

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**DISTRICT OF COLUMBIA
DEPARTMENT OF EMPLOYMENT SERVICES
OFFICE OF UNEMPLOYMENT COMPENSATION
– PART II**

REPORT OF SPECIAL EVALUATION

July 2012



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



July 13, 2012

Via Hand Delivery

Lisa Mallory
Director
D.C. Department of Employment Services
4058 Minnesota Avenue, N.E., Suite 5000
Washington, D.C. 20019

Dear Ms. Mallory:

Enclosed is our final *Report of Special Evaluation of the Department of Employment Services' Office of Unemployment Compensation – Part II* (OIG No. 12-I-0046CF). Written comments from your agency on the special evaluation team's 6 findings and 21 recommendations are included verbatim in the report. This report will be available publicly at <http://oig.dc.gov>; I encourage you to share it with your employees.

We reviewed your responses to our draft report and noted in this final report that we consider eight of our recommendations to be "closed" based on the actions you reported. For the 13 recommendations that remain, we have enclosed *Compliance Forms* on which your staff should record and report to this Office the actions taken on each recommendation. These forms will assist both you and the OIG in tracking compliance with recommendations in the report. Where the form asks for "Agency Action Taken," please report actual completion, in whole or in part, of a recommendation rather than "planned" action. Please ensure that the *Compliance Forms* are returned to the OIG by the response dates noted on the forms.

We appreciate the cooperation shown by you and your employees during the special evaluation and look forward to your continued cooperation during the upcoming follow-up period. If you have questions or comments concerning this report or other matters related to the special

Letter to Lisa Mallory
July 13, 2012
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evaluation, please contact me or Alvin Wright Jr., Assistant Inspector General for Inspections and Evaluations, at (202)727-2540.

Sincerely,


Charles J. Willoughby
Inspector General

CJW/ejf

Enclosure

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The Inspections and Evaluations (I&E) Division of the Office of the Inspector General is dedicated to providing District of Columbia (D.C.) government decision makers with objective, thorough, and timely evaluations and recommendations that will assist them in achieving efficiency, effectiveness, and economy in operations and programs. I&E goals are to help ensure compliance with applicable laws, regulations, and policies, identify accountability, recognize excellence, and promote continuous improvement in the delivery of services to D.C. residents and others who have a vested interest in the success of the city.

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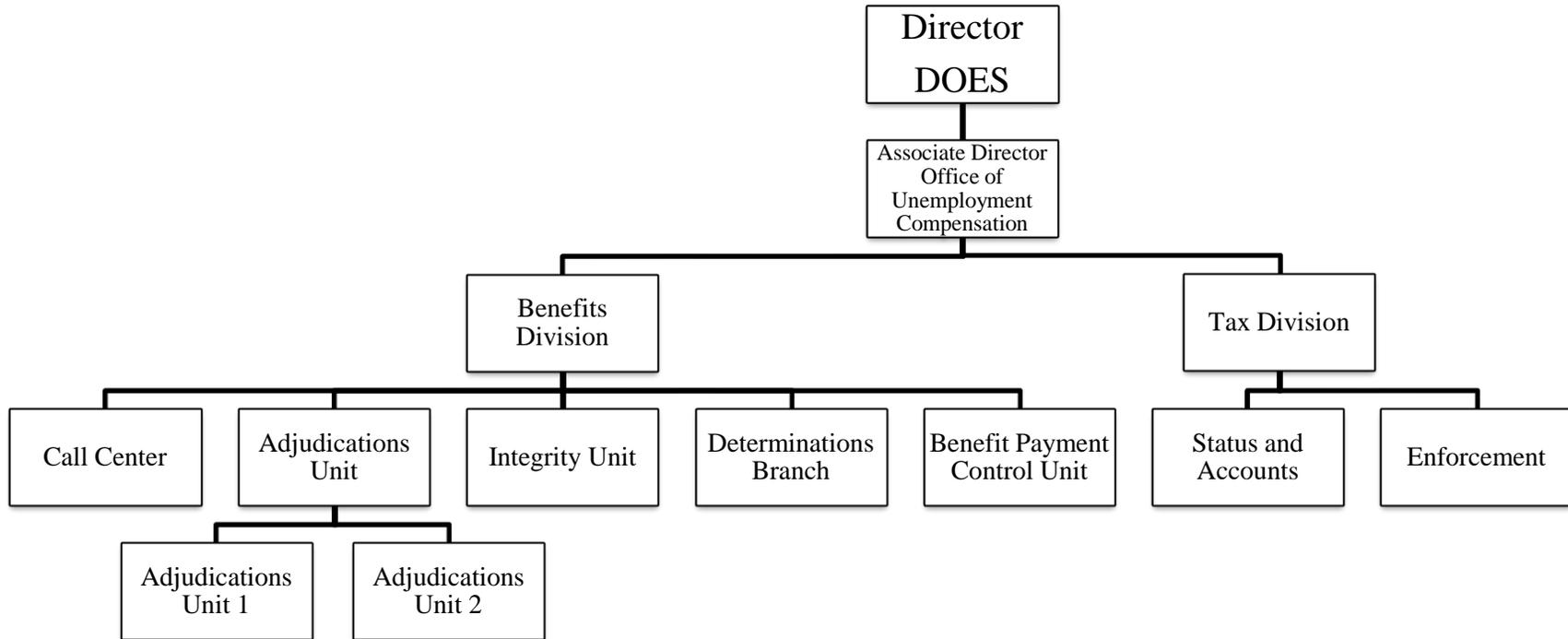
**ACRONYMS
AND ABBREVIATIONS**

ACRONYMS AND ABBREVIATIONS

BARTS	Benefit Audit, Reporting, and Tracking System
CAFR	Comprehensive Annual Financial Report
CY	Calendar Year
D/DOES	Director of the Department of Employment Services
DHS	U.S. Department of Homeland Security
DOCS	District On-Line Compensation System
DOES	Department of Employment Services
DOL	U.S. Department of Labor
FY	Fiscal Year
HHS	U.S. Department of Health and Human Services
I&E	Inspections and Evaluations
MAR	Management Alert Report
MIS	Management Information System
NDNH	National Directory of New Hires
OIG	Office of the Inspector General
OIT	Office of Information Technology
OUC	Office of Unemployment Compensation
SAVE	Systematic Alien Verification for Entitlements
SOP	Standard Operating Procedures
SIDES	State Information Data Exchange System
SIDI	State Identification Inquiry
SSA	Social Security Administration
UI	Unemployment Insurance
WEBS	Web Enabled Benefit Services

ORGANIZATION CHART

ORGANIZATION CHART



Based on information provided by DOES as of October 11, 2011.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Overview and Objective

The Inspections and Evaluations (I&E) Division of the Office of the Inspector General (OIG) conducted this Part II special evaluation of the Benefits Division¹ of the Office of Unemployment Compensation (OUC) in the Department of Employment Services (DOES) from December 2010 to September 2011. It is a follow-up to a special evaluation of OUC issued in February 2011 that assessed the Benefits Division's efficiency and timeliness in issuing unemployment benefits. The OIG found that OUC lacked sufficient internal controls in key areas, including written procedures, training, and adequate supervision of employees. The report included five findings and eight recommendations to improve deficiencies noted and to increase operational efficiency.

The objective of this follow-up special evaluation was to assess whether OUC is conducting the necessary verifications to ensure that unemployment benefits are issued appropriately and legitimately to qualified applicants. To accomplish this objective, the OIG conducted a case record review of a random sample of 40 initial (new) claims for unemployment benefits filed in January 2011.

OIG inspections comply with standards established by the Council of the Inspectors General on Integrity and Efficiency, and pay particular attention to the quality of internal control.²

Summary of Findings

The special evaluation team's (team) case record review found deficiencies in the consistency and thoroughness of DOES's fact-finding in adjudicating employment separation issues, such as whether the claimant voluntarily quit or was terminated for misconduct. During its fact-finding, DOES did not consistently ensure that it acquired and examined all relevant information from employers and claimants. The team also found deficiencies in DOES's documentation of results from the National Directory of New Hires to determine whether claimants were earning wages while also receiving unemployment benefits. In addition, DOES had not documented verifications of whether claimants were already receiving unemployment benefits at the time of application. The team also found that DOES did not document alien registration status verification for non-citizens with the U.S. Department of Homeland Security. The team did find that DOES verified whether claimants had earned enough to qualify for unemployment benefits, and had verified claimant-provided information with the Social Security Administration.

¹ The Benefits Division is responsible for providing "cash payments to customers who are unemployed through no fault of their own and are able and available for work..." GOVERNMENT OF THE DISTRICT OF COLUMBIA, FY 2012 PROPOSED BUDGET AND FINANCIAL PLAN, VOLUME 2 – AGENCY BUDGET CHAPTERS - I, B-72 (Aug. 10, 2011).

² "Internal control" is synonymous with "management control" and is defined by the Government Accountability Office as comprising "the plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud." STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, Introduction at 4 (Nov. 1999).

EXECUTIVE SUMMARY

The team found that verification processes appeared to be working well if they were completely automated and if verification results were centrally maintained. Verification problems mainly occurred in areas where employees worked on claims without adequate internal controls, including sufficient procedures, training, and documentation. Without adequate controls for verifications, the OIG is concerned that DOES lacks assurance that it has issued unemployment benefits appropriately and, consequently, may be paying benefits to ineligible claimants. A list of this report's 6 findings and 21 recommendations is included at Appendix 1.

The OIG issued a Management Alert Report (MAR 11-1-001) during the special evaluation to inform DOES officials that essential safeguards in OUC's Management Information System were turned off from February 2009 to July 2010. At the time the safeguards were disabled, OUC did not have a formal procedure to document and approve programming changes to its computer systems. As a result, DOES may have paid an unknown amount of unemployment benefits to ineligible individuals. The complete MAR, its recommendations, and the DOES response may be accessed at the OIG's website.³

Summary of Select Recommendations

In order for DOES to correct deficiencies in benefits processing and reduce the potential for paying benefits to ineligible claimants, the team recommended that DOES: 1) improve its automated system to streamline and document the results of all verification processes; 2) address deficient fact-finding by adjudicators resulting from inadequate analytical skills, insufficient training, and an absence of OUC written procedures; and 3) reduce management turnover in OUC.

DOES management and employees were cooperative and responsive during the special evaluation.

DOES reviewed the draft of this report prior to publication, and its comments in their entirety follow each OIG recommendation. **Note:** The OIG does not correct an agency's grammatical or spelling errors, but does format an agency's responses for consistency and readability. Such formatting is limited to font size, type, and color, with the following exception: if an agency bolds or underlines text within its response, the OIG preserves those formatting elements.

