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INFORMATION TECHNOLOGY

Department of Labor Could Further Facilitate Modernization of States' Unemployment Insurance Systems

Why GAO Did This Study

Labor's UI program is a federal-state partnership that provides partial compensation for lost earnings of eligible individuals who become unemployed through no fault of their own. In fiscal year 2011, about $117 billion was spent on the UI program. To administer the program, states rely heavily on IT, including benefits and tax systems. However, a July 2010 state survey noted that most of the UI IT systems are outdated and cannot efficiently handle their current workloads.

GAO was asked to (1) determine Labor's role in facilitating UI IT modernization efforts, (2) identify and describe the types of federal funding selected states have spent on modernization, (3) provide the status of modernization for selected states, (4) determine key modernization challenges, and (5) determine what management controls have been established for IT modernization. To do this, GAO analyzed documentation and interviewed officials from a nongeneralizable sample of nine states (selected based on varying location, size, and modernization status); and reviewed Labor policies; and interviewed department officials.

What GAO Recommends

GAO recommends that Labor (1) comprehensively analyze and document challenges and lessons learned and (2) distribute the lessons learned to each state to share and foster ideas for effective modernization of UI systems. Labor generally agreed with the first recommendation; it did not agree or disagree with the second recommendation, but said it is committed to sharing lessons learned.

What GAO Found

The Department of Labor (Labor) facilitates states' efforts to modernize information technology (IT) systems supporting their unemployment insurance (UI) programs by (1) providing funds for administrating overall UI operations and (2) participating in groups that provide technical support to states. While the federal-state structure of the UI program places primary responsibility for its administration on the states, Labor provides potential strategies for IT modernization activities through supplemental budget funds.

Federal funds for UI modernization efforts come primarily from two sources: (1) supplemental budget funds that are designated by Labor for state IT modernization efforts and (2) general UI administration funding. General administration funding primarily consists of State UI and Employment Service Operations funds (an administrative grant issued by Labor at the beginning of each fiscal year); Job Creation and Worker Assistance Act of 2002 funds, (distributed under the Reed Act, a mechanism by which the federal government transfers surplus UI funds to states); and American Reinvestment and Recovery Act funds (an economic stimulus package enacted in February 2009). However, federal funds can be used for multiple UI purposes, and states are not required to report costs for UI modernization projects.

The status of the nine states' UI IT modernization efforts that GAO reviewed range from planning to deployment. Of the nine states, three are part of a consortium (multiple states that develop a single common system) and are all in the initial planning phase; two individual state efforts are in the development phase; two are in a combination of different phases; and two are in operations and maintenance. For example, Virginia is in the development phase whereas Minnesota has a deployed system and is in operations and maintenance.

States and Labor have challenges specific to (1) individual states and (2) consortiums' modernization efforts. The challenges for individual states that GAO reviewed relate to having sufficient technical expertise and limited funding, among others, and challenges faced by consortiums relate to differences in state laws and business processes among member states. It is widely recognized that analyzing and prioritizing challenges and then documenting lessons learned can help mitigate risk and track successful ideas for more effectively managing IT in the future. A committee was tasked to assess lessons learned from consortium efforts which may serve as a valuable first step toward helping the states mitigate challenges. However, the effort is not complete and does not represent an independent survey of all the states' lessons learned. As such, Labor has not yet comprehensively evaluated and prioritized challenges and lessons learned, disseminated them to each state, or facilitated an appropriate information sharing mechanism. Until it does, Labor may miss opportunities to help support future consortium and state modernization efforts.

All nine states reviewed have established selected management controls for modernizing IT which, if properly implemented, could help reduce the risks of modernization challenges. The controls align with industry-accepted program management practices, such as independent verification and validation; and include state-specific practices, such as oversight through a Chief Information Officer office and consortium-specific practices, such as governance structures.

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