REPORT BY THE U.S.

General Accounting Office

Federal Agencies' Unemployment Compensation Costs Can Be Reduced Through Improved Management

GAO reviewed unemployment payments to 246 former employees from four agencies. Nearly half (107) of the employees had been improperly authorized to receive as much as $419,000 in District of Columbia unemployment payments.

These former employees were not eligible for unemployment payments because they

--received severance pay,

--refused job offers,

--voluntarily resigned their jobs,

--were fired for misconduct, or

--retired and were receiving an annuity.

GAO recommends ways Federal agencies can insure that only eligible former employees receive unemployment payments.

This report was requested by the Ranking Minority Member, Subcommittee on Civil Service, Post Office, and General Services, Senate Committee on Governmental Affairs.

119940

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FEDERAL PERSONNEL AND
COMPENSATION DIVISION

B-207093

The Honorable David H. Pryor
Ranking Minority Member
Subcommittee on Civil Service,
Post Office, and General Services
Committee on Governmental Affairs
United States Senate

Dear Senator Pryor:

This report, in response to your March 8, 1982, request, discusses the need for Federal agencies to strengthen their management controls to insure that only eligible former Federal employees receive unemployment payments.

As you requested, we did not obtain official agency comments on this report. We did, however, discuss the report with officials of the Department of Labor and the District of Columbia. Their comments are included in the report where appropriate.

Also, as arranged with your office, unless you publicly announce its contents earlier, we will not distribute the report until 30 days after its issue date. We will then send copies to the Secretaries of Labor, Energy, and Commerce; the Director, Office of Personnel Management; the Mayor of the District of Columbia; the Chairman of the President's Council on Integrity and Efficiency; and congressional committees having interest and responsibilities in these areas.

Sincerely yours,

Clifford I. Gould
Director

REPORT BY THE U.S. GENERAL ACCOUNTING OFFICE

FEDERAL AGENCIES' UNEMPLOYMENT COMPENSATION COSTS CAN BE REDUCED THROUGH IMPROVED MANAGEMENT

D I G E S T

The Departments of Labor, Energy, and Commerce and the Office of Personnel Management are not following two critical regulatory requirements to prevent former Federal employees from improperly receiving unemployment payments. Department of Labor regulations require Federal agencies to (1) provide State unemployment offices with accurate, complete, and timely wage and separation information about former employees who apply for unemployment payments so that the State can properly apply its unemployment laws and regulations and (2) appeal State decisions to pay unemployment benefits to former employees whom the agency believes are not entitled to such payments.

Nearly half (107 of 246) of the former employees from the four agencies GAO reviewed had been improperly authorized to receive as much as $419,000 in District of Columbia unemployment payments. The agencies frequently did not tell the District unemployment office when former employees had been separated from Federal service under circumstances that would make them ineligible for unemployment payments. These former employees should not have received payments because they

--refused job offers,

--voluntarily resigned their jobs,

--were fired for misconduct, or

--retired and were receiving an annuity.

Further, contrary to District policy, former Federal employees were concurrently receiving District unemployment and Federal severance payments. Most of the unemployment payments would not have been paid had the agencies told the District the time period covered by the severance payments.

The agencies missed another opportunity to reduce their unemployment costs when they did not appeal the District's initial decision to pay unemployment benefits to these ineligible former employees.

GAO also found that State unemployment office requests for wage and separation information on former Federal

employees were not processed in a timely manner. The Department of Labor took 28 days--or 7 times longer than the 4 workdays required by Labor regulations.

Some States offset lump-sum leave payments from unemployment. GAO found that Labor was not providing States with accurate lump-sum leave information.

RECOMMENDATIONS

GAO recommends that the Secretary of Labor alert all executive departments and agencies of the need to:

--Provide State unemployment offices with accurate, complete, and timely wage and separation information for former employees who apply for unemployment payments. Of particular importance is information on those former employees who received severance or lump-sum leave payments, refused job offers made before separation, resigned voluntarily, were fired for misconduct, or retired and are receiving an annuity.

--Appeal State decisions to pay unemployment benefits to former employees who were separated from Federal service under circumstances that the agency believes would disqualify the claimant.

--Enforce the requirement to notify State unemployment offices when former employees refuse job offers made after separation.

In addition, the Secretary of Labor should clarify whether agencies should report job refusals by former employees of other agencies to State unemployment offices.