Compliance and Follow-Up

The OIG special evaluation process includes follow-up with DOES on findings and recommendations. Compliance forms will be sent to DOES along with this report. The I&E Division will coordinate with DOES on verifying compliance with recommendations agreed to in this report over an established period. In some instances, follow-up activities and additional OIG reports may be required.

³ See <http://oig.dc.gov>, and click on Inspection and Evaluation reports to find the June 8, 2011, MAR.

EXECUTIVE SUMMARY

During their review of the draft report, inspected agencies are given the opportunity to submit any documentation or other evidence to the OIG showing that a problem or issue pointed out in a finding and recommendation has been resolved or addressed. When such evidence is accepted, the OIG considers that finding and recommendation closed with no further action planned.

INTRODUCTION

INTRODUCTION

Background

The Inspections and Evaluations (I&E) Division of the Office of the Inspector General (OIG) conducted a Part II special evaluation of the Department of Employment Services' (DOES) Office of Unemployment Compensation (OUC) from December 2010 to September 2011. Part II is a follow-up to a special evaluation of OUC issued in February 2011 that assessed the Benefits Division's efficiency and timeliness in issuing unemployment benefits.⁴ According to its website, DOES's mission "is to plan, develop and administer employment-related services to all segments of the Washington, DC metropolitan population."⁵ The OIG team focused on the Benefits Division of OUC, which provides "cash payments to customers who are unemployed through no fault of their own and are able and available for work."⁶ OUC's approved fiscal year (FY) 2011 budget was approximately \$19.4 million, with 128 full-time equivalents. In calendar year (CY) 2011, claimants filed 48,426 initial claims for benefits.⁷ According to the U.S. Department of Labor (DOL), for the 12-month period ending September 30, 2011, DOES paid claimants approximately \$162 million in unemployment benefits.

Objective

The objective of this Part II special evaluation was to assess whether OUC conducted the necessary verifications to ensure that it issued unemployment benefits only to qualified applicants. OIG inspections comply with standards established by the Council of the Inspectors General on Integrity and Efficiency, and pay particular attention to the quality of internal control.⁸

Scope and Methodology of the Case Record Review

The team reviewed records in computer systems and hard copy case files for a sample of initial unemployment claims filed in January 2011. The purpose of the review was to determine whether DOES had verified that claimants were qualified for unemployment benefits and had issued benefits appropriately.

DOES provided a universe of 4,823 initial unemployment claims filed in January 2011,⁹ and the team selected and reviewed a random sample of 40 claims to determine whether DOES

⁴ See <http://oig.dc.gov>, and click on Inspection and Evaluation reports to find the February 2011 *Report of Special Evaluation of the Department of Employment Services' Office of Unemployment Compensation Benefits Division*.

⁵ [Http://does.dc.gov/does/cwp/view,a,3,q,539626,doesNav_GID,1563,doesNav,%7C32096%7C,.asp](http://does.dc.gov/does/cwp/view,a,3,q,539626,doesNav_GID,1563,doesNav,%7C32096%7C,.asp) (last visited Sept. 14, 2011).

⁶ GOVERNMENT OF THE DISTRICT OF COLUMBIA, FY 2012 PROPOSED BUDGET AND FINANCIAL PLAN, VOLUME 2 - AGENCY BUDGET CHAPTERS - PART I, B-72 (Aug. 10, 2011).

⁷ Claims were filed in the weeks ending January 8, 2011, through December 31, 2011.

⁸ "Internal control" is synonymous with "management control" and is defined by the Government Accountability Office as comprising "the plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud." STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, Introduction at 4 (Nov. 1999).

⁹ This universe contained 11 instances in which a claimant filed 2 claims in January 2011. Of these 11 duplicate claims, the OIG ascertained that 10 claimants had entered an incorrect Social Security number in their first claim.

INTRODUCTION

had verified claimant eligibility and had issued benefits appropriately.¹⁰ The team did not analyze whether DOES conducted all required verifications for one claim because the team learned the claimant had filed with an incorrect Social Security number.¹¹ Although this sample was not statistically representative, and the results cannot be extrapolated to the entire population of cases, our review strongly indicates that DOES managers should evaluate the number and types of deficiencies found, and take steps to improve the efficiency and accuracy of the unemployment eligibility determination process.

The team focused its testing on verifications of: reasons for separation from employment; new hire and wage information; Social Security information; alien registration status; monetary eligibility; and whether claimants were already receiving unemployment benefits from the District or other states. An OUC manager confirmed that these areas are the key verifications that DOES must conduct prior to issuing benefits.

The team developed a case record review instrument to assess the verifications of the sampled claims. The team piloted¹² the instrument, made necessary adjustments, and conducted its review on-site at DOES. Because DOES does not maintain all verification information in one computer system, the team reviewed multiple databases and hard copy files. The team viewed information in the District On-Line Compensation System (DOCS) and Web Enabled Benefit Services (WEBS) on a manager's computer while the manager navigated through these systems. The team also conducted tests of information in separate databases for Social Security Administration (SSA) verifications and National Directory of New Hires (NDNH) verifications.

Process Overview for Verifications of Initial Unemployment Claims

In the District, a customer may use the telephone or Internet to file a claim for unemployment insurance benefits. Once claimants submit applications, DOES should take various steps to determine whether they are eligible to receive benefits, including the following (see Table 1 on page 9):

- A DOES manager explained that DOCS is programmed with algorithms that automatically calculate whether claimants have earned enough wages to be eligible for unemployment benefits.¹³
- A claims examiner verifies that claimants are not currently receiving unemployment

¹⁰ The team used the universe list provided by DOES to select the random sample without sorting or manipulating the list. The team selected the random list of cases by using the software program Research Randomizer. See <http://www.randomizer.org/form.htm>.

¹¹ The claimant withdrew this claim and filed a subsequent claim in January 2011 using a different Social Security number. DOES determined that the subsequent claim was monetarily eligible.

¹² "Piloting" the case review instrument refers to pre-testing it to ascertain whether the proposed methods are inappropriate or too complicated. See <http://sru.soc.surrey.ac.uk/SRU35.html> (last visited Feb. 10, 2012).

¹³ The team reviewed information in DOCS to determine whether DOCS indicated that a claimant was monetarily eligible. However, the team did not review programming in DOCS to determine whether it accurately calculates monetary eligibility.

INTRODUCTION

benefits from other jurisdictions.¹⁴ DOES's Office of Information Technology (OIT) sends claimants' names, Social Security numbers, dates of birth, and genders to SSA to determine if information submitted by claimants matches records maintained by SSA.¹⁵

- DOES's assigned claims examiner uses the Department of Homeland Security's (DHS) Systematic Alien Verification for Entitlements (SAVE) system to verify that claimants who are not U.S. citizens are authorized to work.
- Each week, OIT sends a file with claimant information to the District's Office of the Chief Technology Officer, which then transfers the file to the U.S. Department of Health and Human Services (HHS) to be checked against NDNH to determine if claimants are earning wages while receiving unemployment benefits.¹⁶
- A claims examiner obtains information from the claimant and his/her former employer on why the claimant is unemployed. D.C. Code § 51-110 (Supp. 2011) provides circumstances that disqualify an individual from receiving benefits, such as voluntarily leaving the most recent employment without good cause connected to the work¹⁷ or being discharged for gross misconduct.

Overpayments occur when claimants receive benefits to which they are not entitled. A DOES manager explained that OUC's Benefit Payment Control Unit is responsible for preventing, detecting, and recovering improperly paid unemployment benefits. This unit investigates claimants who may have received benefits fraudulently and tracks this information in the Benefit Audit, Reporting, and Tracking System (BARTS). For the quarter ending December 31, 2011, DOES identified 2,214 cases with \$1,895,385 in overpayments, of which 685 cases and \$919,492 were fraudulent. According to DOL, the main causes of overpayments nationally in FY 2010 were claimants who returned to work and failed to report earnings (29.3% of overpayments), incomplete and/or untimely information regarding claimants' separation from employment (19.0%), states' inability to verify whether claimants met work search requirements (18.2%), and claimants' failure to register with state employment services, or agencies' failure to process employment service registrations (11.7%).¹⁸ DOES officials stated that when DOES identifies a problem with an initial claim, DOES does not pay the claimant until the matter has

¹⁴ According to the U.S. Department of Labor, a claimant with wages earned in more than one state is permitted to combine wages earned in different states into one unemployment claim to meet eligibility requirements or increase the benefit amount. Claimants may choose to file a claim against only one state to preserve wages earned in other states for future use. See ET Handbook No. 399, Unemployment Compensation Claims Filed Under the Interstate Agreement for Combining Employment and Wages.

¹⁵ The day after an eligible claimant files an initial claim, OIT electronically transfers the claimant's information to SSA. DOES maintains the results in a database accessible to claims examiners through the WEBS system.

¹⁶ HHS's Federal Office of Child Support Enforcement operates NDNH, which is primarily intended to help state agencies enforce child support orders and locate parents. DOL recommended that state workforce agencies use NDNH to reduce unemployment benefits paid to claimants who have returned to work.

¹⁷ According to 7 DCMR § 311.7, reasons considered "good cause" include racial discrimination or harassment; sexual discrimination or harassment; as well as working in unsafe locations or under unsafe conditions.

¹⁸ U.S. DEPARTMENT OF LABOR, UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 19-11 § 4 (Jun. 10, 2011).

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been resolved. One official added that claimants who return to work while continuing to receive benefits are the most common reason for DOES overpayments and are detected through NDNH.

The following table illustrates DOES's key verification processes that the team tested. According to an OUC manager, these are the main verifications that DOES must complete before issuing benefits.

Table 1. DOES's Unemployment Eligibility Verification Processes for Initial Claims

Eligibility Verification Process	DOES Division Responsible	Source of Verification	DOES Database Containing Results
Monetary eligibility	OUC	Wage data in DOCS	DOCS
Social Security information	OIT, Management Information System (MIS) vendor	Social Security Administration	WEBS
Unemployment benefits from another state	OUC	State Identification Inquiry (SIDI)	Not applicable
Unemployment benefits from the District	OIT	DOCS, WEBS	Not applicable
Alien registration status	OUC	DHS SAVE	WEBS, hard copy files
New hire status	OIT, MIS Vendor, Benefit Payment Control Unit	HHS NDNH	BARTS (if flagged)
Reason for unemployment	OUC	Claimant and employer	DOCS, WEBS, hard copy files

**SUMMARY OF MANAGEMENT ALERT REPORT
(MAR 11-1-001):**

*Computer Programming Safeguards for Accurate
Issuance of Unemployment Benefits Were
Inappropriately Turned Off Due to Inadequate Internal
Controls*

June 8, 2011

SUMMARY OF MANAGEMENT ALERT REPORT

Essential safeguards in OUC's MIS designed to prevent or stop payment of benefits to ineligible applicants were inappropriately turned off for 17 months, from February 2009 to July 2010. OUC's DOCS is maintained by a DOES vendor. If a claimant's responses to questions on the application for unemployment benefits conflict with eligibility criteria, an "issue"¹⁹ on a claim is created in DOCS. When that happens, OUC claims examiners must intervene, gather information on the issue, and make a determination that ensures payment is made to an eligible individual. The safeguards were designed to prevent or stop payment when an applicant stated that he/she had refused work, quit a job, was discharged from a job, was not able or available to work, or was not actively seeking work.

