



U.S. House of Representatives
COMMITTEE ON THE BUDGET
Washington, DC 20515-6065

February 5, 2024

The Honorable Julie Su
Acting Secretary
United States Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

Dear Acting Secretary Su,

We write today to express concern surrounding the Department of Labor (DOL) Office of the Inspector General's (OIG) recent report (19-015-03-315) on the mismanagement of pandemic Unemployment Insurance (UI) funds entitled, "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." Notably, the audit of the Temporary Full Funding for the First Week of Compensable Regular Unemployment for States with No Waiting Period (TFFF) program revealed that the Employment and Training Administration (ETA) did not conduct sufficient oversight to ensure that TFFF funds were used in accordance with the statutory intent of the 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act.¹

As you know, the CARES Act authorized billions of dollars in federal funding for enhanced UI programs at the onset of the COVID-19 pandemic.² In 2021, Congressional Democrats' American Rescue Plan (ARP) provided a further \$2 billion in hopes to combat fraud in pandemic UI programs.³ Notwithstanding the significant support they provided to unemployed workers, these UI programs were particularly susceptible to waste, abuse, and mismanagement.⁴

The TFFF program—which reimbursed states for the first week of UI benefits if they waived the one-week waiting period—made \$12.5 billion available to 53 state workforce agencies (SWA) in Federal Unemployment Accounts (FUA).⁵ The audit uncovered that nearly \$5 billion (40 percent) of the total funds made accessible to states remained unused as of July 31, 2023 – two

¹ "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," Department of Labor—Office of the Inspector General, September 28, 2023.

² "Families First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding to States through September 30, 2023," Department of Labor—Employment and Training Administration.

³ "Unemployment Insurance modernization," Department of Labor—Employment and Training Administration.

⁴ "Unemployment Insurance: Estimated Amount of Fraud During Pandemic Likely Between \$100 Billion and \$135 Billion," Government Accountability Office, September 12, 2023.

⁵ "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," Department of Labor—Office of the Inspector General, September 28, 2023.

years after the benefit eligibility period expired.⁶ Further, the audit found that four states⁷ accessed TFFF funds despite not meeting program eligibility requirements, granting them access to \$105.1 million in federal tax dollars.⁸ Rocha & Company, PC, the independent public accounting firm which conducted the audit, concluded that these errors occurred because the ETA did not have adequate controls in place to verify the reasonableness of fund allotment or ensure the closeout of unused balances.⁹

Perhaps most troubling, the ETA received multiple warnings early on about the vulnerabilities of the pandemic UI system. On April 21, 2020, the DOL-OIG released an advisory report that emphasized the need for critical oversight by the ETA to ensure “its management of the billions of dollars in supplemental program funding has achieved the desired outcome and sufficiently met the requirements of the CARES Act.”¹⁰ UI programs have long-faced integrity and implementation challenges which were only exacerbated by the COVID-19 pandemic. Despite these warnings as well as ARP funding to ensure program integrity, the ETA was unable to institute sufficient controls to track and authenticate TFFF expenditures, contributing to the Government Accountability Office’s decision to include the UI system on its High Risk List in 2022.¹¹

We recognize that the ETA is in the process of facilitating the return of unused TFFF funds to the U.S. Treasury. On January 19, 2024, the ETA’s Advisory System released an Unemployment Insurance Program Letter providing guidance to SWAs on the reconciliation of this excess federal funding associated with the TFFF program.¹² Nevertheless, we remain concerned by the ETA’s lack of response to the evident program integrity failures within the UI system that allowed states to erroneously access billions of taxpayer dollars without ensuring compliance with the CARES Act.

Pursuant to the House Budget Committee’s oversight responsibilities, it is our duty to ensure that federal funds appropriated by Congress are disbursed appropriately, effectively, and in a manner as transparent as possible. The DOL-OIG’s audit report revealed that the ETA does not have controls in place to guarantee the proper use of federal funds within the UI system, which makes up a significant part of our nation’s entitlements spending.¹³ Given the fiscal implications of entitlement programs – which consist of about two-thirds of federal spending – on our budgetary outlook, please provide us with the following information no later than 3/18/2024:

⁶ Ibid.

⁷ The four states named in the audit report are Delaware, Mississippi, Louisiana, and Oregon.

⁸ “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,” Department of Labor—Office of the Inspector General, September 28, 2023.

⁹ Ibid.

¹⁰ “CARES Act: Initial Areas of Concern Regarding Implementation of Unemployment Insurance Provisions,” U.S. Department of Labor—Office of the Inspector General, April 21, 2020.

¹¹ “High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas,” Government Accountability Office, April 20, 2023.

¹² “UNEMPLOYMENT INSURANCE PROGRAM LETTER No. 20-20, Change 1,” Department of Labor—Employment and Training Administration Advisory System, January 19, 2024.

¹³ “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,” Department of Labor—Office of the Inspector General, September 28, 2023.

1. A complete and detailed description of program integrity measures the ETA is considering for the UI system.
2. A complete and detailed explanation of how states were able to draw excess funds from the FUA and clarification on actions the ETA is taking to prevent similar inadequate oversight in its other UI programs.
3. A complete and detailed explanation on how the DOL will ensure the return of TFFF funds paid to states that were non-compliant with eligibility requirements, and policies to ensure that funds for related UI programs are not distributed to ineligible states.
4. Confirmation that the DOL is in the process of implementing the agreed-upon and revised recommendations found in the audit report (19-015-03-315) and any further details or timelines regarding implementation.¹⁴

Please be aware that failure to provide forthcoming and transparent answers to the Committee's questions could necessitate additional action, including resorting to the compulsory process to obtain the required information.

Thank you for your cooperation with this important matter.

Sincerely,



Jodey Arrington
Chairman
House Budget Committee



Jack Bergman
Chair of the Oversight Task Force
House Budget Committee



Tom McClintock
Oversight Task Force Member
House Budget Committee



Ron Estes
Oversight Task Force Member
House Budget Committee

¹⁴ "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," Department of Labor—Office of the Inspector General, September 28, 2023.



Chuck Edwards
Oversight Task Force Member
House Budget Committee



Lisa McClain
Oversight Task Force Member
House Budget Committee

cc: U.S. Department of Labor – Office of the Inspector General

Lenita Jacobs Simmons, Deputy Assistant Secretary, U.S. Department of Labor –
Employment and Training Administration