

OFFICE OF STATE INSPECTOR GENERAL (OSIG)
INVESTIGATIVE SUMMARY

Department of Labor and Industry
Interest Charged to Claimants with
Fault Unemployment Compensation Overpayments

Initiation Date: May 3, 2017
Issue Date: August 16, 2017 (Via Hand Delivery)

The OSIG initiated an investigation after receiving a complaint from a Commonwealth employee alleging the Department of Labor and Industry's (L&I) Office of Unemployment Compensation Benefit Programs incorrectly charged a higher interest rate to claimants with fault unemployment compensation (UC) overpayments.

The OSIG interviewed nine current and former L&I employees and reviewed L&I documents and memorandums relating to the UC system and processes. The OSIG found:

- 1) From January 1, 2006, to January 1, 2017, L&I incorrectly charged the wrong interest rate to claimants with fault UC overpayments resulting in the improper collection of approximately \$26 million in interest. (According to L&I the \$26 million calculation was a worst-case scenario. Rather, had it applied the correct annual interest rate to the amount of interest collected in each of these years, the correct interest charge would have been approximately \$11 million.)
- 2) The error was discovered by L&I's Legal Office in October 2016, while it was researching an amendment to the UC Law.
- 3) Although none of the individuals interviewed were employed by L&I during the period in question (2006-2017), all agreed that the problem existed and resulted from 'human error' and lack of oversight.
- 4) L&I is currently charging the correct interest rate to claimants with fault UC overpayments.
- 5) L&I began the process of correcting the interest rate for previous years, with the stated intent that it will make every attempt to pay back any excess money which was collected as a result of this error.

Notwithstanding the fact that L&I was aware of this issue and took some corrective actions, the OSIG found deficiencies in the processes and recommended that:

- L&I memorialize a policy and procedure for both obtaining the annual interest rate from Department of Revenue and for ensuring that all the program areas within L&I receive the correct information.
- L&I memorialize a corrective action plan defining the remedial actions L&I has taken for affected claimants which includes annual milestones or goals and provides a timeline for when L&I expects to have all issues resolved.

Additionally, the OSIG requested that L&I provide quarterly updates on L&I's progress and where it stands in the repayment process.