U.S. Department of Labor
Office of Inspector General
Audit

BRIEFLY…

COVID-19: ETA NEEDS A PLAN TO RECONCILE AND RETURN TO THE U.S. TREASURY NEARLY $5 BILLION UNUSED BY STATES FOR A TEMPORARY UNEMPLOYMENT INSURANCE PROGRAM

September 28, 2023

WHY OIG CONDUCTED THE AUDIT

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide expanded Unemployment Insurance (UI) benefits to workers unable to work due to the COVID-19 pandemic. The Temporary Full Federal Funding of the First Week of Compensable Regular Unemployment for States with No Waiting Week (TFFF) program reimbursed states for UI benefits paid to eligible claimants who did not wait a week to receive regular UI benefits. The Employment and Training Administration (ETA) was responsible for program oversight. We contracted this audit to address concerns about risks associated with the expansion of UI benefits and the disbursement of federal funds to claimants in need during the pandemic.

WHAT OIG DID

We contracted with the independent certified public accounting firm of Rocha & Company, PC (Rocha) to answer the question:

> Did ETA ensure states met TFFF program requirements and used funding according to the statutory intent of the CARES Act and related subsequent legislation?

To answer this question, Rocha assessed ETA's oversight, performed in-depth testing of 6 states, and surveyed an additional 47 state workforce agencies (SWAs or states).

WHAT OIG FOUND

ETA and states did not always meet the requirements or statutory intent of the TFFF program. Specifically, individual claimants waited to receive urgently needed UI benefits, states received TFFF funding when they were not eligible, and states' TFFF accounts have unused fund balances that have not been reconciled, closed out for deobligation, and returned to the U.S. Department of Treasury.

Four states were allowed to access TFFF funding as reimbursements despite not meeting program requirements. For example, 2 states with waiting weeks required by their existing laws did not waive those weeks but were reimbursed for UI benefits paid after making claimants wait for their first week of UI compensation—contrary to the intent of the program. In addition, another 2 states used first-week UI compensation amounts paid outside the scope of the program period as the basis to be reimbursed. As a result, these states were reimbursed $105.1 million of federal funding they were not eligible to receive.

Further, of the $12.5 billion in funding made available to the 53 SWAs through the TFFF program, nearly $5 billion remained unused as of July 31, 2023—more than 22 months after the TFFF benefit eligibility period expired—with no formal plan to reconcile states' accounts and deobligate remaining funds for return to the U.S. Department of Treasury.

These issues occurred because ETA did not have sufficient controls in place to ensure states accessing funds were in fact eligible for reimbursements or that unused TFFF funds were returned to the federal government.

WHAT OIG RECOMMENDED

Rocha made 8 recommendations to improve oversight of TFFF and similar programs. ETA agreed or partially agreed with 5 and disagreed with the remaining 3 recommendations.

READ THE FULL REPORT

https://www.oig.dol.gov/public/reports/oa/2023/19-23-015-03-315.pdf