

THOMAS P. DiNAPOLI
COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 19, 2018

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

Re: Report 2018-UI-01

Dear Commissioner Reardon:

This report summarizes the findings, confirmed during calendar year 2017, resulting from our Office's daily examination¹ of Department of Labor (Department) unemployment insurance (UI) benefit payments. This report also summarizes our use of data analytics to identify and facilitate recovery of previous overpayments due and owing to the Department from New York State employees. The objectives of our examination were to determine whether: (i) UI benefit payments approved by the Department were appropriate; and (ii) the Department recouped overpayments from New York State employees based on our current and prior year data analytics.

Our Office identified 2,956 overpayments totaling nearly \$1.1 million. This amount is comprised of: (i) \$911,803 in overpayments, including \$880,080 for which the Department will pursue recovery and \$31,723 the Department has determined is not recoverable; (ii) \$41,420 in inappropriate payments requested; and (iii) \$137,457 in future overpayments that would have been made over the life of the claims had the Department not taken corrective action based on our findings. We also identified 902 underpayments totaling \$98,072 to 271 claimants who did or will receive benefits because the Department took corrective action based on our findings. Please refer to Attachments A and B for more details regarding the overpayments and underpayments we identified.

Based upon the overpayments we identified, the Department assessed penalties in an amount up to \$1,852,169 against claimants who willfully misrepresented pertinent information to obtain UI 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(1) and (7), and Article VII, Section 111 of the State Finance Law and Article 18, Section 550 of the State Labor Law.

The Department also offset \$204,464 in UI benefit payments against penalties assessed for overpayments we identified.

As a result of our current and prior years' use of data analytics to identify and facilitate recovery of previous overpayments due and owing to the Department from New York State employees, the Department recovered \$426,637 in overpayments during 2017. The data analytics we performed in 2017 identified an additional \$275,575 in potential recoveries for past UI benefit overpayments to 162 New York State employees hired during calendar year 2017.

The total value of the findings detailed in this report represents a return on investment of more than \$10 for every \$1 spent to conduct our examination.

We shared a draft report with Department officials and considered their comments (Attachment C) in preparing this final report. The comments of this Office on the Department's response are set forth in Attachment D.

Recommendation

Work collaboratively with our Office to identify and implement opportunities to help detect and prevent erroneous UI benefit payments.

We thank the management and staff of the Department of Labor for the courtesies and cooperation extended to our auditors. Please provide a response to our recommendation by December 19, 2018, indicating any actions planned to address the recommendation in this report.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Encl: Attachment A
Attachment B
Attachment C
Attachment D

cc: Mary Batch
Michael Vaccaro

Department of Labor
Unemployment Insurance Benefits
Summary of Overpayments Confirmed by DOL in 2017

Finding	Total Errors		Value of Errors		
	Number	Amount	Overpayments Made	Current Overpayments Stopped	Future Overpayments Prevented
Claimants were fully or partially employed	2,271	\$861,494	\$861,044	\$450	\$0
Wage, benefit rate, rate adjustment, payment, and repayment errors	487	153,940	9,730	24,582	119,628
Claimants were out of the country	35	16,344	1,050	9,575	5,719
Duplicate payments	40	4,742	0	4,742	0
Weekly benefits exceed the four-day maximum allowed	22	5,241	4,699	542	0
Disqualification, eligibility and entitlement issue	101	48,919	35,280	1,529	12,110
Total	2,956	\$1,090,680	\$911,803	\$41,420	\$137,457

**Department of Labor
Unemployment Insurance Benefits
Summary of Underpayments Confirmed by DOL in 2017**

Finding	Total Errors		Value of Errors	
	Number	Amount	Underpayments Corrected	Future Underpayments Prevented
Maximum benefit rate error	629	\$25,252	\$3,081	\$22,171
Wage, benefit rate, rate adjustment, payment, and repayment errors	273	72,820	11,799	61,021
Total	902	\$98,072	\$14,880	\$83,192

Roberta Reardon
Commissioner
Department of Labor

New York State Department of Labor
Harriman State Office Campus
Building 12, Room 500, Albany, NY 12240
www.labor.ny.gov

August 20, 2018

Mr. Bernard J. McHugh
Director of State Expenditures
Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. McHugh:

This is in response to your letter dated July 26, 2018, regarding Draft Report 2018-UI-01. Your draft report summarized the findings from your office's ongoing examination of Unemployment Insurance (UI) Benefit payment requests evaluated in 2017. Your report notes that you identified overpayments based on cross-matches to certain Department of Labor (Department) files and to New York State employees totaling \$953,223 and underpayments of \$14,880.

*

Comment
1

During 2017, the Department processed more than 7 million benefit payments, totaling nearly \$2.3 billion dollars. The errors detected by your office amount to less than 0.05% of all benefit payment dollars processed by the Department. Strategies implemented by this Department to further reduce improper payments and to recover overpayments have in large measure controlled improper payments.

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Comment
2

Recommendations and Responses:

Below are the Comptroller's recommendations and the Department's responses:

Comptroller's Recommendation

1. Work collaboratively with our Office to identify and implement opportunities to help detect and prevent erroneous UI benefit payments.

Department's Response

As noted above and in prior responses, the Department has and continues to implement new and improve existing strategies and tools in order to prevent improper payments. We will continue to work



with your office, and as appropriate with other Bureaus in the Comptroller's Office to continuously improve overall system integrity.

If you have any comments, please contact Stephen Geskey, Director Unemployment Insurance Division at (518) 457-2979.

Sincerely,

A handwritten signature in black ink, appearing to read 'MV', with a long horizontal flourish extending to the right.

Michael Vaccaro
Director Internal Audit

Cc: Mario Musolino
Mary Batch
Stephen Geskey
James Konicki

State Comptroller's Office Comments on Auditee Response

1. This does not accurately reflect the facts in the report. We performed file matches and conducted our daily audit to identify \$1,090,680 in overpayments and \$98,072 in underpayments, which includes the amount of future erroneous payments we prevented. Additional analytics resulted in the recovery of \$426,637 in overpayments and the identification of an additional \$275,575 in potential overpayment recoveries.
2. It would be more useful to consider our findings within the context of the amount of UI payments we audited rather than the total amount of payments made by the Department. For calendar year 2017, prior to payment, our Office audited a sample of approximately 0.4 percent of the UI benefit payments approved by the Department and found 6 percent of the payments we audited were improper.

Viewed this way, it is easier to see how the Department may use the findings to reduce improper payments. For example, in a prior period our Office audited a sample of UI benefit payments made to claimants who were not totally unemployed—which did not represent the entire population of UI payments. The Department confirmed 85 percent of the payments we audited were improper, with overpayments totaling nearly \$6 million. The Department has implemented new strategies that have significantly reduced the improper payments in subsequent years for these payment types.

We are working with the Department to increase our use of data analytics to identify and reduce improper payments, thereby fortifying the integrity of the UI Fund.