Further, the Secretary should require all executive departments and agencies to begin providing State unemployment offices with the following severance pay information:

--Weekly amount and total entitlement.

--The date severance pay will begin.

--The number of weeks severance pay will be made.

VIEWS OF AGENCY OFFICIALS

As requested, GAO did not obtain official comments on this report. However, GAO discussed the report with Department of Labor and District unemployment office officials who generally agreed with GAO's findings and recommendations.

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ABBREVIATIONS

GAO	General Accounting Office
OPM	Office of Personnel Management

CHAPTER 1

INTRODUCTION

In response to a March 8, 1982, request from Senator David Pryor, Ranking Minority Member, Subcommittee on Civil Service, Post Office, and General Services, Senate Committee on Governmental Affairs, we reviewed the adequacy of agencies' management controls to insure that only eligible former employees receive unemployment payments. As of May 15, 1982, nearly 30,000 former Federal civilian employees were collecting unemployment. The Department of Labor estimates that all Federal agencies' unemployment costs for former civilian employees in fiscal year 1982 will be about $260 million.

UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES

Since January 1, 1955, Federal civilian employees have had unemployment insurance protection under Chapter 85, Title 5, of the U.S. Code. In addition, Public Law 96-499, the Omnibus Reconciliation Act of December 5, 1980, requires each Federal agency to pay the costs of all State unemployment benefits to eligible former employees. The Department of Labor, through its Employment and Training Administration's Unemployment Insurance Service, is responsible for (1) developing administrative procedures and forms for States and Federal agencies to use and (2) advising State offices and Federal agencies of their responsibilities under the law. The Secretary of Labor has entered into agreements with all 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands. Under these agreements, States are required to pay unemployment compensation to former Federal employees in the same amount and under the same terms and conditions that apply to unemployed private industry claimants. Generally, the paying State will be the one in which the claimant's last official duty station was located.

All States require that, to receive payments, a claimant must be unemployed from lack of work but be able and available for work. State unemployment compensation laws and policies vary regarding eligibility requirements, payment amounts, and duration of payments.

The sequence of events leading to former Federal employees' receiving unemployment payments is included in appendix I.

OBJECTIVES, SCOPE, AND METHODOLOGY

To determine if Federal agencies had adequate controls to prevent former employees from improperly receiving unemployment payments, we interviewed officials and reviewed personnel and payroll records at the Departments of Labor, Commerce, and Energy and the Office of Personnel Management (OPM). These four agencies

each had reductions in force in fiscal year 1981, or fiscal year 1982, or both.

At the Department of Labor, which is responsible for the Federal unemployment compensation program, we audited records on all former employees who had applied for unemployment payments in States or jurisdictions that offset severance pay from unemployment payments. During our review, the files contained 266 such applications. Because 229 of these former Labor employees had applied for (and 199 received) unemployment payments in the District of Columbia, we limited our review of unemployment payments to the District. We also reviewed the timeliness and accuracy of Labor's processing of wage and separation information.

In addition, we reviewed unemployment payments to 47 former employees of the Departments of Energy and Commerce and OPM to determine if some of the problems we identified at Labor existed at other agencies.

Because we limited our review to four agencies and to unemployment payments in the District, we cannot generalize about unemployment payments to all former Federal employees. However, we believe our findings may be indicative of the practices being followed Government-wide, since all agencies operate under the same regulations.

Our review was conducted from March to July 1982 in accordance with generally accepted Government audit standards.

CHAPTER 2

FEDERAL AGENCIES' UNEMPLOYMENT COMPENSATION COSTS CAN BE REDUCED THROUGH IMPROVED MANAGEMENT

The Departments of Labor, Commerce, and Energy and OPM were not following two critical regulatory requirements to prevent former Federal employees from improperly receiving unemployment payments. Department of Labor regulations require Federal agencies to (1) provide State unemployment offices with accurate, complete, and timely wage and separation information for former employees who apply for unemployment payments so that the State can properly apply its unemployment laws and regulations and (2) appeal State decisions to pay unemployment benefits to former employees whom the agency believes are not entitled to such payments.