The team could not determine if DOES officially instructed its programmers to disable these indicators. Neither the MIS vendor nor OUC officials had documentation of such instruction. A manager who worked for the vendor maintaining DOES's MIS identified a former OUC manager (by name) as having verbally directed the vendor to disable the indicators. An OUC senior official speculated that the indicators may have been deactivated so OUC could better handle its volume of claims, as there would be fewer claims with issues to adjudicate while the indicators were disabled. The vendor's manager identified the former OUC manager (by name) who had stated that most of the claimants who indicated on their applications that they were unable, unwilling, or unavailable to work had misunderstood the application's questions. The vendor's manager added that he/she did not know if OUC compiled statistics that supported this explanation before directing the vendor to disable the indicators. At the time the indicators were disabled, OUC did not have a formal procedure to document and approve programming changes to its computer systems.

On June 8, 2011, the OIG issued MAR 11-I-001 to DOES regarding the safeguards that had been inappropriately turned off. In its July 1, 2011, response, DOES stated, "The OUC senior staff readily accepts responsibility for this error...." In response to OIG recommendations, DOES stated that it identified approximately 2,712 claimants affected during the 17-month period that the indicators were turned off, and that it would contact these claimants to determine if they were eligible to receive benefits and identify overpayments when appropriate. DOES indicated that it had implemented a written policy for MIS changes and that it has a document to describe the details of proposed system changes. Additionally, DOES planned to complete an internal audit and was exploring the possibility of an audit by an external vendor to identify and correct any internal weaknesses that may lead to a violation of laws and regulations. The complete MAR and its recommendations, as well as DOES's response, may be accessed at the OIG's website.²⁰

DOES provided an update on February 24, 2012, and stated it had completed the first phase of its review of the affected claims. DOES mailed notices to every affected claimant, and thus far had received 1,325 responses. From the responses, DOES identified 261 possible

¹⁹ According to DOL, an "issue" is any circumstance, condition, or act that could potentially disqualify a claimant from receiving benefits. Any issue must be resolved before benefits may be paid to a claimant. For example, if a claimant indicates he was discharged from his last employment voluntarily or was terminated due to misconduct, the claimant would be ineligible for benefits.

²⁰ See <http://oig.dc.gov>, and click on Inspection and Evaluation reports to find the June 8, 2011, MAR.

SUMMARY OF MANAGEMENT ALERT REPORT

overpayments totaling \$423,023. DOES stated that it will update the OIG on the amount to be recovered when the claims have been investigated and overpayments have been established.

DOES stated that an audit of OUC's computer systems was completed as part of the Comprehensive Annual Financial Report (CAFR) audit. The team reviewed the FY 2011 CAFR audit report, and found that although it did not provide details on the tests conducted of DOES computer systems, the audit had open findings regarding DOCS and BARTS, and that not all prior year CAFR audit findings were tested in FY 2011. DOES has not provided the OIG with information on the results of its internal audit to identify and correct any control weaknesses. Consequently, there still may be programming mechanisms and internal control weaknesses that allow unemployment benefits to be issued improperly.

New Recommendations:

- (1) That the Director of DOES (D/DOES) ensure that DOES expeditiously completes its investigation of claimants affected by the safeguards that were turned off and update the Inspector General on the outcome of this investigation. This should include the number and amount of overpayments established as well as the number and amount of restitution made.

Agree X Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. In February 2009, former DOES management turned off essential safeguards in the agency's Management Information System (MIS) for seventeen months during a period of very high unemployment. Upon appointment as Acting Director in April 2011, the Director began a review of all DOES program and operational aspects of the agency. Based on this review, DOES issued a Change Control Policy on May 23, 2011, which provides guidelines for changes to the development, test, and production environments for all of the agency's computer systems. The policy is designed to ensure safeguards are in place to avoid changes to controls without proper authorization and evaluation. The need for this new control policy was also recommended in the July 19, 2011 Management Alert Report (MAR) issued by the District of Columbia's Office of the Inspector General (OIG).

DOES has initiated Phase I in the investigation into whether the shut-off resulted in valid overpayments by contacting claimants as noted to the OIG. DOES will continue to Phase II of the investigation to identify and determine recovery process, including consultation with and recommendation from DOES' General Counsel's office.

OIG Comment: The OIG will communicate regularly with DOES during Phase II of DOES's investigation to request updates on the number and amount of overpayments identified, and the number and amount of restitutions made.

- (2) That the D/DOES update the Inspector General on the results of the audit of its computer systems, including any programming mechanisms or internal control

SUMMARY OF MANAGEMENT ALERT REPORT

weaknesses identified and actions taken to correct any deficiencies that may allow unemployment benefits to be issued in violation of current laws and regulations.

Agree _____ **X** _____ Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. DOES also emphasizes that the deficiency occurred before the current Change Management policy was put into place. The policy stipulates that before any system modification can be made, the DOES Unemployment Insurance program, the Office of Information Technology (OIT), and the system manager must review and approve the change. In addition, no single entity can modify a DOES information system. Any modification must be moved to production by a party other than the developer, and the access required to move a change to production must be approved by the OIT security officer and then granted by the Office of the Chief Technology Officer (OCTO). DOES' internal assessments determined that this Change Control Policy was necessary to ensure that the Agency information systems conformed to industry best practices and that adequate safeguards were place. DOES will continue on-going review of all programs, system modifications, and operations to ensure safeguards are in place and proper procedures and policies are adhered to.

**RESULTS OF
CASE RECORD REVIEW**

RESULTS OF CASE RECORD REVIEW

DOES did not consistently conduct and record the results of all verifications for initial unemployment claims.

Based on the team's observations in its case record review, DOES lacks an adequate quality assurance mechanism to ensure that all required verifications, whether done manually or by automation, are conducted and all results are recorded prior to issuing initial unemployment benefits. The team noted that DOES has a variety of computer systems and manual processes used by different units to verify eligibility for unemployment benefits, and that information is not recorded for some types of verifications (see Table 1 on page 9). Because of these deficiencies, ineligible claimants may be receiving unemployment benefits.

DOES conducts some verifications that involve a human element of review and analysis. However, inadequate controls may contribute to errors in these verifications. For example, the team learned of deficiencies regarding Standard Operating Procedures (SOP), adjudicators' analytical skills, training, coverage, and supervisory oversight. Although other verifications involve automated processes, some did not record that verifications had been done, regardless of the results. While DOES verifies claimants' monetary eligibility and information with SSA, the team's review identified deficiencies with DOES's separation from employment adjudications, NDNH verifications, receipt of unemployment benefits at the time of application, and inquiries into alien registration status.

In 2006, DOL recommended that state workforce agencies implement NDNH verifications to verify claimants' eligibility for unemployment benefits. However, DOES did not do so until 2010, and was one of the last jurisdictions in the country to begin using this resource. DOES officials did not provide the team with an explanation for the delay in implementing this mechanism. In addition, DOES has not fully implemented all checks to verify benefit eligibility that were recommended by the OIG's Investigations Division in a previous MAR, such as ensuring that unemployment claimants are not already receiving workers' compensation.

a. Separation from employment adjudications appear to have significant deficiencies.

According to a DOES manager, if a claimant or employer states a reason for separation from employment other than a layoff, this is a separation issue that DOES adjudicates unless the claimant is found to be monetarily ineligible. DOL defines an "issue" as a circumstance, condition, or act that may disqualify a claimant from receiving benefits, including discharges and voluntary quits.²¹ DOL states, "[A]ll necessary facts concerning an issue must be gathered from claimants and employers, or a reasonable attempt must be made to obtain such facts, and a determination is rendered to ensure that payments are made only when due."²²

Title 7 DCMR § 304.4(g) states that claimants are to provide the reason for separation from employment when they make initial claims. In accordance with 7 DCMR §§ 304.8 and 304.9, DOES mails to claimants' employers a Request for Separation Information form (Separation form) requesting wage and separation information. Employers then have 7 days to respond. Title 7 DCMR § 304.10 states:

²¹ See U.S. DEPARTMENT OF LABOR, ET HANDBOOK 301, 5TH EDITION, II-2 and VII-3 (July 2005).

²² *Id.* at I-1.

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An employer who fails to either furnish a notice or Separation Report to the [DOES] Director, that the employee was separated under conditions which may subject him or her to disqualification for benefits . . . shall be presumed to have admitted that the employee is not subject to disqualification

In June 2010, DOL wrote:

Overpayments attributable to separation issues are the second leading cause of overpayments. To address this issue, [DOL] worked collaboratively with states to develop the technology solution called the *State Information Data Exchange System* (SIDES), which enables more rapid and accurate communications between state agencies and employers or employers' third party administrators. The timely exchange of accurate claimant separation information should result in better determinations and is expected to reduce the number of improper payments to claimants who are determined to be ineligible for UI [Unemployment Insurance] due to disqualifying job separations such as quitting a job without good cause or being discharged for misconduct under the state UI law.²³

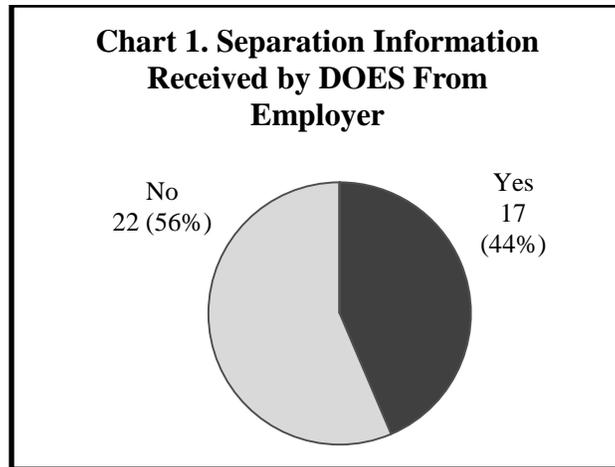
In September 2011, DOES applied for DOL funding to implement SIDES. As of January 2012, only 12 jurisdictions nationally were using SIDES, and the District was not one of them.²⁴ In February 2012, a DOES senior official informed the team that DOES had received DOL funding to implement SIDES.

The team's case review found that employers frequently do not respond to DOES's Separation forms. The case record review found that 56% (22) of 39 claims did not have information from the employer regarding the reason for separation (see Chart 1, on the next page).

