

Supporting Statement for OMB Clearance of the ETA-9000 Report on Internal Fraud Activities

A. Justification.

1. Circumstances That Make Collection Necessary.

The Secretary of Labor has interpreted the requirements of Federal Law, specifically Sections 303 (a)(1) and 303 (a) (5) of the Social Security Act (SSA) and Section 3304 (a) (4) of the Federal Unemployment Tax Act (FUTA) to require that the state law include provisions for such methods of administration as are, within reason, calculated to deter and detect benefits paid through error by the agency or through willful misrepresentation or error by the claimant and others.

Internal Fraud can be defined as deliberate conduct by a state employee aimed at obtaining funds to which he/she is not entitled, or assisting another individual in obtaining funds to which that other individuals not lawfully entitled. A number of factors including (a) increased automation of unemployment insurance (UI) functions, (b) employees' increasing technical knowledge and growing job sophistication, and (c) a willingness by some employees to challenge the system, may have increased the states' vulnerability to certain types of internal fraud.

The ETA-9000 is the only data source available on instances of internal fraud activities within the UI program and the results of safeguards that have been implemented to deter and detect instances of internal fraud. The report categorizes the major areas susceptible to internal (employee) fraud and provides actual and "estimated" (predictability or cost avoidance measures) workload. There are three major uses of this information, two of which are of special concern nationally. These are:

- (1) Identify Trends - The data identify changes or similarities in types, instances, and amounts of internal UI fraud. Federal and state managers use this information to develop strategies to reduce vulnerabilities to internal fraud.
- (2) Assess Program Effectiveness - The reporting mechanism is one way to measure the achievements of a state in the area of Internal Security. Several evaluation and technical tools are available to state and Federal UI staff to measure program effectiveness, and the data on the ETA-9000 provide a compliment to other tools such as Risk Analysis tools, handbooks, and technical assistance guides for Internal Security.
- (3) Report to States - A summary report of the ETA-9000 data can be used to inform states of the areas vulnerable to internal fraud, and provide information on the effects (savings) of procedural and administrative changes.

The Internal Security program is a dynamic program and is evolving to keep pace with the increasing automation of state UI operations. UI automated systems may be more vulnerable because more staff have access to them, and the safeguards implemented in this fluid

environment must be periodically updated or replaced as changing needs arise.

Collection of the ETA-9000 data will help to provide information for the continuing evaluation of the Internal Security program for UI. The time lag between detection of a vulnerability and implementation of a safeguard to overcome or correct the vulnerability puts the system at risk. The availability of data to evaluate the effectiveness of the safeguard can help shorten an agency's response in safeguarding automated areas of operation.

2. Description of Information Collection.

The universe of respondents will be 53 State Workforce Agencies representing the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. States will forward Form ETA-9000 electronically to the ETA National Office. The form includes such information as follows.

The number of actual and estimated internal fraud cases involving UI program benefit funds, contributions and administrative funds.

The actual and estimated dollar amounts involved in such cases

The number of actual cases in which employees acted alone or acted with others.

The activities used by the state to detect and/or prevent such cases

The criminal and administrative actions taken against employees involved in internal fraud cases.

3. Consideration of Information Technology.

To minimize the burden on states, Form ETA-9000 is electronically forwarded to the ETA National Office. This method is more cost effective than submitting a hard copy, and minimizes the report and record keeping burden on states.

4. Describe Efforts to Identify Duplication

A review of other Department and program forms confirms that needed Internal Security data are not generated by any other program or form. Internal Security is a unique program and requires its own reporting form and requirements. These reporting requirements were approved by OMB under Approval No. 1205-0187. The Form ETA- 9000 is the only reporting form available to obtain Internal Security data.

5. Collection of Information Involving Small Business.

The collection of this information does not involve small business.

6. Consequences

The ETA-9000 report is due annually. If this data were not collected, states may not be aware of certain vulnerabilities to internal fraud and would not be in a position to impose effective controls. To collect the information less than annually would send a wrong message to the states concerning the importance of Internal Security.

Without the ETA-9000, neither the states, ETA's Regional Offices, nor ETA's National Office would be cognizant of internal fraud activities. ETA has no other documented source of data collection which reports on internal fraud activities. Indications are that mere awareness of the ETA-9000 and its objectives may tend to prevent or diminish instances of internal fraud. Removal of the form could send a subtle, unintended message that could precipitate an increase in internal fraud.

7. Special Circumstances.

There are no special circumstances or instructions that require the collection of this information to be conducted in a manner inconsistent with guidelines in 5 CFR 1320.5

8. Consultation Outside The Agency

Program staff are routinely in touch with state and ETA Regional Office staff through phone calls, visits and conferences. No issues have been raised. A request for comment on this renewal was published in the Federal Register on January 16, 2008 (Vol. 73, p. 2940). No comments were received.

9. Payment or Gift to Respondents.

There are no payments or gifts to respondents.

10. Assurance of Confidentiality.

There is no need for assurance of confidentiality.

11. Questions of a Sensitive Nature.

There are no questions of a sensitive nature.

(12. Burden.

The estimated annual burden for this collection is 159 hours. This is based on the estimated time needed for a limited amount of manual intervention by state staff during the electronic data tabulation and transmission process:

<u>Version</u>	<u>Respondents</u>	<u>Hours per</u>	<u>Frequency</u>	<u>Burden Hours</u>
Regular	53		3	1

13. Startup Costs.

There are no start up costs. All reports are collected and then electronically transmitted. There are no operational costs other than those associated with burden hours shown in item 12.

14. Federal Costs.

The cost to the Federal government cannot be estimated. The data are generally entered in states and electronically transmitted to ETA's National Office computer, along with many other reports, where they are immediately available for use.

15. Changes in Burden.

No changes.

16. Publication.

Data are not published on a routine basis.

17. Request not to Display OMB Number.

Does not apply to this request.

18. Exceptions.

There are no exceptions.

B. Collection of Information Employing Statistical Methods

This request does not employ statistical methods.