Nearly half (107 of 246) of the former employees from the four agencies reviewed had been improperly authorized to receive as much as $419,000 in District of Columbia unemployment payments. The agencies frequently did not tell the District unemployment office when former employees had been separated from Federal service under circumstances that would make them ineligible for unemployment payments. By not appealing the District's initial decision to pay unemployment benefits to ineligible former employees, the agencies missed another opportunity to reduce their unemployment costs. District unemployment office officials agreed to attempt to recover improper payments.

AGENCIES SHOULD PROVIDE STATES WITH ACCURATE, COMPLETE, AND TIMELY INFORMATION ON SEPARATED EMPLOYEES

The agencies we reviewed did not provide the District with complete information on some former employees who received severance pay, refused job offers, voluntarily resigned, were removed for misconduct, or retired and were receiving an annuity that would have made them ineligible for unemployment payments. Moreover, we found that the Department of Labor (1) was taking much longer than the 4 workdays required by Labor regulations to process State "Request for Wage and Separation Information" (Forms 931) and (2) provided various State unemployment offices with inaccurate information on lump-sum leave payments.

District of Columbia needs additional information before severance pay can be deducted every week

Many Federal civilian employees who are involuntarily separated from service through no fault of their own are entitled

to receive severance pay under Federal law (5 U.S.C. 5595). Federal severance paychecks must be issued to qualifying former Federal employees each pay period as if the person were still employed. For civilian Federal employees, the regular pay period is biweekly and covers 2 administrative workweeks. Thus, Federal agencies issue severance paychecks every other week, but each check includes payment for 2 weeks.

The District of Columbia, 22 States, and the Virgin Islands generally disqualify claimants who are receiving severance pay from receiving unemployment benefits. A District of Columbia claimant may receive partial benefits for the difference between unemployment and severance pay if the amount of severance pay to be deducted is less than the claimant's weekly unemployment benefit amount.

Since August 7, 1981, the District has permitted former Federal employees whose claims for unemployment are payable under the District's laws to receive unemployment payments for the week(s) in which severance paychecks are not received--every other week--without any offset for severance pay. Severance pay is offset from unemployment benefits only in the week the severance payment is received.

In a March 25, 1982, letter to GAO, a District official explained that this policy was initiated:

> "...to correct a prior policy that required the prorating of severance payments by a claimant's weekly salary, an attribution decision that the [District's] Department had no authority to make under current law. This instruction does not preclude an employer or a claimant from attributing periodic severance payments to a particular week or weeks. However, in the absence of such an employer or claimant attribution, the Department cannot presume an attribution and therefore deducts periodic severance payments as 'earnings' only in the week that the payment is actually received."

We suggested to District officials, and they agreed, that they could begin deducting Federal biweekly severance pay in both weeks if Federal agencies were to begin noting on the Form 931 the time period covered by severance pay. For example, one former Labor employee was receiving $530 in biweekly severance pay, but because Labor did not tell the District the time period that the severance pay covered, the claimant was also receiving $150 every other week in unemployment payments. (This was $150 more income every other week than the claimant would have earned had he remained employed.) Had the severance pay information been provided to the District, the claimant would not have received any unemployment checks during the 29 weeks in which he received severance pay.

We did not attempt to estimate savings associated with the District's offsetting severance pay every week rather than every other week. We believe, however, that substantial savings could result because most claimants would not collect unemployment payments until severance payments ceased. Federal agencies' District unemployment costs for fiscal year 1982 are estimated at $16 million.

Department of Labor officials agreed to require Federal agencies to begin noting on the Form 931 the weekly amount of severance pay, the date severance pay will begin, the number of weeks severance pay will be made, and the total severance pay entitlement.

Accurate severance pay information is needed

States rely on former Federal employees, rather than employers, to provide most of the critical severance pay information needed to determine the employees' eligibility for unemployment payments. The only severance pay information provided by Federal agencies on the Form 931 is a "yes" or "no" response to a question regarding whether the claimant is receiving severance pay.

Department of Labor instructions require State unemployment offices to obtain the amount of severance pay and the number of weeks severance pay will be made from the claimants' copy of the Standard Form 50, "Notice of Personnel Action." However, a District unemployment office official told us that many Federal claimants say they do not have their copy of the Form 50 when applying for unemployment. In the absence of a Form 50, States can pay unemployment benefits on the basis of the claimant's affidavit and some credible evidence of employment, such as a "pay stub" prepared by the Federal agency. In addition, the District of Columbia, before issuing a weekly unemployment check, requires claimants to certify on a mail-in card whether they have received severance pay.