²³ U.S. DEPARTMENT OF LABOR, UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 19-11 § 4 (Jun. 10, 2011).

²⁴ See <http://www.naswa.org/assets/utilities/serve.cfm?gid=23230954-43e2-4249-9f87-31345849dcd4> (last visited Feb 24, 2011).

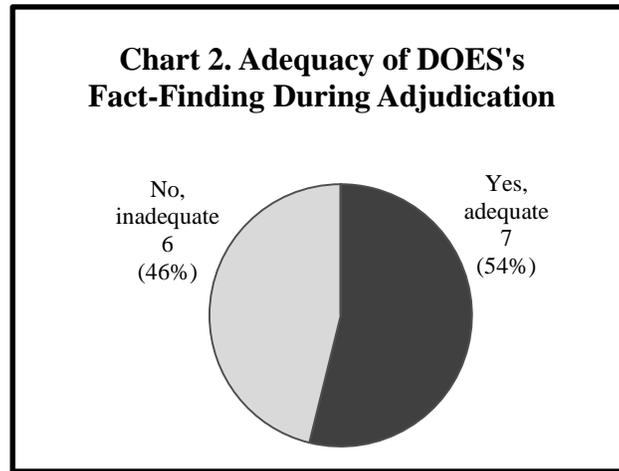
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The Separation form requests that employers check the box that corresponds to one of the following reasons for separation: laid off for lack of work, left voluntarily, discharged for cause, labor dispute, and other (see Appendix 2). However, the Separation form does not include definitions for the different types of separations. For claimants discharged for cause, the form does not prompt employers to indicate whether misconduct was involved. A DOES manager stated that claimants and employers sometimes do not understand the different types of separations. For example, the team reviewed a form with this manager on which an employer checked “other” as the reason for separation and then noted that it was due to a reduction in force, which the manager said should have been marked as “laid off.” Another manager stated that DOES should provide definitions on the Separation form or in a pamphlet, and should provide training to employers regarding what information they should submit to claims examiners for adjudication. He/she added that training would be particularly beneficial to employers who are not familiar with this form, such as individuals who have hired domestic help. In addition, he/she opined that DOES should apprise employers of the different levels of misconduct and necessary written documentation to demonstrate misconduct, which would curtail “he said/she said” situations between employers and claimants.

Of the 39 claims reviewed by the team, 17 (44%) had an issue. Of these 17 claims, OUC adjudicated 12 claims (71%), failed to adjudicate 1 claim (6%), and was not required to adjudicate 4 claims (24%). Of the 13 cases that OUC should have adjudicated (12 cases that OUC adjudicated and 1 case that it failed to adjudicate), the team found concerns and inconsistencies with the adjudication process in 6 (46%) of them (see Chart 2 on the following page).

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The six claims with adjudication concerns are as follows:

- One company returned a Separation form indicating “other” as the reason for separation and that the claimant had been an independent contractor, not an employee. The claimant indicated that he/she had been laid off. OUC did not identify the question of whether the claimant was an independent contractor or an employee as an issue for adjudication and paid unemployment benefits to the claimant. According to an OUC manager, independent contractors are not eligible for unemployment benefits. This manager stated that DOES should have adjudicated the claim to determine whether the claimant was actually an independent contractor. The manager added that if the claimant was an independent contractor rather than an employee, the company that returned the Separation form was not the claimant’s last employer, and DOES should have contacted the claimant’s last employer to determine the claimant’s eligibility.
- In another case, an employer and a claimant stated that the claimant had been discharged for cause. The case file revealed that the employer had faxed DOES an employee discipline form describing this employee’s misconduct, including information that the employee had been written up on specific dates for outbursts toward coworkers. This information was faxed at approximately 10 p.m. the night before the determination letter for this claim was issued. OUC’s determination letter on the next day stated that the employer had not provided evidence of misconduct, and the claimant subsequently received unemployment benefits. An OUC manager stated it was unclear whether this fax was available to the claims examiner when he/she issued the decision. Regardless, there was no notation in WEBS that the claims examiner contacted the employer for further documentation, and the claims examiner should have requested more documents from both the employer and the claimant. This manager concluded that DOES conducted inadequate fact-finding in adjudicating this case.
- A claimant stated that he/she had been discharged for cause. The employer provided inconsistent information: on a hard-copy Separation form, the employer stated that

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the claimant had voluntarily quit; whereas, on an online form, the employer stated that the claimant had been discharged. The employer stated that the claimant did not have proper licensure to continue in his/her current post as a security guard and declined other assignments, turned in his/her uniform, and signed an acknowledgement of the employer's resignation policy. The claimant stated that the employer did not have a full-time assignment available for him/her and offered him/her part-time work. OUC found that the claimant had refused suitable work, had voluntarily quit, and was not eligible for benefits. An OUC manager stated that the claims examiner did not address the issue of whether the claimant was at fault for not having proper licensure for his/her current post. He/she added that the claims examiner did not adequately determine whether the claimant had been terminated or voluntarily quit. If the claims examiner had concluded that it was a voluntary quit, then the claims examiner should have ascertained whether the part-time posting offered was suitable work to determine eligibility.

- A claimant stated he/she had been discharged for cause and explained his/her contract was not renewed as part of a mass firing. The employer stated on a Separation form that the claimant had been terminated for unsatisfactory performance. Upon reviewing this case with the team, an OUC manager stated that the claimant was terminated for poor performance. This manager explained that claimants who are discharged for poor performance where there is no evidence of misconduct are eligible for unemployment benefits, and the burden of proof is on the employer to show misconduct. OUC found the claimant eligible and paid unemployment benefits. WEBS did not indicate that the claims examiner contacted the employer. According to an OUC manager, there was not enough information present to determine whether misconduct had occurred.
- A claimant indicated that he/she had been laid off. The employer stated that the claimant left voluntarily. The team found that the case file contained a fax from the employer with the claimant's resignation letter indicating that he/she was resigning to go back to school. Two days after the employer faxed the resignation letter, OUC found the claimant eligible and paid unemployment benefits. The claims examiner's case notes in WEBS state that the employer failed to provide any information showing that the claimant quit. An OUC manager stated that the claims examiner may not have seen the faxed resignation letter.
- A claimant indicated that he/she had quit and that leaving his/her position was a mutual decision between the claimant and employer. The employer stated that the claimant had been discharged for insubordination, absences, and not following policies and procedures. OUC determined that this was a voluntary quit and that the claimant had quit before the employer terminated him/her. OUC found the claimant ineligible for unemployment benefits. A DOES manager stated that both parties in this case indicated that the employee did not return and that the burden of proof was on the claimant to show good cause for leaving the position. However, the team's review of the case file found a copy of a termination letter from the employer. Although DOES deemed the claimant as not eligible for benefits, the team concluded

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that the fact-finding in this case was inadequate because the case notes did not provide a clear sequence of events and communication between employer and employee to determine why the matter was deemed a voluntary quit rather than termination for misconduct.

Multiple causes contribute to inconsistencies and deficiencies in separation adjudications. Key causes include a lack of SOPs, adjudicators' inadequate analytical skills, training needs, and inadequate transmission of information. Some interviewees cited concerns with the level of experience, knowledge, skills, and carelessness of claims examiners in adjudications as well as a lack of experienced OUC supervisors.

OUC lacks adequate written guidance for adjudications. The OIG's report of special evaluation on DOES issued in February 2011 found that OUC lacked policies and procedures that covered claims processing and adjudication functions.²⁵ During the case record review, the team found that DOES had drafted SOPs for unemployment adjudications; however, as of March 2012, they had not been finalized.

The OIG's report of special evaluation issued in February 2011 identified training at OUC as a deficiency. In August 2011, OUC managers stated that OUC had recently trained claims examiners on such matters as separation and earnings issues, and that ongoing training was needed to improve adjudications. For example, one manager stated that further training was needed to improve investigative techniques so that adjudicators ask the right questions. An OUC manager stated that training on separation issues was ongoing.

A DOL interviewee stated that government agencies, including DOES, should not automatically promote claims examiners to adjudicators based on years of service, but based on employees' skill sets. He/she noted that this is an issue at DOES. This interviewee added that DOL staff members conducted training for DOES claims examiners, and received "bizarre" answers in response to questions posed to claims examiners, some of whom had 5-7 years of experience. He/she stated that claims examiners' lack of knowledge is related to DOES's lack of training and SOPs.

During its review of the separation issues, the team noticed claims for which DOES had relevant documents in claimants' files that did not appear to have been considered in fact-finding decisions. When the team asked a manager about this, he/she expressed concerns with the timely transmission of relevant documents to the appropriate adjudicators. This manager stated that documents received via fax and mail are not always uploaded into WEBS. This manager explained that DOES is supposed to automatically upload faxes into WEBS, link them to the relevant claim, and email them to the assigned claims examiner. A DOES official explained that incoming faxes are transmitted into a computer system as electronic documents rather than received in hard copy; a few DOES employees review incoming faxes and link them to the appropriate claimant file in WEBS.

Interviewees stated that DOES was addressing problems in adjudications by conducting regular supervisory reviews of adjudication decisions. One manager stated that supervisory case

²⁵ See <http://oig.dc.gov>, and click on Inspection and Evaluation reports to find the February 10, 2011, report.

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reviews had been implemented in late January or early February 2011. This manager explained that he/she randomly reviews about four adjudication cases per month from each claims examiner.

A DOES manager who is not from OUC's adjudications unit stated that he/she monitors the results of cases that are appealed to the Office of Administrative Hearings (OAH) and identifies areas for training from these decisions. This manager compiles data to provide reports to DOL regarding the outcome of appeals for different types of cases, such as separation issues and misconduct cases. He/she has provided training to adjudicators on such subjects as what is considered adequate evidence. The team reviewed a report that this DOES manager prepared for DOL and found that it did not include information on the number of cases overturned because of errors committed by OUC, such as inadequate fact-finding, as opposed to the number of cases overturned for reasons beyond OUC's control. Managers from the adjudications unit indicated that they do not receive reports on appeal results. One adjudication manager stated that they receive verbal feedback from the DOES liaison to OAH on areas needing improvement in cases that are appealed. Another interviewee stated that receipt of additional information on appeals may help an adjudication manager identify claims examiners who are having difficulties or OUC problems in a particular area, such as OUC and OAH interpreting a law differently.

Recommendations:

- (1) That the D/DOES ensure that DOES expeditiously implements strategies to educate employers and to enhance the Separation form to improve employers' responses to requests for separation information.

