

## **Benefit Accuracy Measurement State Data Summary Improper Payment Information Act Year 2015**

The Benefit Accuracy Measurement (BAM) program is designed to determine the accuracy of paid and denied claims in three major Unemployment Insurance (UI) programs: State UI, Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Servicemembers (UCX). State Workforce Agencies (SWAs) select weekly random samples of these program payments and denied claims. BAM investigators audit these paid and denied claims to determine whether the claimant was properly paid or denied eligibility. The results of the BAM statistical samples are used to estimate accuracy rates for the populations of paid and denied claims.

The BAM program provides a continuous feedback loop on the state and federal methods of administration. This report is designed to provide additional information for analysis. Based on the errors identified and information gathered, states will be able to develop plans and implement corrective actions to ensure accurate administration of state law, rules, and procedures. The major objectives of the BAM system are to:

- assess the accuracy of UI payments;
- assess improvements in program accuracy and integrity; and,
- encourage more efficient administration of the UI program.

The basis for determining payment and denial accuracy are federal and state law, administrative code/rules, and official policy. Therefore, the system is designed to be comprehensive in coverage by including all areas of the claims process where errors could occur. The BAM program is a diagnostic tool for Federal and SWA staff to use in identifying systemic errors and their causes and in correcting and tracking solutions to these problems.

Under [20 CFR 602.21\(g\)](#), the U.S. Department of Labor's (Department) Employment Training Administration (ETA) compiles and releases the BAM program calendar year results each year on behalf of the states. The Department accomplishes this requirement by the release of annual results on its Web site:

<http://www.dol.gov/general/maps> and the associated data page  
<http://www.dol.gov/general/maps/data>.

The time period for the analytical report prepared using the BAM data for the 12-month period (July 2014 through June 2015) is aligned with the reporting period used by the UI program in the Department's Agency Financial Report (AFR). In this analytical report, rates are shown at a national level, which is the sum of 52 SWA's data and for individual SWA in linked documents.

The Improper Payments Information Act (IPIA) of 2002 and subsequent amendments in the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 require agencies to examine the risk of erroneous payments in all programs and

activities they administer. An improper payment is defined as any payment that was made to an ineligible recipient, duplicate payments, and payments that are for the incorrect amount -- both overpayments and underpayments, including inappropriate denials of payment or service. Agencies are required to review all programs and activities they administer and identify those that may be susceptible to significant erroneous payments. IPERIA defines "significant improper payments" as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the year reported or (2) \$100,000,000 (regardless of the improper payment percentage of total program outlays). The UI program meets both of these criteria. Additionally, IPERA codifies the requirement for valid statistical estimates of improper payments such as those generated by the BAM program, and compels actions to reduce improper payments. SWAs make all UI payment decisions. Therefore, the Department requires SWAs to review their BAM improper payment data and report their planned activities to prevent, detect, reduce, and recover improper payments in an UI Integrity Action Plan.<sup>1</sup>

Readers are strongly cautioned that it may be misleading to compare one state's payment accuracy rates with another state's rates. No two states' written laws, regulations, and policies specifying eligibility conditions are identical, and differences in these conditions influence the potential for error. States have developed many different ways to determine monetary entitlement to UI. Additionally, nonmonetary requirements are, in large part, based on how a state interprets its law. Two states may have identical laws, but may interpret them quite differently. States with stringent or complex provisions tend to have higher improper payment rates than those with simpler, more straightforward provisions (See the 2015 "Comparison of State Unemployment Laws," <http://www.oui.doleta.gov/unemploy/comparison2015.asp>).

Because the BAM data are based on small sample, the estimated improper payment rate is subject to a sampling and non-sampling error. Sampling error is the error that arises in a data collection process as a result of taking a sample from a population rather than using the whole population. Therefore a confidence interval, expressed as +/- x percentage points, is constructed for the estimated improper payment rates. The actual rate is expected to lie within 95 percent of the intervals constructed from repeated samples of the same size and selected in the same manner as the BAM sample. Non-sampling error is the error that arises in a data collection process as a result of factors other than taking a sample. These errors can include, but are not limited to, timeliness of data collection, data entry errors, biased questions in fact-finding, biased decision making, and inappropriate analysis and conclusions completed by state investigators or false or inaccurate information provided by survey respondents.