We reviewed Forms 931 for 266 former Labor employees who applied in fiscal years 1981 and 1982 for unemployment payments in one of the States where severance pay generally disqualifies the claimant. The Department of Labor incorrectly informed these States and the District that 173 (65 percent) of these former employees were not receiving severance pay. Of these, 164 applied for District unemployment payments. Although 117 claimants' unemployment payments were offset every other week by their severance pay, we identified 47 claimants who improperly received about $28,000 because their unemployment payments were not offset.

The 47 claimants' improper payments could have occurred because (1) the Department of Labor provided inaccurate information to the District, (2) the former employees did not notify the District that they were receiving severance pay, and/or (3) the District, through administrative error, incorrectly paid

the former employees after the employees had notified the District that they were receiving severance pay.

We reviewed District records on 4 of the 47 claimants and found that all 4 had told the District they did not receive severance pay during weeks that Labor payroll records showed they did. Federal and District laws penalize claimants who make false statements to obtain or increase unemployment payments. District officials agreed to review all payments to these 47 claimants and refer any possible fraudulent cases to the District's General Counsel.

Agencies not notifying the District when claimants refuse job offers

Unemployment insurance was designed to compensate individuals for wages lost from lack of work. Thus, all State laws deny payments for refusing an offer of "suitable" work without good cause. Each State's laws and regulations determine what a suitable job offer is and what circumstances constitute "good cause" for refusing such an offer. Federal agencies can reduce their unemployment compensation costs by complying with a Department of Labor requirement to notify States when a former employee refuses a job offer made before or after the employee's separation so that the State laws can be applied.

Job offers refused before separation

Federal agencies may make a job offer to an employee which if refused can result in the employee's dismissal. OPM guidelines to Federal agencies in Federal Personnel Manual Supplement 296-33 require the agency to record on the employee's Form 50 all known facts that relate to why the employee was separated--including the grade level, rate of pay, and other relevant details for any job offer refused. In addition, the Department of Labor requires Federal agencies to state on the Form 931 all job offer refusals so that the State may determine whether the refusal of the job offer would disqualify a claimant from receiving unemployment payments.

We reviewed Forms 50 for 136 former employees of the Departments of Labor, Commerce, and Energy and OPM who were separated from Federal service after refusing job offers. Of these 136 former employees, all of whom were separated from Federal service in the District of Columbia, we found 54 had applied for and received unemployment payments from the District. In the District, refusal of a suitable job offer made before separation without good cause is tantamount to voluntary separation and the claimant is disqualified for the period of unemployment. On the basis of the job refusal information on the Form 50, District officials stated that 34 of the 54 (63 percent) should not have received unemployment payments because of their refusal of suitable job offers made before their separation. However, for 32 of these

34, the Federal agencies did not note on the Form 931 that the employee had refused a job offer. For two employees who refused suitable job offers, the District was notified on the Form 931 but mistakenly paid the benefits. Maximum improper unemployment payments for the 34 Federal claimants totaled $223,618; as of May 26, 1982, $74,613 had been paid. District unemployment office officials told us that it was unlikely that these improper payments could be recovered unless the former employees fraudulently claimed unemployment payments.

Although all but two of the jobs refused were at lower grades, the Civil Service Reform Act (Public Law 95-454) would have required agencies to continue paying the employees at their higher grade levels for 2 years. The District considered this an important factor in determining whether the job offered was suitable. Other factors considered by the District in evaluating job offers included degree of risk to the claimant's health, safety, and morals; physical fitness and prior training; experience; and the prospects for securing other employment.

Seventeen of the 34 employees who refused suitable job offers could have continued working at the same grade level or with just a one-grade reduction. For example, a GS-13 economist at the Department of Commerce refused another GS-13 economist position at Commerce. This employee was authorized to receive $6,664 in District unemployment benefits, of which $4,312 had been paid as of May 26, 1982. When this former employee applied for unemployment payments, the Department of Commerce did not tell the District on the Form 931 that this person had refused a job offer before separation. Similarly, a GS-13 program specialist at OPM was separated after refusing a GS-12 personnel staffing position. The District authorized the claimant to receive $7,004 in unemployment payments, of which $1,030 had been paid as of May 26, 1982. OPM did not mention the job offer refusal on the Form 931 for this former employee.