Agree _____ **X** _____ Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. DOES applied for and received a \$2 million Program Integrity and Performance and System Improvements grant from the U.S. Department of Labor which is being used to further strengthen the agency's communication to employers to improve the awareness of their responsibility to respond to DOES requests for separation information and/or earnings/wage verifications. Additionally, DOES is exploring ways to better capture accurate separation information, including reviewing the separation forms from other states to find and implement best practices, updating the employer handbook to include compliance information, updating the Unemployment Insurance (UI) tax division's website, and developing an employer tax on-line portal as part of the modernization of the District unemployment insurance system.

- (2) That the D/DOES expeditiously gain access to and use SIDES.

Agree _____ **X** _____ Disagree _____

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DOES's June 2012 Response, as Received:

DOES agrees with this finding. DOES has been preparing for SIDES and it is expected to be installed and ready for use beginning in September 2012.

- (3) That the D/DOES increase training to ensure that adjudicators are adequately skilled and knowledgeable, and ensure that training topics include areas identified as weaknesses from such quality assurance mechanisms as supervisory case reviews, DOL observations, and reviews of OAH decisions.

Agree _____ **X** _____ Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. Upon review of all programs and operations in April 2011, DOES management identified training in the Office of Unemployment Compensation as a critical area needing improvement and structure. The Department of Labor (DOL) has led training of the Unemployment Insurance (UI) Benefits team over the last several months, including training in the area of adjudication, claims taking, and general benefits payment process training of DOES' One-Stop employees and the agency's call center employees to ensure cross-training for staff in the agency that interact with UI customers. During the course of this training, areas of immediate need were identified and addressed. DOES has also recently completed two training sessions provided by the U.S. Department of Labor for claims takers and Combined Wage Claims conducted by a UI expert from a high-performing state. Finally, two recently appointed managers with decades-long experience in unemployment compensation are also identifying areas needing training, including supervisory case review.

DOES is also taking under advisement the audits and recommendations from the Department of Labor, the National Association of State Workforce Agencies, the Information Technology Support Center, and independent audits to create the framework to revamp the Benefit Accuracy Measurement (BAM), Benefit Timeliness and Quality (BTQ), and Tax Performance System (TPS) areas into a true Unemployment Insurance Performs / Quality Control Unit. The unit will include a training component to assist and support the on-going training of the adjudication. It will also review the appeals cases decided by the Office of Administrative Hearings (OAH).

OIG Comment: **Based on DOES's response, the OIG considers the status of this recommendation to be closed.**

- b. The District was one of the last U.S. jurisdictions to implement National Directory of New Hires verifications, and DOES does not maintain documentation for all of these verifications.**

In 2006, DOL issued an advisory letter to states recommending that they use NDNH to prevent and detect "overpayments due to unreported earnings by [unemployment insurance]

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beneficiaries who have returned to work and continue to receive benefits...”²⁶ According to the DOL *FY 2009 Performance and Accountability Report*, as of July 1, 2009, all but three states and the District were matching unemployment claims with NDNH.²⁷ DOL cited the District as not having implemented NDNH matching as well as not yet having signed a data agreement with HHS, which maintains NDNH. In FY 2009, DOL sent a letter to DOES requesting an action plan to meet NDNH requirements. In February 2012, a DOL interviewee informed the team that DOES had responded to this letter with a plan and timeframes within which it would complete the requirements to access NDNH.

As state agencies gained NDNH access, overpayments detected through new hire data increased from \$71.4 million in CY 2004 to \$141.6 million in CY 2008.²⁸ DOL identified “payments made to claimants who continue to claim benefits after returning to work and fail to report (or under-report) their earnings” as the largest source (29%) of overpayments in FY 2010.²⁹ In June 2011, DOL issued another advisory letter and stated, “All states will be required to conduct NDNH cross-matches by December 2011.”³⁰ NDNH includes information on employees’ wages earned each quarter in addition to information on new hires. A DOES manager explained that the agency’s verifications with NDNH include checking new hire and wage data. DOES conducts these checks weekly on both initial and continuing claims. According to DOES officials, when NDNH identifies a potential problem on an initial claim, DOES withholds benefits until the matter has been resolved; as a result, overpayments do not occur. An official added that NDNH detects claimants who have returned to work while continuing to receive benefits, which represent the most significant cause of overpayments.

According to a DOES senior official, the District did not begin using NDNH until September 10, 2010, 4 years after DOL issued its advisory letter recommending use of NDNH. He/she explained that DOES first signed an NDNH computer matching agreement with HHS in 2005 but did not appear to have completed the security requirement process and computer programming to implement use of NDNH. Under new management, DOES restarted the process with HHS in March 2010. They signed a computer matching agreement on April 19, 2010, and DOES began the process of obtaining necessary security assessments, clearances, and training. On September 7, 2010, HHS approved DOES’s access to NDNH.

A DOES senior manager stated that DOES should have implemented NDNH sooner than it did. He/she added that DOES had to complete the HHS approval process to obtain access to NDNH, which took more than 1 year. Two DOES managers stated that they did not know why DOES did not implement NDNH earlier. An interviewee with IT responsibilities stated that DOES had to coordinate with various agencies to obtain NDNH access, but that the technology involved to access it was not a challenge. A DOL interviewee stated that DOES repeatedly restarted the process of applying for NDNH access due to high turnover of DOES directors.

²⁶ U.S. DEPARTMENT OF LABOR, UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 22-06 § 1 (Jun. 2, 2006).

²⁷ See U.S. DEPARTMENT OF LABOR, FY 2009 PERFORMANCE AND ACCOUNTABILITY REPORT 119 (Nov. 16, 2009).

²⁸ See U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, DATA INTEGRITY BOARD, CERTIFICATION OF BOARD ACTION, “Verification of Unemployment Compensation Program,” HHS#1002, 31 (Apr. 19, 2010).

²⁹ U.S. DEPARTMENT OF LABOR, UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 19-11 § 2 (Jun. 10, 2011).

³⁰ See *id.* at 6.

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DOES officials stated that DOES identified a greater dollar amount of overpayments in the first quarter it used NDNH. DOES documents show that overpayments totaled \$2.1 million for the quarter ending June 30, 2010, and increased to \$3.1 million for the quarter ending September 30, 2010.³¹ A *Washington Post* article dated February 6, 2012, stated that the District paid “as much as \$800,000 in unemployment benefits” to currently employed District government workers since 2009.³² A DOES official informed the team that prior to the recent media attention on this matter, DOES had launched a probe of the problem with the Office of the Attorney General, OIG, and the Executive Office of the Mayor, and had detected these overpayments through NDNH. Some of the cases were referred for prosecution. He/she added that DOES recently notified the Mayor and agency heads of District employees with overpayments, which resulted in the media attention. According to the *Washington Post* article, DOES only recently began checking NDNH to prevent this type of fraud, whereas an official from the Virginia Employment Commission said that Virginia has been checking unemployment beneficiaries in NDNH for more than 5 years. The team is concerned that DOES allowed such a significant period of time to elapse before completing the approval process to access NDNH, and this may have allowed substantial numbers of overpayments to go undetected.

While interviewees reported that DOES was conducting NDNH verifications for all new claims, the team could not confirm this because DOES does not maintain the results of all NDNH verifications. A manager stated that DOES receives the results on all claimants submitted for NDNH verification, including where: 1) NDNH indicates a possible problem; 2) NDNH information on the claimant’s previous employment and records do not show an issue; and 3) NDNH has no records for a claimant. According to this manager, DOES does not maintain records of which claims were submitted to HHS for NDNH verification. He/she added that DOES only maintains records of NDNH results for claims that NDNH flagged as possibly having an issue in which other wages are reflected at the time the claimant is requesting unemployment. This manager added that DOES’s ability to maintain records of NDNH verifications is restricted by HHS requirements related to NDNH. However, the team reviewed the HHS security agreement for NDNH and found that it does not prohibit DOES from maintaining records of all information sent for NDNH verification or from retaining results of NDNH verifications that do not show potential issues. This agreement indicates that the state agency shall erase NDNH comparison results when no longer needed for authorized purposes, in no case later than 3 years after it receives them. When the team requested clarification from this manager about this apparent lack of a restriction in the HHS security agreement on retaining these records, he/she responded that HHS auditors verbally informed DOES that the agreement prohibited such retention.

In February 2012, a manager stated that DOES checks to determine whether individuals currently receiving unemployment benefits have previously received benefits when NDNH reported them as earning wages. The NDNH information reviewed goes back at least 10 years.

³¹ A DOES manager explained that DOES used NDNH on a test basis in August 2010 prior to fully integrating NDNH verifications into its processes on September 10, 2010. He/she added that DOES used NDNH for about 2 months in the quarter ending September 30, 2010.

³² Mike DeBonis, “D.C. workers face firing for unemployment fraud,” *The Washington Post* (Feb. 6, 2012), available at http://www.washingtonpost.com/local/dc-politics/dc-workers-face-firing-for-unemployment-fraud/2012/02/06/gIQAfviNuQ_print.html (last visited Feb. 7, 2012).

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This manager added that at this time, DOES is not conducting NDNH checks for past claims by individuals who have not filed unemployment claims since DOES began using NDNH. DOES is considering conducting these checks and plans to determine how far back it would be able to review NDNH records for this purpose.

The team reviewed information in BARTS to determine whether claims had been flagged in NDNH as having possible issues. BARTS is the system that DOES uses to track potential fraud cases. None of the 39 claims reviewed showed a potential issue from an NDNH check for when the claimant filed or was first paid. However, the team found that some of the claimants in the sample had been flagged as possibly having issues for periods outside of the scope of testing, but they were not resolved. NDNH flagged 8 of 39 claimants for potential overpayments during later weeks of the initial claim. According to BARTS, DOES did not resolve four of these eight cases and received no responses from the employers. Additionally, the team noted that three claimants had claims prior to those included in the team's sample that were flagged by District and/or interstate wage cross-matches and did not appear to be resolved in BARTS.³³ A DOES manager explained that the agency does not conduct wage cross-matches as separate checks because they have been integrated into checks of NDNH, which contains all wage data. Because these periods were outside the scope of the special evaluation, the team referred these seven unresolved cases to a DOES senior official for follow-up.

Recommendations:

- (1) That the D/DOES clarify with HHS any restrictions on documenting and retaining the information transmitted to NDNH as well as the results of all NDNH verifications in a centralized computer system, including the date and result of the verification for each claimant.

Agree Disagree

DOES's June 2012 Response, as Received:

DOES agrees with this finding. DOES has confirmed with the United States Department of Health and Human Services (HHS) that the "state agency must erase electronic records after completing required use in accordance with the retention and disposition requirements in the agreement."

DOES interprets the Federal Parent Locator Service (FPLS) guidelines for the National Directory of New Hires (NDNH) that data must be protected and maintained only as long as it is necessary to accurately process a claim. Additionally, as the agency is not limited in our use of the main NDNH system, this eliminates the need for local storage. NDNH queries can be performed at any point during the course of investigations.

