

GAO Highlights

Highlights of [GAO-13-859T](#), a testimony before the Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

The joint federal-state unemployment insurance program is the Department of Labor's largest income maintenance program, and its benefits provide a critical source of income for millions of unemployed Americans. The program is overseen by Labor and administered by the states. To administer their UI programs, states rely heavily on IT systems—both to collect and process revenue from taxes and to determine eligibility and administer benefits. However, many of these systems are aging and were developed using outdated computer programming languages, making them costly and difficult to support and incapable of efficiently handling increasing workloads. Given the importance of IT to state agencies' ability to process and administer benefits, GAO was asked to provide testimony summarizing aspects of its September 2012 report on UI modernization, including key challenges states have encountered in modernizing their tax and benefit systems. To develop this statement, GAO relied on its previously published work.

What GAO Recommends

In its prior report on states' UI system modernization efforts, GAO recommended that the Department of Labor conduct an assessment of lessons learned and distribute the analysis to states through an information-sharing platform such as a website. Labor agreed with the first recommendation; it neither agreed nor disagreed with the second recommendation, but stated that it was committed to sharing lessons learned.

View [GAO-13-859T](#). For more information, contact Valerie C. Melvin at (202) 512-6304 or melvinv@gao.gov.

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UNEMPLOYMENT INSURANCE INFORMATION TECHNOLOGY

States Face Challenges in Modernization Efforts

What GAO Found

As GAO reported in September 2012, nine selected states had made varying degrees of progress in modernizing the information technology (IT) systems supporting their unemployment insurance (UI) programs. Specifically, the states' modernization efforts were at various stages—three were in early phases of defining business needs and requirements, two were in the process of building systems based on identified requirements, two were in a “mixed” phase of having a system that was partly operational and partly in development, and two had systems that were completely operational. The enhancements provided by these systems included supporting web-based technologies with more modern databases and replacing outdated programming languages, among others.

Nevertheless, while taking steps to modernize their systems, the selected states reported encountering a number of challenges, including the following:

- **Limited funding and the increasing cost of UI systems.** The recent economic downturn resulted in smaller state budgets, limiting what could be spent on UI system modernization. In addition, competing demands and fluctuating budgets made planning for system development, which can take several years, more difficult.
- **A lack of sufficient expertise among staff.** Selected states reported that they had insufficient staff with expertise in UI program rules and requirements, the ability to maintain IT systems developed by vendors, and knowledge of current programming languages needed to maintain modernized systems.
- **A need to continue to operate legacy systems while simultaneously implementing new systems.** This required states to balance scarce resources between these two efforts.

In addition, a separate set of challenges arose for states participating in multistate consortiums, which were established to pool resources for developing joint systems that could be used by all member states:

- Differences in state laws and business processes impacted the effort to design and develop a common system.
- States within a consortium differed on the best approach for developing and modernizing systems and found it difficult to reach consensus.
- Decision making by consortium leadership raised concerns about liability for outcomes that could negatively affect member states.
- Consortiums found it difficult to obtain a qualified leader for a multistate effort who was unbiased and independent.

Both consortium and individual state officials had taken steps intended to mitigate challenges. GAO also noted that a comprehensive assessment of lessons learned could further assist states' efforts. In addition, the states in GAO's review had established certain IT management controls that can help successfully guide modernization efforts. These controls include establishing a project management office, using industry-standard project management guidance, and employing IT investment management standards, among others.