District officials believed another 10 of the 54 claimants were improperly receiving unemployment payments, but they needed more information from the Federal agency before finally deciding whether the job offer refused was suitable as defined by District law. These additional 10 claimants' maximum unemployment benefits total $65,384.

The remaining 10 claimants were properly authorized to receive unemployment payments, according to District officials, because the job offers were at considerably lower grade levels and were not suitable according to District law.

Job offers refused after separation

The Department of Labor requires all Federal agencies to notify the appropriate State unemployment office whenever a former employee of that Federal agency refuses an offer of

reemployment. The procedure Federal agencies are to follow is outlined in a December 1977 Labor instruction, which requires the Federal agency official whose offer of reemployment is refused by a former employee to notify the State unemployment office in which the former employee's duty station was located, regardless of whether the location of the current job offer is in the same State. This notice should identify the employee by name and social security number and give details concerning the job offered. The State unemployment office will determine whether the former employee is entitled to unemployment payments.

Personnel officials in the Departments of Labor, Commerce, and Energy told us that they did not notify the States when former Federal employees refused job offers. (OPM officials told us they had not made any job offers to separated employees.) Several of the officials we talked to were not aware of the Labor requirement and, as a result, did not keep detailed records regarding job offer refusals. They believed that additional guidelines were needed before this requirement could be fairly and effectively administered.

Agency officials stated that the Labor instruction does not clearly state what the agency should do when a former employee

--refuses a job offer because of other employment, health reasons, or inadequate salary;

--decides not to apply for a job opening;

--refuses a job offer made orally rather than in writing; or

--refuses a part-time Federal position in hopes of finding a full-time position.

According to agency officials, the Labor instruction also does not specify whether a job offer made by an agency and refused by a former employee of another agency must be reported. A Labor Unemployment Insurance Service official stated that because all Federal agencies are, for purposes of State unemployment benefits, a single employer, it would seem that the Labor requirement to report job refusals should cross agency lines. However, the Labor official acknowledged that an agency offering jobs may not feel an incentive to report refusals since that agency would not reduce its unemployment costs.

Labor not notifying District of reasons claimants resigned

Since State unemployment benefits are designed to compensate for wages lost from lack of work, all States have a disqualification provision for claimants who voluntarily leave work (resign) without good cause. In the District of Columbia, the disqualification period is for the duration of the unemployment.

Of the 229 former Labor employees we reviewed who applied for unemployment payments in the District, 13 had resigned. Of these 13, 10 were approved by the District to receive a total of $65,450 in unemployment payments and had received $18,368 as of May 24, 1982. A District unemployment office official stated that all of these claimants should have been disqualified. For 7 of the 10 claimants, the Department of Labor did not note on the Form 931, as required by Labor procedures, the reasons the employees resigned. For 3 of the 10, reasons were cited, but the District mistakenly authorized the payments. For example, one former Labor employee stated on his application for unemployment payments that his job was "terminated." However, his Form 50 stated he resigned to accept a job in the private sector. The claimant signed his unemployment application certifying his statements were "true and correct."

Labor not notifying District of reasons for claimants' removal for misconduct

All States deny unemployment payments to a claimant who is discharged for misconduct. The period of disqualification varies; however, in many States, the period is longer when the reason for discharge was a criminal act. For example, in the District, the disqualification period is from 7 to 13 weeks.

We found that the Department of Labor did not provide enough information on the District's Form 931 to keep a former Labor employee who was discharged for misconduct from improperly receiving unemployment payments. The claimant had been fired because he had stolen and sold Government property valued at about $12,500. "Removal" was the only information that Labor provided on the Form 931 to explain why the employee was separated. According to the District's policy, this claimant should have been disqualified for unemployment payments from 7 to 13 weeks. However, he was not and his weekly payment of about $200 was approved. As of July 15, 1982, the claimant had received $3,349 in District unemployment payments. Thus, the individual had improperly received from $1,400 to $2,600 in unemployment payments.