³³ Two claimants in the OIG's sample had unresolved cases from previous claims resulting from cross-matches of District wage data, and one claimant had unresolved cases from NDNH and interstate cross-match verifications on a prior claim.

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OIG Comment: **Based on DOES's response, the OIG considers the status of this recommendation to be closed.**

- (2) That the D/DOES conduct NDNH verifications for all previous unemployment claims dating back as far as HHS indicates is possible.

Agree _____ **X** _____ Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. The Social Security Administration (SSA) imposes restrictions on access to, and retention of, NDNH data. The SSA requires that all NDNH data be deleted from the database twenty-four (24) months after the date of entry into the NDNH. The SSA does allow the Secretary of the Health and Human Services to retain such samples of data entered into the NDNH as the Secretary finds necessary to assist in performing research, as specified in 453(j)(5) of the Social Security Act.

As stated in this report, DOES was one of the last jurisdictions to implement the National Directory of New Hires (NDNH). Current leadership recognized the significance of this verification tool to assist the agency in detecting, recovering, and deterring improper payments to UI recipients. DOES has used NDNH to verify claimant information about available wage data available through NDNH. DOES also credits the use of NDNH in its launch of the aforementioned unemployment insurance probe to ferret out waste, fraud, and abuse amongst District government employees, which has resulted \$1.7 million in established overpayments which are being pursued for recovery. The DC Office of the Attorney General has also filed lawsuits against thirteen (13) current or former DC government employees. DOES intends to continue to use NDNH to detect, prevent, and pursue recovery of improper payments going back to 2009 since the review began.

OIG Comment: **Based on DOES's response, the OIG considers the status of this recommendation to be closed.**

- (3) That the D/DOES ensure that DOES promptly complies with DOL recommendations regarding implementing internal controls.

Agree _____ **X** _____ Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. DOES remains committed to improving our business processes and the integrity of our UI system. To this end, DOES initiated weekly calls with the U.S. Department of Labor (DOL) to outline an aggressive strategy to immediately implement outstanding DOL corrective actions and to implement DOL recommendations. With guidance from the DOL, DOES has implemented, or is in the process of implementing, several initiatives intended to increase the security, efficiency, and accuracy of our programs, procedures and infrastructure. In addition to the proper use of the National Directory of New Hires (NDNH),

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DOES has also implemented the Treasury Offset Program (TOP), a centralized offset program, administered by U.S. Department of the Treasury to collect delinquent debts owed to federal agencies and states. TOP is an additional and effective agency control to improve recovery of benefit overpayments. Implementation of TOP has resulted in 214 offsets totaling approximately \$268,000, to date.

DOES has also been proactively engaged in building and deploying better business intelligence-gathering tools and implementing procedures that will allow staff and management increased visibility into existing processes and better oversight to enforce integrity. Among these tools are a series of “watchdog” reports that track and alert management to suspect occurrences such as simultaneous DC payroll and benefits certification, excessive credits being issued, and claimants certifying for benefits while incarcerated.

DOES is also preparing to launch an online tax registration and payment portal, full implementation of SIDES, IRS wage information exchange, increased and improved claimant messaging, checks on claimant certifications including out of country certifications, information exchanges with other agencies, improved worker classification and verification procedures, added validation and correction routines on user input data, hardening of legacy systems (ongoing) to prepare for full modernization of the UI system, increased audit information capture, and increased reporting and metrics. Finally, DOES is aggressively pursuing a shift within the culture of the agency itself to focus all agency activity on best practices to increase the integrity and reliability of our business processes and to improve customer service.

c. DOES is not adequately conducting and recording verifications to determine whether claimants are receiving benefits from other states and from previous District claims.

D.C. Code § 51-110(g) (Supp. 2011) states, “An individual shall not be eligible for benefits for any week with respect to which he has received or is seeking unemployment compensation under any other unemployment compensation law of another state or of the United States....”

The team found deficiencies in DOES’s verification procedures for detecting existing unemployment claims in other states at the time of initial filing in the District, and found that DOES does not document the results of these verifications.

For claims filed via telephone, a manager explained that DOES has a process to check for benefits from other states; however, this process is not automated. Rather, claims examiners manually check for benefits from other states by viewing claimant information in the State Identification Inquiry (SIDI) system.³⁴ Another manager stated that if a claims examiner finds an existing claim in another state, OUC should contact the claimant to attempt to resolve the issue. Both managers stated that claims examiners do not record that they conducted these verifications.

³⁴ According to this manager, SIDI reflects where a claimant earned wages, but not the amount or timeframe, which is reflected in NDNH.

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For claims filed via the Internet, DOES does not have a process, either automated or manual, to check for claims in another state. DOES's application asks claimants whether they are receiving benefits from another state. If the applicant indicates that they are, DOES conducts an inquiry before issuing benefits. However, DOES's procedure does not detect instances in which claimants are receiving benefits from another state but fail to reflect this accurately on their online applications.

The team could not confirm whether DOES checks for existing unemployment claims in other states at the time of the initial filing because DOES does not record this activity. The team reviewed information in SIDI to determine whether any of the 39 claimants received benefits from other states at the time of filing an initial claim in January 2011. The team found that none of the 39 claimants were receiving unemployment benefits from other states when they applied for District unemployment benefits.

The team also could not determine whether DOES verified that claimants for District benefits were not already receiving unemployment benefits from the District when they filed new claims in January 2011. According to a manager, DOCS has been programmed to identify an applicant's existing open unemployment claim at the time of filing a new claim to prevent overpayment.³⁵ This manager stated that the results of these checks are not recorded in a DOES computer system.

The team reviewed information in DOCS and WEBS for the 39 claimants in its sample and found no claimants who received payments simultaneously on existing and new District claims at the time of their January 2011 applications.³⁶ The team did find one claimant who already had an open existing claim that apparently went unnoticed by DOES. DOES found this claimant to be monetarily eligible on the new claim, but ineligible on a separation from employment issue. The team is concerned that DOES did not appear to detect that this claimant had two open claims.

Recommendations:

- (1) That D/DOES ensure that DOES implements a system to automatically check whether claimants have claims in other states when they file a new claim, regardless of how the claim is filed, and document these verifications. If DOES is unable to automate these verifications, the D/DOES should ensure that employees consistently conduct and document these verifications for all claims.

³⁵ In September 2011, a manager expressed concern whether DOCS was consistently conducting this check because he/she saw two or three cases in which individuals filed new claims while collecting District benefits from existing claims. In February 2012, this manager added that this matter was referred to OIT, and he/she has not seen this problem in 6 months.

³⁶ However, eight claimants were already receiving District unemployment benefits prior to filing a new claim in January 2011. Of these eight, five were found to be monetarily ineligible on the new claim. Two were found to be monetarily eligible on the new claims as their previous claim had expired. The team had to review claims history in DOCS and WEBS to determine this as the systems did not clearly note that these two claimants were re-filing to extend previous claims. As described above, one claimant was found monetarily eligible on a new claim while receiving benefits on a prior claim, but the new claim was adjudicated to be ineligible on a separation issue.

RESULTS OF CASE RECORD REVIEW

Agree **X** Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. DOES currently cross-matches claimant data against the Interstate Connection Network. (UI-ICON) system for combined wage claims to inform DOES staff of the claimants who have filed in other states. With this cross-match, adjudicators then investigate those questionable claims. DOES is exploring ways to automate this cross-check at the time of application and ensure that the system documents these verifications. Additionally, DOES is researching ways the agency can update the current manual process to cross-check and document verification at the time of application if an automated solution is not available.

- (2) That the D/DOES ensure that DOES electronically records the results of all verifications conducted to determine whether claimants are already receiving District unemployment benefits at the time of filing new claims.

Agree **X** Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. It must be noted that no claimant can be paid for two claims simultaneously as the UI Management Information Systems (MIS) do not allow payment on multiple claims to the same individual. The MIS systems used by the agency to process claims automatically searches for unexpired monetarily eligible claims. If a claimant tries to file a new claim and has an existing unexpired claim, he/she is prompted to the additional claim screen. The agency is also working on ways to ensure that claimants are prompted to submit information as accurately as possible to avoid having multiple open claims to minimize confusion and staff workload.

- (3) That the D/DOES review its computer safeguards to ensure that it does not allow claimants to receive payments from multiple District unemployment claims simultaneously.

Agree **X** Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. DOES has reviewed its computer safeguards and determined that these controls do exist. There may appear to be concerns because in some cases claimants reach their benefit year-end date, and therefore temporarily stop receiving benefits, and then apply for a new claim. While they are not eligible on their new claim, they may be eligible for one of the federal extension programs such as Emergency Unemployment Compensation (EUC 08) or Extended Benefits (EB). This will create a new "sequence" claim but, as mentioned above, they will not receive payment on both claims simultaneously as the system does not allow that.

RESULTS OF CASE RECORD REVIEW

OIG Comment: **Based on DOES's response, the OIG considers the status of this recommendation to be closed.**

- (4) That the D/DOES explore automated mechanisms that would reduce claims filed in error for reasons such as already having an open District claim, entering incorrect Social Security numbers, and not earning wages in the District.

Agree _____ **X** _____ Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. While the UI systems prevent payments paid on multiple claims for the same individual, DOES is currently exploring automated mechanisms in the UI application that prevent claimants from having two claims simultaneously. For example, the one claimant mentioned on page 25 who already had an existing claim that apparently went unnoticed by DOES, incorrectly typed in her Social Security Number on one of the claims she tried to file. While the claimant was never paid on both claims because the nightly check with the Social Security Administration rejected the incorrect Social Security Number and therefore the claim was also rejected, the claimant later reapplied using the correct Social Security Number, which was paid. DOES is exploring the option of requiring claimants to enter their Social Security Numbers twice on the UI application to increase the likelihood that claimants do not mistype their information. DOES is also exploring other ways to improve the application to increase the likelihood that claimants are able to submit the most accurate information at the time of application.

OIG Comment: **Based on DOES's response, the OIG considers the status of this recommendation to be closed.**

d. DOES did not document immigration status verifications.

Title 42 U.S. Code § 1320b-7(a)(d) requires applicants who are not U.S. citizens or nationals to present immigration documentation³⁷ to state agencies, and requires states to verify their immigration status with the Immigration and Naturalization Service, which is now part of DHS. DOES has assigned primary responsibility to one OUC claims examiner for verifying non-citizen claimants' work authorization status by entering their alien registration numbers in DHS's SAVE system. Every few days, this claims examiner receives a report from the DOCS system listing claimants with alien registration numbers that need to be verified. This check is conducted within 4 days of a claimant filing an initial unemployment claim. The claims examiner then documents the results of these verifications in WEBS and places the printouts of the results in claimants' hard-copy files.