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<sup>1</sup> [Unemployment Insurance Program Letter \(UIPL\) No. 21-11](#); and [ET Handbook No. 336, Appendix V](#)

The Department reports the overpayment and the underpayment rate to the Office of Management and Budget (OMB)<sup>2</sup>, as part of its [IPIA](#)<sup>3</sup> reporting. The IPIA performance year 2015 (IPIA 2015) includes the period July 2014 through June 2015 (Batch Range 201427 through 201526). It is extremely important that the BAM programs in all SWAs accurately measure the level of improper payments in their states so that performance against the state and national targets can be properly evaluated. It is critical to assessing improvements in program accuracy and integrity and encouraging more efficient administration of the UI program.

UI benefit payments included in BAM for the IPIA 2015 performance year decreased to \$31.46 billion compared with \$35.99 billion during the IPIA 2014 performance year. IPIA 2015 BAM paid claims results are based on the 23,590 valid sample cases<sup>4</sup>. This represents a completion rate of 100% percent. BAM investigators completed claimant interviews in 90.69 percent of the cases. The remaining audits were completed based on information obtained from agency records, the claimants' former employers, and third-party sources, such as labor unions and private employment agencies. As this linked document shows ([IPIA 2015 Method Claimant Information Obtained.xlsx](#) in sheet titled "Paid Claims error % x response"), investigators are able to identify payment accuracy issues where interviews are not completed. This limits nonresponse bias.

For the Fiscal Year (FY) 2013 IPIA/IPERA reporting period, the Department was approved to use a methodology for calculating the UI improper payment rate, which subtracted UI overpayment recoveries for the computation of the estimated improper payment rate. However, the enactment of IPERIA in January 2013 required agencies to include all identified improper payments in the reported estimate and explicitly precluded the netting out of recoveries. The Department's revised methodology no longer nets out recoveries for the computation of the improper payment rate, but now excludes improper payments that are determined to be "technically proper" under state UI law.<sup>5</sup>

Technically proper payments are those benefit distributions determined to be due to the claimant. They reflect instances where state law disallows redetermination of benefit eligibility or prohibits establishing overpayments and recovering those benefits in limited circumstances. The payments that are deemed to be "technically proper" by states' audit investigators are those which meet applicable state statutory requirements.

Reasons that certain payments are determined to be "technically proper" under state UI law include:

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<sup>2</sup> [Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments revised October 20, 2014;](#)

<sup>3</sup> U. S. Department of the Treasury [PaymentAccuracy.gov](http://www.paymentaccuracy.gov) Web Page: <http://www.paymentaccuracy.gov>

<sup>4</sup> Data excludes Florida – insufficient sampling to produce valid results. States sampled 23,628 payments and deleted 37 payments as being out of the scope of the review, BAM investigators completed 23,590 of the remaining 23,591 valid cases.

<sup>5</sup> [UIPL 09-13 Change 1](#)

- Finality Reasons – In response to the U.S. Supreme Court California Department of Human Resources Development v. Java decision, and at the Department urging<sup>6</sup> many states implemented finality provisions which prohibit changing unemployment insurance determinations to allow or deny payment determinations after providing interested parties an opportunity to be heard. In other words, such payments made under these sorts of determination situations are considered final and payment is due based on the prima facie evidence establishing the claim’s original allow payment determination. See link for additional information. <http://www.law.cornell.edu/supremecourt/text/402/121>
- Other Reasons – This category includes payments with an eligibility issue(s), but the state does not take official action to establish and recover the overpayment because the claimant is without fault for the error creating the improper payment, and/or establishment of an overpayment and its recovery would be against the state’s standard of “equity and good conscience.” In other states, again at the Department’s urging, their laws contain a provision which requires administrative action in that the awarding of benefits is to be liberally construed and the denial of benefits is to be narrowly constructed.<sup>7</sup>

The chart below compares the overpayment and underpayment rates using the rate calculations including technically proper payments and new measure excluding them.

IPIA 2015 Including Technically Proper Payments

Over Payment (OP) Rate*	Estimated Amount Overpaid	Under Payment (UP) Rate*	Estimated Amount Underpaid
11.454%	\$3,603,872,214	0.498%	\$156,699,976

IPIA 2015 Excluding Technically Proper Payments

Over Payment (OP) Rate*	Over Payment \$ Amount	Under Payment (UP) Rate*	Under Payment \$ Amount
10.267%	\$3,230,311,692	0.444%	\$139,849,845

\*Both exclude improper payments where another SWA was responsible. However, these other SWA improper payments are included in national rate in the Department’s Agency Financial Report.

