA will work with states to the extent possible to ensure that future strategies are implemented in a timely manner.

- 2. ETA should work with and encourage Colorado to enhance the UI claims system to capture activities related to temporary UI funding that will allow the state in the future to produce reports of all UI Recovery Act overpayments, underpayments and recoveries.**

ETA believes that implementing this recommendation will require commitment of limited state Information Technology resources and may not be particularly useful and cost beneficial given that the Recovery Act programs ended in December 2013 and states are no longer required to report on Recovery Act activities. However, ETA will work closely with states for future enactments of temporary unemployment compensation programs to ensure that state UI systems have the capability to produce necessary reports to monitor state UI overpayments, underpayments and recoveries.

- 3. ETA should work with and encourage Colorado to continue the use of the Integrity Task Force to develop and implement state specific integrity strategies and reevaluate the data and resources needed to effectively monitor and implement strategies.**

As reflected in their FY 2015 State Quality Service Plan (SQSP) submission, Colorado has used the Integrity Task Force to develop and implement state specific integrity strategies. ETA will ensure that Colorado's Integrity Task Force continues to be fully engaged and actions associated with the task force activities are reflected in its FY 2016 SQSP

submission. Additionally, ETA will monitor the state's progress in the development and implementation of strategies for preventing, reducing and recovering improper payments.

4. **ETA should work with and encourage Colorado to maximize available state resources by reviewing and optimizing current cross-match processes to eliminate duplication and prioritize hits for review focusing on cases which provide for high return on investment such as those with high-dollar overpayments.**

ETA will work with Colorado to review and optimize its current crossmatch processes to streamline the process and prioritize cases which provide for a high return on investment such as those with high-dollar overpayments. ETA will monitor the progress and provide any technical assistance that Colorado may require for the streamlining of staffing and processes in their Benefit Payment Control (BPC) unit.

Additionally, ETA is working collaboratively with UI Integrity Center of Excellence (Center), a Steering Committee comprised of representatives from five state workforce agencies, and the National Association of State Workforce Agencies to guide the Center's work and ensure its strategies support all states' integrity activities, creating greater efficiency and improving operations. The strategies and tools being developed by the Center, which include the creation of a "model" plan for BPC operations, will be made available to Colorado and to all states.

Appendix E

Colorado Response to Draft Report

JOHN HICKENLOOPER  
Governor

ELLEN GOLOMBEK  
Executive Director

JEFF FITZGERALD  
Unemployment Insurance  
Director



DEPARTMENT OF LABOR AND EMPLOYMENT  
Division of Unemployment Insurance  
251 East 12<sup>th</sup> Avenue  
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September 24, 2015

U.S. Department of Labor  
Office of Inspector General  
200 Constitution Ave., N.W., Room S-5512  
Washington, DC 20210

Re: Draft Report No.18-15-008-03-315, Recovery Act: Effectiveness of Colorado in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies

The Colorado Division of Unemployment Insurance (UI) is committed to the integrity of its program and ranks the prevention, detection, and recovery of improperly paid benefits as one of the top three priorities in its administration of the program, alongside timeliness and quality of service delivery. Although Colorado remains above the acceptable level of performance for improper payments, the UI Division has made significant strides since 2009. Since the audit period, Colorado has surpassed acceptable performance levels for detection and recovery and continues to progress toward meeting performance levels in prevention of improper payments.

During the audit period, the initial claims in Colorado had increased over 200 percent from the years prior to the recession. That number does not include Emergency Unemployment Compensation and Extended Benefits claims. Colorado had to direct more resources towards processing these claims and paying benefits when due while balancing integrity efforts at preventing improper payments during this national economic crisis. During the audit period, and to date, numerous steps have been taken to implement best practices identified at both the national level and at the other-state level.


Colorado has made improvements in most areas that cause improper payments. A cross-functional Integrity Task Force continues to investigate ways to decrease the main causes of improper payments and the overall improper-payment rate, as well as to pilot new efforts to make improvements and evaluate the effectiveness of the improvements. In addition, Colorado reduced backlogs in work load and is finding a balance between quality and timeliness with preventing, detecting, and reducing improper payments.

This audit report does not effectively illustrate the nuances and complexities associated with an unemployment insurance program, particularly at the height of the Great Recession, nor does it credit the Colorado Division of Unemployment for the steps taken to perform the essential work of the program and the progress made through the efforts implemented. National best practices in unemployment insurance integrity point towards a multi-pronged approach to address the root problems. When multiple strategies are available for implementation, states may not have the luxury of an extensive, isolated evaluation for the effectiveness of each implemented strategy because of constraints in both budget and expertise while simultaneously meeting timeliness needs of the program. However, a drop in the improper-payment rate was realized; thus a reasonable conclusion can be made that the strategies developed and implemented for such purpose was effective.

Colorado is and will continue to be committed to improving all performance standards, including the quality and integrity of the program. The UI Division will work in earnest to fulfill all the recommendations made in this audit report, as well as continue to seek out new best practices not only to reduce Colorado's improper payments but also to improve the overall effectiveness of the program.

If you have questions, please contact Angela Pfannenstiel at 303-318-9323 or [angela.pfannenstiel@state.co.us](mailto:angela.pfannenstiel@state.co.us).

Sincerely,



Ellen Golombek  
Executive Director

cc: Gay Gilbert, Administrator, Office of Unemployment Insurance, U.S. Department of Labor  
Robert Kenyon, Dallas Regional Office, U.S. Department of Labor  
Jeff Fitzgerald, Unemployment Insurance Division Director, Colorado Department of Labor and Employment  
Kristin Corash, Deputy Executive Director, Colorado Department of Labor and Employment