Of the 39 cases reviewed, four claimants were not U.S. citizens and indicated that they had alien registration numbers. At the time of the team's review, which was 6 months after the initial claims were filed, the team found no evidence in WEBS or hard copy files that DOES had

³⁷ Immigration documentation includes alien registration documentation or other proof of immigration registration.

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verified these four claimants' alien registration numbers in SAVE. On the day of the team's review, a DOES manager provided the team with printouts documenting that SAVE verifications for these four claimants were conducted that day and indicated no issues. However, DOES did not have documentation that it conducted SAVE verifications at the time of the initial claims. For three of these four claimants, there was a note in WEBS that DOES had reviewed the claimants' alien registration cards. The team received conflicting information as to whether only one DOES employee conducts SAVE verifications or whether management has designated another employee to conduct them when the assigned employee is absent.

The process of entering and documenting SAVE checks is not fully automated because it relies on an employee to type each claimant's information into the SAVE system and then to type the results into WEBS. In contrast, DOES's verification of SSA information is automated in that results from SSA are programmed to be uploaded into WEBS. According to an OIT manager, DOES has been unable to automate the SAVE verification process because DHS controls the SAVE system. He/she added that DOES plans to request permission from DHS to automate SAVE verifications.

DOES appears to have insufficient internal controls to ensure that SAVE verifications are completed and documented. According to a DOES interviewee, DOES managers do not review samples of SAVE documentation. In addition, the written policy regarding alien status verifications does not describe how to conduct or document SAVE verifications. Rather, the existing policy is a general guide from DOL on determining whether aliens are eligible for unemployment benefits.

Recommendations:

- (1) That the D/DOES ensure that a supervisor regularly reviews a sample of claims with alien registration numbers to ensure that SAVE verifications are conducted and documented properly and timely.

Agree Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. Currently, DOES adjudication supervisors review a random sampling of alien registration numbers bi-monthly. DOES plans to improve the current system by reviewing and updating the sample SAVE verification processes received from the U.S. Department of Labor. DOES will align these samples with District law and regulations and update the District's current process.

OIG Comment: Based on DOES's response, the OIG considers the status of this recommendation to be closed.

- (2) That the D/DOES ensure that OUC has detailed written procedures for conducting and documenting SAVE verifications.

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Agree X Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. DOES is in the final phases of creating and disseminating Standard Operating Procedures (SOPs) for all components of the Unemployment Insurance unit. These SOPs, which have never been formal in this unit in the past, will include new procedures for determining non-citizen status determinations and will be approved by the U.S. Department of Labor.

- (3) That the D/DOES ensure that OUC has adequate coverage for SAVE verifications when the regularly assigned employee is absent.

Agree X Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. The U.S. Department of Labor has trained DOES staff earlier this year to ensure SAVE verifications are done at the time claims are taken. DOES will replicate this training for additional staff to ensure adequate coverage.

OIG Comment: Based on DOES's response, the OIG considers the status of this recommendation to be closed.

- (4) That the D/DOES work with DHS to fully automate SAVE verifications and documentation of these verifications.

Agree X Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. DOES UI staff and the DOES Information Technology offices are working to fully automate the SAVE verifications and document these verifications.

e. DOES determines monetary eligibility.

D.C. Code § 51-107(c)(1) (Supp. 2011) requires that an individual seeking unemployment compensation must have:

- Received wages of at least \$1,300 in 1 quarter of his/her base period;
- Received wages of at least \$1,950 in at least 2 quarters during the base period; and
- Received wages during the base period that were equal to at least one and one-half times the wages earned in the quarter with the highest wages.

RESULTS OF CASE RECORD REVIEW

District employers enter wage data into DOCS. According to a DOES manager, DOCS is programmed with algorithms that automatically calculate whether a claimant earned enough wages to be monetarily eligible for unemployment benefits. Another DOES manager explained that wage information for federal employees is not in DOCS and that federal agencies provide this information to OUC when an employee is separated.³⁸

The team reviewed monetary eligibility information in DOCS and found in 39 of the 40 cases reviewed, DOES checked whether claimants were monetarily eligible. DOES was not required to determine monetary eligibility for one claim because the claimant filed using an incorrect Social Security number.³⁹ Of the 39 applicable claims, DOES found 28 (72%) claims to be monetarily eligible and 11 (28%) to be monetarily ineligible. The team questions whether the District's application process adequately and efficiently screens out claimants at the time of filing an application who have earned wages in the District as two claimants were not eligible in the District because they had earned wages in other states, but not the District.

f. DOES conducts Social Security verifications.

According to Title 42 U.S. Code § 1320b-7(a)(1), states are to require unemployment applicants to provide their Social Security numbers. A DOL advisory letter states that DOL and SSA signed a Memorandum of Understanding in March 2004 to allow states to access Social Security data to combat unemployment benefit fraud.⁴⁰

Interviewees stated that the vendor that maintains DOES's MIS creates a file daily from WEBS with claimants' names, Social Security numbers, dates of birth, and genders. DOES sends this information to the SSA, which verifies claimants' information against the Social Security Number Verification System and returns the results to DOES. One of these interviewees explained that DOES verifies this information with the SSA only for claimants who DOES determined were monetarily eligible.⁴¹ He/she added that claims examiners have access to the results of the SSA verifications through WEBS.

The team found that DOES had verified with SSA the information provided by all 28 monetarily eligible claimants.

³⁸ Another DOES manager explained that federal agencies do not report wage information in DOCS because they do not pay into the District's unemployment system. Instead, the federal government pays for unemployment claims once individuals file them.

³⁹ The claimant withdrew this claim and filed a subsequent claim in January 2011 using a different Social Security number. DOES determined that the subsequent claim was monetarily eligible. The subsequent claim was also in the team's random sample.

⁴⁰ See U.S. DEPARTMENT OF LABOR, UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 19-04, § 3 (Mar. 19, 2004).

⁴¹ The team found that two monetarily ineligible claimants were checked against SSA information.

RESULTS OF CASE RECORD REVIEW

Observations of Problems Beyond the Scope of the Case Record Review

Although not presented as findings, the team observed the following areas of concern that DOES should evaluate.

High management turnover and vacancies may contribute to inadequate supervision. According to information provided by DOES, four individuals served during CY 2011 as Associate Director of OUC, all as interim appointees. Additionally, as of December 2011, five managerial positions were vacant at OUC, including its two senior management positions. A supervisor of one of OUC's units is currently handling his/her unit's supervisory responsibilities as well as the duties of the two senior management positions. Table 2 illustrates the status of these vacancies:

Table 2. Vacant Management Positions in OUC as of December 2011

Vacant Position in OUC	Duties Performed by	Additional Comments
Associate Director	Supervisor of Benefit Payment Control Unit (BPC) with the support of DOES's Office of the Director	BPU Supervisor has been acting in this position since September 2011
Chief of Benefits	Supervisor of BPC	Position vacant as of July 2011
Call Center Manager	No temporary coverage noted by DOES	Vacancy advertised in November 2011
Supervisory Unemployment Compensation Claims Examiner	Handled by an OUC employee	
Unemployment Compensation Claims Officer	No temporary coverage noted by DOES	Position vacant as of October 2011

The OIG's February 2011 report of special evaluation included a finding that high management turnover impacted the stability of operations. DOES agreed with the OIG recommendation to identify and implement strategies to increase employee retention in senior positions. As of the writing of this report, however, DOES had not provided information on what strategies it identified and implemented.

DOL concerned about DOES employees' lack of written policies and procedures. The OIG's February 2011 report of special evaluation found that DOES lacked a policies and procedures manual for processing claims. DOES agreed with the OIG recommendation to expeditiously complete and issue this manual. During this special evaluation, the team learned that as of March 2012, while DOES had drafted SOPs for adjudications, processing initial claims, and continuing claims, the SOPs still were not finalized. DOES submitted draft SOPs to DOL for review in July or August 2011, and DOL returned them with comments on August 15, 2011. A DOL official stated that DOL has been concerned about DOES's general lack of SOPs for unemployment functions for a long time and attributed delays in drafting SOPs to DOES's

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management turnover. He/she added that because of this turnover and the lack of existing SOPs to build upon, DOL was concerned about DOES's ability to produce adequate SOPs and required DOES to submit draft SOPs to DOL prior to implementation.

In April 2010, the OIG's Investigations Division issued a MAR to DOES recommending that DOES conduct additional verifications as a result of unemployment fraud cases.⁴² DOES's October 2010 response to one of the MAR's recommendations indicated that it had begun matching unemployment claimants against SSA records, including death records, to prevent issuance of benefits to deceased individuals. Although not tested as part of the special evaluation, at the end of fieldwork, the team requested additional information regarding implementation of the MAR's recommendations. In October 2011, a DOES manager stated that DOES implemented the following additional verifications recommended by the MAR:

- District government salaries—verifications are conducted quarterly;⁴³
- District government consultant or contract payments—contractual payments are recorded for tax purposes as "earnings" and are verified through NDNH and quarterly cross-matches; and
- Internal Revenue Service records of payment of income taxes—DOES conducts these verifications multiple times per year.

However, according to this manager, DOES is still in the process of implementing recommendations regarding checking unemployment benefits against public assistance and workers' compensation benefits.

Recommendations:

- (1) That the D/DOES update the OIG on its efforts to identify and implement strategies to reduce management turnover in OUC. The report of special evaluation issued in February 2011 included a similar recommendation.

Agree X Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. Since April 2011, DOES engaged in an aggressive, nationwide recruiting effort to fill the critical vacancies in the unit. The unit is now fully staffed with seasoned management who are supervising both long-term and new DOES employees. DOES is also engendering a culture of support for managers by conducting a series of leadership and change management trainings and one-on-one meetings with the Director. This new strategy is designed to ensure DOES leadership is aware of challenges faced by managers

⁴² Management Alert Report (MAR) (MAR-2-ID-2010) Concerning the Need to Compare All Means by Which District Government Employees and Private Citizens Are Paid Money by the District to Reduce Fraudulent Unemployment Compensation Payments (Apr. 14, 2010).

⁴³ This manager stated in March 2012 that District government salary information is reflected in NDNH. DOES does not check another database for this information.

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and is prepared to allocate resources as needed as the agency works to bring the unit out of the current U.S. Department of Labor Correction Action Plan to full UI modernization.

OIG Comment: Based on DOES's response, the OIG considers the status of this recommendation to be closed.

- (2) That the D/DOES ensure that SOPs are finalized and implemented expeditiously for adjudications and all other unemployment claims processes and update the OIG on the progress of this recommendation. The report of special evaluation issued in February 2011 included a similar recommendation.