<sup>6</sup> UIPL 1136; “Draft Legislative Language to Implement the Java Decision”; July 19, 1971; Attachment 2: Text of draft legislative language; [http://ows.doleta.gov/dmstree/uipl/uipl\\_pre75/uipl\\_1136.htm](http://ows.doleta.gov/dmstree/uipl/uipl_pre75/uipl_1136.htm)

<sup>7</sup> This interpretation was stated on page 5 of Supplement #5--Questions and Answers Supplementing Draft Language and Commentary to Implement the Unemployment Compensation Amendments of 1976--P.L. 94-566, dated November 13, 1978. The Department has long taken the position that, because FUTA is a remedial statute aimed at overcoming the evils of unemployment, it is to be liberally construed to effectuate its purposes and exemptions to its requirements are to be narrowly construed. This interpretation avoids difficulties for which the remedy was devised and adroit schemes by some employers and employees to avoid the immediate burdens at the expense of the benefits sought by the legislation. <http://workforcesecurity.doleta.gov/dmstree/pl/greenbook94-566.pdf>

OMB has determined that the Department's removal of technically proper payments is consistent with the definition of an improper payment.

The Department announced the new improper payment rate computation methodology in [UIPL 09-13 Change 1](#) (January 27, 2015). This new methodology was described above and was used in reporting the information in this IPIA 2015 report.

The new definition and calculation of the improper payment rate became effective for SWAs with IPIA 2015. Corrective action and integrity plans for FY 2017 will be based on this information. IPERA requires an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under the IPIA.

The Department uses seven analytical measures to assess SWA payment accuracy and estimate the risk of erroneous denial of benefits. Individual SWA rates reflect state law, administrative code or rules, and policy. National results reflect all SWA findings (the Virgin Islands are exempt from operating a BAM program due to cost benefit considerations).

#### The Analytical Measures (Rates):

1. **BAM Overpayment Rate (BAM OPR)** - The overpayment rate is the broadest measure of payments determined to be overpaid. The rate includes fraud, nonfraud recoverable, and nonfraud nonrecoverable overpayments. It excludes payments that are technically proper due to finality or other rules. All causes and responsible parties are included in this rate.
2. **Underpayment Rate (UPR)** - This rate includes payments that the BAM investigation determines were underpaid. All causes and responsible parties are included in this rate. It includes errors where additional payment is made. It excludes those errors that are technically proper due to finality rules or technically proper due to rules other than finality.
3. **Improper Payment Rate (IPR)** – This rate includes UI benefits overpaid plus UI benefits underpaid divided by the total amount of UI benefits paid. Overpayments, underpayments, and total UI benefits paid are estimated from the results of the BAM survey of paid UI claims in the state UI, UCFE, and UCX programs. Overpayments and underpayments that are determined to be technically proper under state UI law for finality and other reasons are excluded from the measure.
4. **Agency Responsibility Rate (ARR)** - This rate includes overpayments for which the SWA was either solely responsible or shared responsibility with claimants, employers, or third parties, such as labor unions or private employment referral agencies. The rate includes fraud, nonfraud recoverable overpayments, and nonfraud nonrecoverable overpayments. It excludes payments that are technically proper due to finality or other rules.