Labor and Energy not notifying District when claimants have retired

Public Law 96-364, dated September 26, 1980, requires States to deduct Federal civil service annuity payments from unemployment payments. We found five former employees at the Departments of Labor and Energy who were receiving an annuity and full District unemployment payments. The five retirees were authorized maximum unemployment payments totaling $34,340. These improper unemployment payments came to our attention when we found the claimants' Forms 50 stating they had applied for retirement. OPM later told

us that these persons were receiving annuities larger than their District unemployment payments. The Forms 931 for three of the five claimants did not state that they had retired. For example, a manpower development specialist at the Department of Labor retired on December 31, 1981, and received a civil service annuity of $982 a month. Shortly after separation, this retiree applied for and received $824 a month in District unemployment payments. A computer technician at the Department of Energy retired on September 25, 1981, and received a $1,051 a month annuity. This retiree also applied for and received $784 a month in District unemployment payments.

All five retirees stated on their applications for unemployment payments that they had applied for retirement. A District official explained that, for unknown reasons, the retirees were improperly authorized unemployment payments with no deductions for their annuity.

Forms 931 not processed promptly

The Secretary of Labor has issued a regulation (20 CFR 609.6) requiring Federal agencies to complete and return Forms 931 to State unemployment offices within 4 workdays of their receipt. Quick processing of these forms is necessary to insure that the State promptly pays benefits to eligible claimants and denies benefits to ineligible claimants. The Federal agency is charged for any benefits paid by a State on the basis of the claimant's affidavit, including benefits that would have been denied if the Federal agency had returned the Form 931 promptly.

We reviewed how long it took Labor to process Forms 931 for the former Labor employees in our sample and found the average was 28 workdays--or 7 times Labor's Government-wide standard of 4 workdays. In some cases, Labor took as long as 51 workdays to process Forms 931. Late processing of the forms could have contributed to former employees improperly receiving unemployment payments.

Labor not providing accurate information on lump-sum leave payments

Federal civilian employees separated from Government service receive a lump-sum payment for their unused annual leave. The amount is based on the salary received at the time of separation and the number of days of unused earned leave employees have accumulated. Although the District of Columbia does not offset these payments in computing unemployment payments and/or include the payments as wages on which unemployment payments are based, many States do.

We reviewed how Labor responded to the Form 931 question regarding lump-sum leave payments for the 266 former Labor employees who applied for unemployment payments in fiscal years

1981 and 1982. Labor told the States that 217 of these former employees would not receive lump-sum leave payments. Of these 217 former employees, we found that 144 employees (66 percent) did receive lump-sum leave payments. We referred all 144 cases to Department of Labor officials who agreed to provide the States with corrected information.

AGENCIES SHOULD APPEAL STATE DECISIONS TO PAY INELIGIBLE CLAIMANTS

The four Federal agencies we reviewed had another opportunity through the appeals process to prevent improper unemployment payments to their former employees. All State laws provide for administrative appeals of State decisions on unemployment payments. Appeals may be initiated by the claimant or the employer. The Secretary of Labor has issued a regulation (20 CFR 609.11) that makes the Federal agency from which the employee has separated responsible for filing an appeal whenever the State agency appears to have misinterpreted the facts or it believes that the State determination is not in accordance with the provisions of State law.

None of the four Federal agencies had appealed any of these improper payments as of May 1, 1982. For example, the Department of Labor did not follow its own regulation for the Labor employee discussed earlier who was fired for stealing Federal property. Despite written notices from the District that this claimant was initially found to be eligible for unemployment payments, Labor did not appeal. When we finished our work in July 1982, this claimant was still receiving about $200 a week in District unemployment payments.

During the audit, OPM officials asked us for the names of the six former OPM employees who received District unemployment payments after refusing suitable job offers so that OPM could appeal their unemployment payments. An OPM official told us at the conclusion of our audit that the first three appeals had been completed and OPM had won all three, saving OPM several thousand dollars.

Inspectors General or internal audit staff at 16 major departments and agencies, including the four we reviewed, told us they had not performed audits of former employees' unemployment benefit payments. Thus, we do not know to what extent the problems we found at the Departments of Labor, Energy, and Commerce and OPM may also exist in other agencies.

CHAPTER 3

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Federal agencies are not providing State unemployment offices with accurate, complete, and timely wage and separation information as required by Department of Labor regulations. Without this information, States must rely on former employees to provide the necessary information for determining their eligibility for unemployment payments, including the time period that severance payments will be made. We do not believe this is sound fiscal management. In addition, agencies are not notifying State unemployment offices when former employees refuse job offers made after separation.