Agree _____ **X** _____ Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. In April 2011, the new DOES Director began a review of all DOES programs and operational aspects of DOES to eliminate fraud, waste, and abuse. One of the first actions taken was an unprecedented step of placing the administration of the UI program directly under the Office of the Director after concerns surfaced about the integrity of the UI program due to years of mismanagement and lack of formal Standard Operating Procedures (SOP).

DOES also requested DOL technical assistance and training to UI staff to help institute immediate process improvements based on federal statutes and national best practices, including several technology security enhancements, led by DOES' Office of Information Technology. DOES also engaged the expertise of the National Association of State Workforce Agencies to assist in identifying weaknesses and to implement national best practices.

The effort has resulted in the development of SOPs in all areas of UI, including but not limited to Combined Wage Claims, Monetary Redetermination, Non-citizen Status Determination, Appeals, and the Extended Benefits programs. These SOPs have reviewed by the U.S. Department of Labor and their feedback has been incorporated. These finalized SOPs will be the basis for staff training in manuals and guidebooks.

- (3) That the D/DOES ensure that DOES implement verifications of unemployment benefits with public assistance and workers' compensation benefits, as recommended by the April 2010 MAR.

Agree _____ **X** _____ Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. DOES is reviewing processes of other states to review effective uses of verifications with public assistance and to inform how the agency could implement a verification system. DOES has also developed an internal check with the workers'

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compensation unit to conduct an investigation whenever a claimant receives both unemployment and workers' compensation.

Analysis and Conclusion

DOES lacks assurance that only eligible individuals receive unemployment benefits because it does not have an adequate quality assurance mechanism to ensure that it conducts and records all required verifications prior to issuing benefits. DOES has a variety of computer systems that are not integrated and manual processes conducted by different units to verify eligibility for unemployment benefits. Documentation of all results is not recorded for some types of verifications. The agency does not use automation to the extent feasible to reduce human error in verification tests.

DOES officials stated that the agency is in the process of modernizing its systems to increase reliability and improve eligibility verification. In September 2010, the Mayor's office announced that DOES was eligible to receive up to \$27 million from the federal government to replace its outdated computer and telephone systems to provide unemployment benefits faster and more accurately. In March 2012, DOES officials informed the team that the federal government provided DOES with \$27 million in FYs 2009 and 2010 to modernize its unemployment systems. DOES's use of this funding included:

- implementing SSA verifications,
- implementing NDNH verifications,
- stabilizing current computer systems to increase reliability, and
- eliminating some manual processes for claims examiners, where feasible, such as automating the issuance of letters.

Additionally, when federal extensions of unemployment benefits were passed, DOES could not easily change its computer systems to process claims, and this required extensive programming to implement these extensions. In September 2011, DOL provided DOES with supplemental funding of \$2.2 million to enhance its computer systems, to include implementation of SIDES, which DOES expects to implement in September 2012. For next steps, DOES plans to develop a new, integrated unemployment system to replace its existing, separate computer systems, including DOCS, BARTS, and WEBS. DOES is currently identifying and developing requirements for the new system in order to develop a Statement of Work, and estimates that this project will cost \$18 million. While DOES has received and apparently spent significant funds to improve its existing computer systems, the OIG is concerned that these funds were not used to create an integrated computer system that would ensure that all verifications are conducted and recorded prior to issuing benefits for initial claims.

Recommendations:

- (1) That the D/DOES implement a quality assurance mechanism to ensure that DOES conducts and records all required verifications prior to issuing unemployment benefits.

RESULTS OF CASE RECORD REVIEW

Agree X Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. While enhancements have been made to the unemployment insurance computer systems such as SSA verifications, NDNH verifications, stabilizing current computer systems to increase reliability, eliminating some manual processes for claims examiners, where feasible such as automating the issuances of letters, scanning all incoming faxes to e-mail, and other enhancements, UI's computer system is a legacy system which has outlived its usefulness and needs full replacement. Modernization of this system is the only way to ensure integration and seamless verifications and recordings.

As stated, DOES has received \$27 million in American Recovery and Reinvestment Act funds to complete this major undertaking. DOES is currently partnering with three other states who are also undergoing modernization to ensure that best practices are implemented and to increase the likelihood of success.

- (2) That the D/DOES assess current verification processes for unemployment claims to identify and implement ways to further use automation to conduct and record verifications.

Agree X Disagree _____

DOES's June 2012 Response, as Received:

DOES agrees with this finding. With the support and expertise of DOES' Office of Information Technology, the National Association of State Workforce Agencies, as well as the Information Technology Support Center, DOES continues to assess, identify, and implement ways to further use automation to conduct and record verifications. This effort will continue as the agency prepares for and implements full modernization of the UI system.

APPENDICES

APPENDICES

Appendix 1: List of Findings and Recommendations

Appendix 2: Request for Separation Information Form

APPENDIX 1

Summary of Management Alert Report:

Computer Programming Safeguards for Accurate Issuance of Unemployment Benefits Were Inappropriately Turned Off Due to Inadequate Internal Controls

- (1) That the Director of DOES (D/DOES) ensure that DOES expeditiously completes its investigation of claimants affected by the safeguards that were turned off and update the Inspector General on the outcome of this investigation. This should include the number and amount of overpayments established as well as the number and amount of restitution made.
- (2) That the D/DOES update the Inspector General on the results of the audit of its computer systems, including any programming mechanisms or internal control weaknesses identified and actions taken to correct any deficiencies that may allow unemployment benefits to be issued in violation of current laws and regulations.

Results of Case Record Review:

DOES did not consistently conduct and record the results of all verifications for initial unemployment claims.

- a. **Separation from employment adjudications appear to have significant deficiencies.**
 - (1) That the D/DOES ensure that DOES expeditiously implements strategies to educate employers and to enhance the Separation form to improve employers' responses to requests for separation information.
 - (2) That the D/DOES expeditiously gain access to and use SIDES.
 - (3) That the D/DOES increase training to ensure that adjudicators are adequately skilled and knowledgeable, and ensure that training topics include areas identified as weaknesses from such quality assurance mechanisms as supervisory case reviews, DOL observations, and reviews of OAH decisions.
- b. **The District was one of the last U.S. jurisdictions to implement National Directory of New Hires verifications, and DOES does not maintain documentation for all of these verifications.**
 - (1) That the D/DOES clarify with HHS any restrictions on documenting and retaining the information transmitted to NDNH as well as the results of all NDNH verifications in a centralized computer system, including the date and result of the verification for each claimant.
 - (2) That the D/DOES conduct NDNH verifications for all previous unemployment claims dating back as far as HHS indicates is possible.

APPENDICES

- (3) That the D/DOES ensure that DOES promptly complies with DOL recommendations regarding implementing internal controls.
- c. DOES is not adequately conducting and recording verifications to determine whether claimants are receiving benefits from other states and from previous District claims.**
- (1) That D/DOES ensure that DOES implements a system to automatically check whether claimants have claims in other states when they file a new claim, regardless of how the claim is filed, and document these verifications. If DOES is unable to automate these verifications, the D/DOES should ensure that employees consistently conduct and document these verifications for all claims.
 - (2) That the D/DOES ensure that DOES electronically records the results of all verifications conducted to determine whether claimants are already receiving District unemployment benefits at the time of filing new claims.
 - (3) That the D/DOES review its computer safeguards to ensure that it does not allow claimants to receive payments from multiple District unemployment claims simultaneously.
 - (4) That the D/DOES explore automated mechanisms that would reduce claims filed in error for reasons such as already having an open District claim, entering incorrect Social Security numbers, and not earning wages in the District.
- d. DOES did not document immigration status verifications.**
- (1) That the D/DOES ensure that a supervisor regularly reviews a sample of claims with alien registration numbers to ensure that SAVE verifications are conducted and documented properly and timely.
 - (2) That the D/DOES ensure that OUC has detailed written procedures for conducting and documenting SAVE verifications.
 - (3) That the D/DOES ensure that OUC has adequate coverage for SAVE verifications when the regularly assigned employee is absent.
 - (4) That the D/DOES work with DHS to fully automate SAVE verifications and documentation of these verifications.
- e. DOES determines monetary eligibility**
- f. DOES conducts Social Security verifications**
-

Observations of Problems Beyond the Scope of the Case Record Review

- (1) That the D/DOES update the OIG on its efforts to identify and implement strategies to reduce management turnover in OUC. The report of special evaluation issued in February 2011 included a similar recommendation.
- (2) That the D/DOES ensure that SOPs are finalized and implemented expeditiously for adjudications and all other unemployment claims processes and update the OIG on the progress of this recommendation. The report of special evaluation issued in February 2011 included a similar recommendation.
- (3) That the D/DOES ensure that DOES implement verifications of unemployment benefits with public assistance and workers' compensation benefits, as recommended by the April 2010 MAR.

Analysis and Conclusion

- (1) That the D/DOES implement a quality assurance mechanism to ensure that DOES conducts and records all required verifications prior to issuing unemployment benefits.
- (2) That the D/DOES assess current verification processes for unemployment claims to identify and implement ways to further use automation to conduct and record verifications.

APPENDIX 2

APPENDICES



Government of the District of Columbia

Department of Employment Services

Office of Unemployment Compensation

4058 Minnesota Ave. N.E.

Washington, D.C. 20019

REQUEST FOR SEPARATION INFORMATION

Date: _____

The individual named below has filed an initial claim for unemployment benefits effective _____ and indicated that you are the employer for whom his/her last performed 30 days work.

Claimant's Name: _____ SSN: _____

The claimant indicated that the reason for separation was: _____

Under D.C. Code 51-110, a claimant will be disqualified if it is determined that he/she left the last 30 work day employer voluntarily without good cause connected with the work or was discharged for misconduct occurring in the course of the work for the last 30 work day employer.

Please complete items 1 through 3, sign, date and return by mail or fax within 7 days of the date displayed above to:

OFFICE OF UNEMPLOYMENT COMPENSATION, 4058 MINNESOTA AVENUE, 4TH FLOOR BENEFITS, WASHINGTON, D.C. 20019. TEL : (202) 724-7000 FAX : (202) 724-1418

Note: An employer who fails to furnish this separation report within the specified 7 day time period shall be presumed by regulation to have admitted that the claimant is not subject to disqualification under D.C. Code 51-110.

1. Dates of Employment: First Day Worked _____ ; Last Day Worked _____.

2. Reason for Separation: (Check One):

Laid Off for Lack of Work Left Voluntarily Discharged for Cause Labor Dispute

Other If reason for separation checked is other than lack of work, explain in detail.

If more space is needed, please attach a separate sheet.
Note: You may also attach any documents relating to the reason for separation.

3. Did this person receive, or is he/she entitled to receive Severance Pay? Yes No

If yes, indicate Total Amount _____ ; period covered by severance: From _____ To _____

Signature: _____

Print Name: _____

Date: _____

Title: _____

Telephone: _____

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DIVISION "Helping People Help Themselves"