5. Fraud Rate (FR) - The definition of unemployment compensation (UC) fraud varies from state to state – there is no federal definition of fraud. Generally fraud involves a knowing and willful act and/or concealing material facts to obtain or increase benefits when benefits are not due. States vary on the level of evidence required to demonstrate a knowing and willful act or the concealment of facts. An overpayment which is classified as a fraud overpayment in one state might be determined to be a nonfraud overpayment in another state. Often fraud determinations include looking at a pattern of action or the claimant's certification of erroneous information under the penalty of perjury. Also states differ on the implementation fraud administrative penalty determinations; in some states a fraud determination becomes effective with the date of the fraudulent act while in other states the administrative penalty takes effect with the determination date. Since fraud determination criteria and thresholds vary throughout the SWAs, the individual state rates reflect these differences. The rate includes all causes and responsible parties. Nationally, less than one-third of overpayments are determined to involve fraudulent actions.
6. Net Improper Payment Rate (NIPR) - The net improper payment rate includes two components – total estimated overpayments plus total estimated underpayments – minus the actual amount of overpayments recovered by SWAs. This net integrity rate is derived from the BAM program estimates of improper payments and the actual recoveries by state agencies as recorded on the ETA 227 report. As discussed, beginning with IPIA 2015 (July 2014 through June 2015) this rate is no longer considered. However, it is presented in this report for tracking purposes only.
7. Improper Denial Rates (IDR) - BAM estimates the percentage of claimants improperly denied benefits. This rate includes three subcategories. These subcategories are monetary denials, separation denials, and nonseparation denials. The BAM program does not assign a dollar estimate to improper denial rates; however, improper denials are corrected when permitted by law.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): [IPIA 2015 Integrity Rates All States.xlsx](#)

## **I. Paid Claims Accuracy**

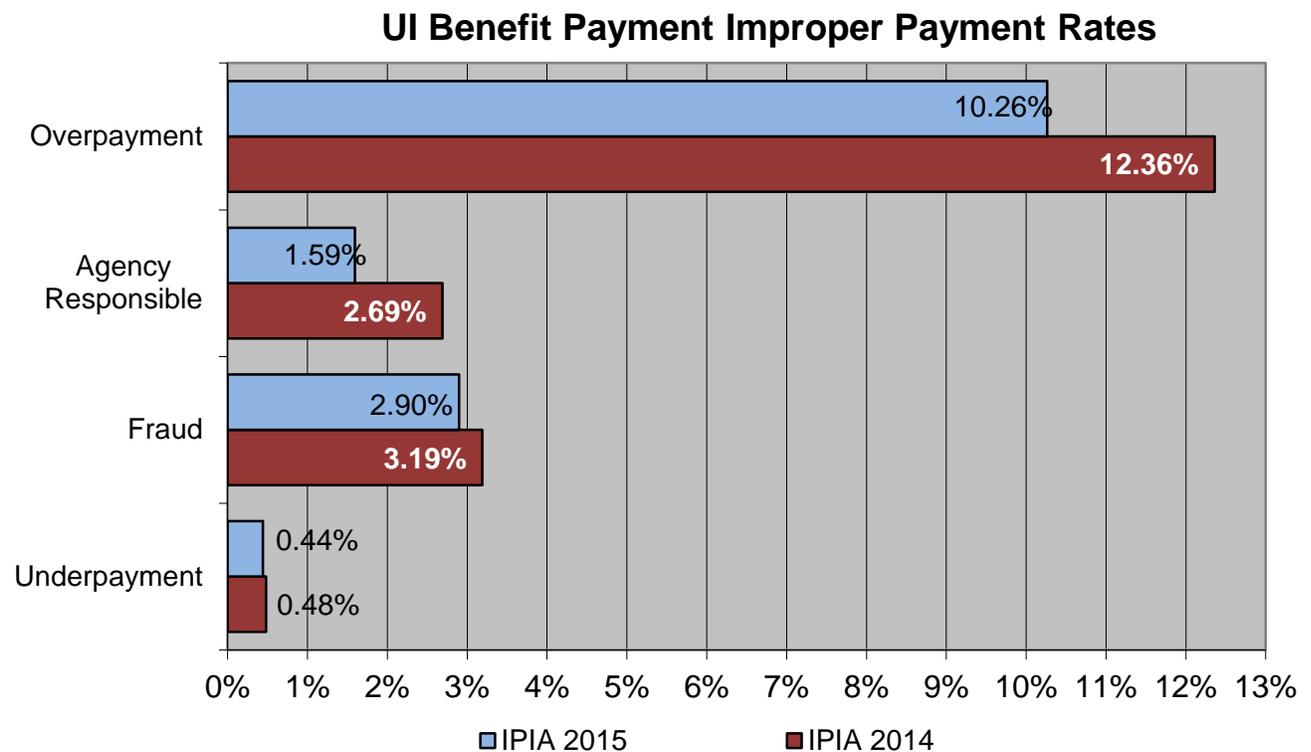
Federal regulation ([20CFR602](#)) requires States to conclude all findings of inaccuracy as detected through QC investigations with appropriate official actions in accordance with the applicable State and Federal laws and to classify its findings as proper payments, underpayments, or overpayments in benefit payment cases, or as proper denials or underpayments in benefit denial cases. The classification system for payment accuracy includes seven codes. The classification system for denials includes six codes.

