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BRIEFLY…

COVID-19: ETA'S OVERSIGHT OF SHORT-TIME COMPENSATION DID NOT DETECT $129.6 MILLION IN QUESTIONED COSTS

WHY WE DID 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. Section 2110 provided grants to support the administration of Short-Time Compensation (STC) programs. Under Section 2108, the STC program provided for 100 percent federal reimbursement of STC benefits to states that previously operated a permanent or temporary program under state law.

To address concerns about risks associated with the disbursement of federal funds during the pandemic, we contracted with the independent certified public accounting firm of Regis & Associates, PC (Regis) to answer the following question:

> Did the Employment and Training Administration (ETA) ensure states met STC requirements and used the related funds as intended by the CARES Act and related subsequent legislation?

READ THE FULL REPORT

For more information, go to: http://www.oig.dol.gov/public/reports/oa/2024/19-24-003-03-315.pdf

WHAT WE FOUND

Regis found only 5 of the 10 states selected for in-depth testing received Section 2110 grants and used the funds to promote and enroll employers in their STC programs and implement or improve the administration of STC in their localities. Regis found no compliance exceptions with those five states.

With respect to benefit reimbursements under Section 2108, Regis found ETA did not ensure states met STC reimbursement requirements or used the related funds as intended by the CARES Act and related subsequent legislation. Specifically, of the 10 states reviewed, Regis identified 7 states drew down federal reimbursements that were questionable. Specifically, Regis identified the following:

- Six states drew down $28.1 million in excessive federal reimbursements. One of the six states drew down an additional $100.1 million in reimbursements for payments without verifying the eligibility of claimants' employment status.
- One state drew down $1.4 million in reimbursements without providing records to support their STC payments and drawdowns.

The states' noncompliance went undetected because ETA did not assess risks and establish controls to sufficiently monitor states' compliance with STC reimbursement requirements. ETA solely relied upon the review of claims and payment activity reports, which was insufficient in detecting the noncompliance issues found by Regis.

Due to ETA's insufficient monitoring of states' reimbursements under Section 2108, Regis identified the seven states were allowed to draw down about $129.6 million in questioned costs. As a result of Regis' findings, four states have already returned $11.6 million to ETA.

WHAT WE RECOMMENDED

Regis made three recommendations to ETA to improve oversight of STC and similar future temporary UI programs. ETA agreed with the recommendations.