



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

July 28, 2017

Ms. Roberta Reardon
Commissioner
Department of Labor
State Office Campus
Building 12, Room 500
Albany, NY 12240

Re: Report 2017-BSE4-01

Dear Commissioner Reardon:

As part of our daily audit of the Department of Labor's (DOL) Unemployment Insurance (UI) program, we examined¹ high risk payments and payment requests DOL approved during the calendar year January 1, 2016 through December 31, 2016. Our report also includes findings associated with payments from prior years that DOL confirmed in calendar year 2016. The objectives of our examination were to determine if: (i) payments and payment requests DOL approved were appropriate; and (ii) DOL recouped overpayments based on our current and prior year findings.

Audit Results and Recoveries Taken by DOL Based on Audit Results

We identified 4,864 overpayments totaling more than \$1.6 million. The overpayments are comprised of: (i) \$55,354 in payment requests stopped; (ii) \$128,396 in future payments that would have been made over the life of the claim had DOL not taken corrective action based on our findings; and (iii) \$1,468,190 in erroneous payments. Based on the overpayments we identified, DOL assessed \$217,290 in monetary penalties to 137 claimants. We also identified 345 underpayments totaling \$64,206, which is comprised of \$13,278 in current payments and \$50,928 in future payments that claimants would not have received had DOL not taken corrective actions based on our findings. Please see Attachments A and B for more details regarding the overpayments and underpayments.

As the result of our Office's current and prior years' findings, DOL also recovered \$247,483 in forfeited UI benefits from claimants who DOL determined made false statements or representations to obtain benefits to which they were not entitled.

¹ We performed our examination in accordance with the State Comptroller's authority set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8, and Article VII, Section 111 of the State Finance Law.

In addition to our audit efforts, we worked cooperatively with DOL to match the UI Benefit Overpayment File to the New York State Payroll File. This match identifies opportunities for DOL to recover money from newly hired New York State employees who owe DOL for UI benefit overpayments received in prior years. The matches we performed in calendar year 2016 identified \$238,792 in potential recoveries for past UI overpayments from 130 New York State employees hired during calendar year 2016. DOL has already pursued or plans to pursue the recovery of these overpayments. In addition, in calendar year 2016, DOL recovered \$342,415 from New York State employees who owed DOL for past UI overpayments through this cooperative effort.

The total confirmed findings for calendar year 2016 represent a return on investment of more than \$7 for every \$1 spent to perform our examination.

DOL Shows Continued Improvement

DOL has made various improvements in recent years to reduce the erroneous payment requests and payments in the findings categories summarized in Attachment A. For instance, in 2013 we found that, contrary to the law, DOL paid UI benefits to a significant number of claimants who were fully or partially employed. Using data analytics, DOL successfully reduced the overpayments identified by our audit tests from about \$5 million for claims processed in 2013 to about \$465,000 in 2014 and \$435,000 in 2015. Additionally, the overpayment amounts we identified in the other eight finding categories in Attachment A have decreased each year from 2013 through 2016.

These trends reflect DOL's continuing efforts to reduce improper payments and address our findings and recommendations to protect the UI fund. We thank the management and staff of the Department of Labor for the courtesies and cooperation extended to our auditors.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Encl: Attachment A
Attachment B

cc: Mary Batch
Michael Vaccaro

Department of Labor
Unemployment Insurance Benefits
Summary of Overpayments Confirmed by DOL in 2016

Finding	Total Errors		Value of Errors		
	Number	Amount	Erroneous Payments	Payments Stopped	Future Payments Prevented
Claimants Falsely Certified Eligibility					
Claimants were fully or partially employed	4,000	\$1,406,031	\$1,406,031	\$0	\$0
Claimants were out of the country	65	19,963	2,546	17,417	0
UI System Limitations					
Weekly benefits exceed four day maximum	53	13,675	12,913	762	0
Inappropriate payments to educators during school recess	37	10,359	542	4,987	4,830
System approved payments to disqualified claimants	12	586	0	586	0
Payments from multiple programs in the same week	3	133	133	0	0
Policies and Procedures Not Followed					
DOL staff approved payments to disqualified claimants	109	39,793	35,165	0	4,628
Wage, Rate Adjustment and Repayment Errors	574	160,390	10,763	30,689	118,938
Duplicate payments	11	1,010	97	913	0
Total	4,864	\$1,651,940	\$1,468,190	\$55,354	\$128,396

Department of Labor
Unemployment Insurance Benefits
Summary of Underpayments Confirmed by DOL in 2016

Finding	Total Errors		Value of Errors	
	Number	Amount	Underpayments Corrected	Future Underpayments Prevented
Wage, Rate Adjustment and Repayment Errors	345	\$64,206	\$13,278	\$50,928