For each paid UI week investigated, referred to as the Key Week (KW), BAM records whether the payment was proper or improper and, if technically proper or if improper, the type of erroneous payment. Payment errors on the key week are used to generate

improper payment estimates. The coding of BAM audit findings is consistent with the laws, rules and written policies of each SWA<sup>8</sup>. BAM captures 110 data elements for each sampled payment or denial. Data for nine of these elements are completed only for improper payment and technically proper payments or erroneous denials. The Department uses these elements to produce the various integrity rates listed. ([ET 395 Handbook 5th Edition BAM State Operations Guidance](#)).

Each integrity rate represents a different view of the BAM data set. The BAM data construct provides multiple perspectives; and payment errors may be included or excluded for a specific rate (See [IPIA 2015 Methodology and Program Description](#) Integrity Rate definitions). The Fraud and Agency Responsible Rates are subsets of the overpayment rate.

The following chart summarizes four paid claim accuracy (PCA) rates, which are used for communicating overpayment estimates. As discussed above, the rates shown for the two performance years displayed use different methodologies in calculating the rates. The IPIA 2015 rates exclude payments classified as technically proper.



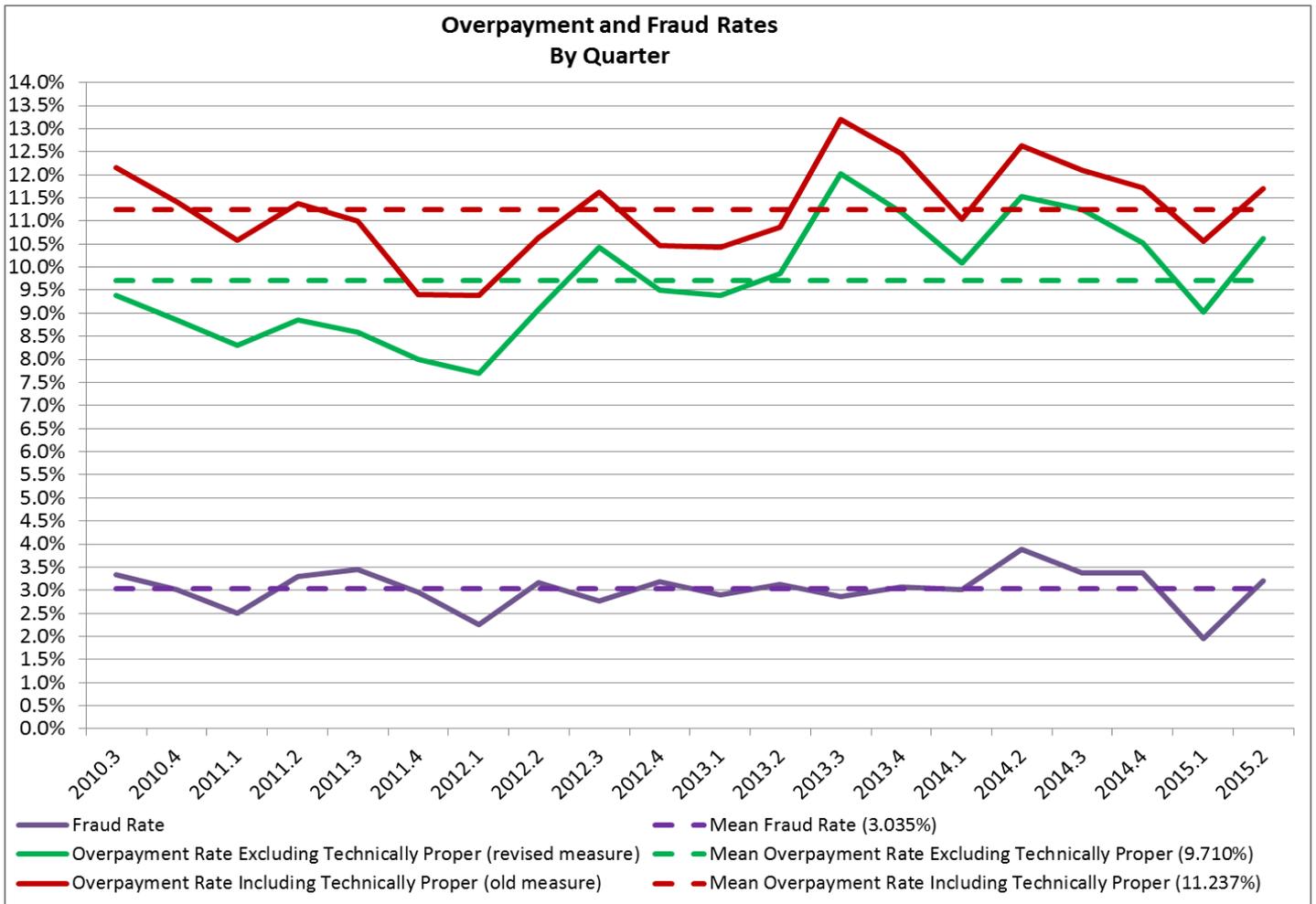
For a detailed listing of these rates for each state, click on the following link (the spreadsheet may have several pages):