Because States are reimbursed for all unemployment payments paid to former Federal employees, there is little or no incentive for States to question the accuracy or completeness of the wage and separation information that Federal agencies provide. The burden is on the Federal agency to (1) provide all the information that State unemployment offices need to determine if former Federal employees are eligible for unemployment payments and (2) if necessary, appeal State unemployment payments to ineligible former employees. This can result in large savings to the agency and, in turn, to the taxpayer as evidenced by the over $400,000 in improperly authorized unemployment payments in the District that could have been prevented by the four agencies we reviewed. Additional savings may result if agencies provide State unemployment offices the time period of severance pay to former employees.

RECOMMENDATIONS

We recommend that the Secretary of Labor alert all executive departments and agencies of the need to:

--Provide State unemployment offices with accurate, complete, and timely wage and separation information for former employees who apply for unemployment payments. Of particular importance is information on those former employees who received severance or lump-sum leave payments, refused job offers made before separation, resigned voluntarily, were fired for misconduct, or retired and are receiving an annuity.

--Appeal State decisions to pay unemployment benefits to former employees who were separated from Federal service under circumstances that the agency believes would disqualify the claimant.

--Enforce the requirement to notify State unemployment offices when former employees refuse job offers made after separation.

In addition, the Secretary of Labor should clarify whether agencies should report job refusals by former employees of other agencies to State unemployment offices.

Further, the Secretary should require all executive departments and agencies to begin providing State unemployment offices with the following severance pay information:

--Weekly amount and total entitlement.

--The date severance pay will begin.

--The number of weeks severance pay will be made.

VIEWS OF AGENCY OFFICIALS

As the subcommittee office requested, we did not obtain official agency comments. We did, however, discuss the report with Department of Labor Employment and Training Administration Program officials. They agreed with the findings and recommendations.

Department of Labor administrative officials who are responsible for reviewing unemployment claims of former employees said they would strengthen internal controls to prevent former Labor employees from improperly receiving unemployment benefits. They also believed that the District unemployment office should have prevented some of the improper unemployment payments to former Federal employees.

We also discussed the report with District unemployment office officials who agreed that improper unemployment payments appeared to have been made which they would attempt to recover. They pointed out, however, that a final decision on the propriety of the payments could not be made until formally reviewed by the District's unemployment office.

SEQUENCE OF EVENTS LEADING TO UNEMPLOYMENT PAYMENTS TO FORMER FEDERAL EMPLOYEES

The Secretary of Labor's regulations (20 CFR 609.5) require each Federal agency to provide former Federal civilian employees with information concerning their potential rights to unemployment payments and how to claim such payments. Each former employee is to be issued a Standard Form 8, "Notice to Federal Employee About Unemployment Compensation," which explains the basic eligibility requirements and describes the documents needed to file an unemployment insurance claim. It also contains the name and address of the Federal agency payroll office that has the individual's wage and separation data needed to determine eligibility.

When a former Federal employee applies for unemployment, the State unemployment office mails a Form 931, "Request for Wage and Separation Information," to the Federal payroll office listed on the Form 8, with instructions to return it within 4 workdays after receipt. The agency is to furnish such data as the claimant's official duty station, the amount of wages earned, the date of separation, the reasons for the claimant's separation, and, if applicable, whether the claimant received lump-sum leave and severance payments.

The State unemployment office, before processing an application, will also obtain an affidavit from the claimant regarding the length of employment, wages earned, and reasons for separation. The State will then review the affidavit together with the completed Form 931 from the Federal agency and determine if the claimant is eligible. (If the Form 931 has not been returned within the required number of days, States can pay unemployment benefits on the basis of the claimant's affidavit and some credible evidence of employment, such as a "pay stub" prepared by the Federal agency.) The claimant then returns to the State unemployment office on a specified day and is told whether the claim has been approved and the maximum amount of benefits that can be paid. The claimant can appeal the State's decision.

After determining if a claimant is eligible, some States and the District of Columbia send an eligibility notice to the Federal agency. This notice shows whether the claimant is eligible for benefits, the weekly and maximum benefit amounts, number of weeks of eligibility, and the date the first week's benefits are payable. In the District of Columbia, Federal agencies have 10 days from the District's mailing of the notice to appeal the determination in writing. If an appeal is filed, the Federal agency must be prepared to prove its contention and to appeal and testify at a hearing.

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