[IPIA 2014 - IPIA 2015 Integrity Rate Changes.xlsx](#)

<sup>8</sup> Comparison of State Unemployment Laws, <http://www.oui.doleta.gov/unemploy/comparison2015.asp>

## Overpayment Time Series

The following chart displays the overpayment rate by calendar quarter. For the period IPIA 2011 to IPIA 2015, the average revised overpayment rate which excludes technically proper payment was 9.395 percent. In contrast the average overpayment rate including technically proper payment was 11.237 percent. The graph displays the fraud overpayment rate (3.035%).



Reviewers should be aware that SWA rates show a higher degree of volatility from one quarter to the next. The quarterly volatility is in part due to the small sample sizes pulled at the state level; the small sample size increases the probability of sampling a given number of weeks with payment errors, and seasonal factors. This demonstrates that SWAs should be cautious in making performance assumptions and judging corrective actions effectiveness based on one single calendar quarter of data.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[IPIA 11 IPIA 15 Overpayment Rate by Quarter & State.xlsx](#)

## Overpayment Cause by Integrity Rate

The UI initial qualification and continuing eligibility requirements are complex. Benefit payments are limited to weekly and maximum benefit amounts. Benefits are restricted to a specific time period (benefit year). Claimant turnover is high with finite benefit duration and opportunities to return to employment. Eligibility is determined on a week by week basis. Payments or payment eligibility decisions are made by State government agencies using state specific Information Technology systems. There is no federal standard for the level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate. This complexity lends itself to improper payments; therefore the causes of these improper payments are diverse. Errors can occur at any of the process points discussed below. However, if the error does not affect the key week payment, then it is excluded from the integrity rate estimates.

All states require that a claimant must have earned a specified amount of wages or must have worked a certain number of weeks or calendar quarters in covered employment, or must have met some combination of the wage and employment requirements within his/her base period, to qualify for benefits. The purpose of such qualifying requirements is to restrict benefits to covered workers who are genuinely attached to the labor force. (See [Significant Provisions of State UI Laws](#))

All state laws provide that, to receive benefits, a claimant must be free from disqualification for actions such as voluntary leaving work without good cause, or discharge for misconduct connected with the work, or refusal of suitable work. Such disqualifying actions may occur prior to the initial application or claim for benefits or at any point during the benefit year. The purpose of these provisions is to limit payments to workers unemployed primarily as a result of economic causes.

All state laws provide that, to receive benefits, a claimant must meet week-to-week eligibility requirements. Claimants certify their weekly eligibility status when claiming benefits. The general rule is that claimants must be able to work, available for work, registered for employment services, report when directed to the agency, and actively seeking work. Some states provide dependent allowances in certain instances. Finally, claimants may be subject to a reduction in benefit amounts payable based on any benefit year earnings (partial employment) or deductible income received (i.e., pension, vacation pay, severance payments).

To determine improper payments and their causes, the BAM program - as a statistical survey - uses standardized questionnaires to gather information. The surveys include claimant, employer, and third party interviews and are designed to identify potential eligibility or payment issues. When a potential eligibility or payment issue is identified, the investigator must pursue and resolve the issue. The BAM investigator applies all facets of state law, administrative code and official policy to the case findings to

determine whether a key week payment is proper or improper. Although the legal basis for determining whether a payment is proper or improper may be different from state to state, the causes of errors are common across the nation.

The BAM program relies on a standardized coding system to categorize improper payments<sup>9</sup> into major categories. The table below displays common UI improper payment terminology.

Error Cause Codes	Cause Group Description
100 - 119; 150 -159	Benefit Year Earnings
120 -149	Deductible Income
200 - 259	Base Period Wage Issues
300 - 329	Separation Issues
400 - 419	Able & Available Issues
420 - 429	Work Search Issues
460 - 469	Employment Service Reg.
430 - 459; 470 - 489	Other Eligibility Issues
500 - 519	Dependents' Allowances
600 - 639	Other Issues

The distribution of the causes for UI overpayments varies considerably among the three overpayment integrity rates. The elements included or excluded from the various rates influence this distribution

IPIA 2015 Overpayment Cause By Integrity Rate Percent of the Estimated Dollars Overpaid			
Cause	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Benefit Year Earnings	33.42%	58.81%	11.62%
Work Search	29.46%	4.51%	5.92%
Separation Issues	18.44%	25.55%	47.84%
Able & Available	5.98%	4.13%	5.99%
Base Period Wage Issues	4.43%	2.12%	5.03%
Severance/Vacation/SSI/Pension	3.17%	2.56%	5.65%
Other Eligibility	2.35%	1.07%	6.50%
ES Registration	1.39%	0.14%	8.03%
Other Issues	0.99%	1.09%	2.84%
Dependent Allowance	0.37%	0.03%	0.61%
Total \$ Overpaid by Rate	\$3,230,311,692	\$911,734,364	\$501,597,110

<sup>9</sup> [http://wdr.doleta.gov/directives/attach/ETHandbook\\_395\\_Ch5\\_acc.pdf](http://wdr.doleta.gov/directives/attach/ETHandbook_395_Ch5_acc.pdf), Chapter V, pp. V-5 through V-7

(See [IPIA 2015 Methodology and Program Description](#) Integrity Rate definitions for inclusion or exclusion from various rates).

Unemployment Insurance Program Letter (UIPL) No. 21-11<sup>10</sup> requires states to analyze their BAM data to identify the top root causes for improper payments and develop strategies that will be effective in reducing or recovering improper payments. An analysis of the top three causes nationally is outlined below.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): [IPIA 2015 Integrity Rates by Cause.xlsx](#)

### Benefit Year Earnings

Cause Benefit Year Earnings	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Estimated Amount by Cause	\$1,079,396,801	\$536,176,377	\$58,259,333
Estimated \$ Overpaid by Rate	\$3,230,311,692	\$911,734,364	\$501,597,110
Percent of Total \$ Overpaid	33.42%	58.81%	11.62%

As displayed in the IPIA 2015 Overpayment Cause By Integrity Rate table, unreported or misreported benefit year earnings are the leading cause of UI overpayments. They account for almost three-quarters (58.81 percent) of UI fraud overpayments and slightly more than a third (33.42 percent) of the overpayments included in the Overpayment Rate. However, benefit year earning errors only represent a small portion (11.62 percent) of the Agency Responsible rate.

The UI system is designed to maintain and to encourage claimant attachment to workforce overall and/or to their previous employers in particular. The system does this by allowing partial payments, which are reduced for benefit year earnings (weekly benefit amount reduced as a result of wages, commissions, bonuses, tips or gratuities, odd jobs or self-employment income) and through workshare programs.<sup>11</sup> Because UI benefits only replace a portion of the claimant's previous base period wages, states have devised various earnings disregard and benefit reduction provisions.<sup>12</sup> Ultimately, these payment adjustments require accurate reporting of these benefit year earnings. Generally claimants are required to report this income when earned - not when paid, and claimants are required to report gross earnings - not net earnings. This benefit year earnings reporting procedure is part of the continued claimstaking process (See claim filing methods by state [IPIA 2015 Claim Filing Methods.xlsx](#)).

<sup>10</sup> [http://wdr.doleta.gov/directives/corr\\_doc.cfm?DOCN=3050](http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3050)

<sup>11</sup> Work Share: An alternative to employee layoffs, whereby a group of workers simply work shorter work weeks and are compensated for their lost work time with partial benefits. Workshare program payments are excluded from the BAM sample because many states tend to waive normal eligibility requirements.

<sup>12</sup> Comparison of State Laws Table 3-8; pp. 3-18 to 3-20;  
<http://workforcesecurity.doleta.gov/unemploy/pdf/uilawcompar/2015/monetary.pdf>

States reported that they compensated 100,760,170 weeks during the IPIA 2015 year. In some instances claimant may have had earnings; however those earnings did not exceed the state's disregard threshold. Therefore no reduction in benefits was made. In other instances, the claimant may have had earnings to such an extent that under state law the person was considered not unemployed. Therefore, no benefits were due. Of these 100,760,170 weeks, states reduced the amount of benefit paid in 8,367,718 weeks or 8.3 percent of the weekly payments made.

BAM collects data for several important UI eligibility criteria before and after the BAM investigation. Claimant earnings and adjustments to the claimant's weekly benefit amount (WBA) for the paid week (referred to as the key week) investigated by BAM can produce useful information related to benefit year earning (BYE) improper payments.

The following table summarizes the earnings and adjustments data after the BAM investigation, that is, it compares the information at the time the claimant received benefits to the findings after the investigation.

IPIA Period July 1, 2014 through June 30, 2015 Benefit Year Earnings Analysis		
23,590		Completed Cases
2,388	10.12%	Total Cases completed initially reported benefit year earnings (BYE)
320	13.40%	Of the 2,388 cases with earnings 320 had BYE over-reported
	\$48.77	Average amount BYE over-reported in the key week
	\$16.00	Median amount BYE over-reported in the key week
1,268	53.10%	Of the 2,388 cases 1,268 had BYE amounts accurately reported
	\$182.08	Average amount of BYE accurately reported in the key week
	\$160.00	Median amount of BYE accurately reported in the key week
800	33.50%	Of the 2,388 cases 800 had BYE under reported
	\$102.54	Average amount BYE of under-reported in the key week
	\$44.00	Median amount BYE of under-reported in the key week
21,202	89.88%	Number of the 23,590 cases had No BYE initially reported
865	4.08%	Percent completed cases not initially reporting BYE actually had BYE
	\$411.78	Average unreported or concealed BYE amount in the key week
	\$315.00	Median unreported or concealed BYE amount in the key week

In IPIA 2015, the BAM program reviewed 23,590 key weeks. From these 23,590 paid weeks, 2,388 or 10.68 percent of the weeks investigated had benefit year earnings reported at the time of payment. However, 529 of those 2,388 weeks or 22.68 percent of those weeks with earnings had no deduction due to benefit year earnings. Only

1,859 of the 23,590 paid weeks or 7.88 percent of weeks had an earnings deduction at the time payment was made and 51.86 percent were accurate.

From these 23,590 paid weeks, 21,202 or 89.88 percent of the weeks investigated had no benefit year earnings reported at the time of payment. Slightly more than 53 percent (1,268 weeks) of the 2,388 key weeks with benefit year earnings initially reported actually had the earnings reported accurately. However, 800 weeks, representing 33.50 percent of the weeks with earnings initially reported, had under reported earnings (claimant earned more than reported), and 320 weeks (13.40 percent) of the weeks had over reported earnings (claimant earned less than reported).

Additionally, investigators found 865 weeks or 4.08 percent of the 21,202 weeks with no benefit year earnings initially reported actually had earnings income. More than 86 percent of these cases had benefits amounts decreased or reduced completely because the claimant was found to be working part or full time.

These findings with respect to claimant earnings affect the accuracy of adjustments to the claimant’s WBA. Furthermore, claimants’ accurate reporting of benefit year earnings and timely earning verification with employers are essential in preventing, identifying, and reducing these types of improper payments.

### Work Search Issues

Cause Work Search Issues	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Estimated Amount by Cause	\$951,787,423	\$41,103,001	\$29,702,300
Estimated \$ Overpaid by Rate	\$3,230,311,692	911,734,364	\$501,597,110
Percent of Total \$ Overpaid	29.464%	4.508%	5.922%

The Middle Class Tax Relief and Job Creation Act of 2012 (Public Law 112-96) amended the Social Security Act Section 303(a)(12) and added a “requirement that, as a condition of eligibility for regular compensation for any week, a claimant must be able to work, available to work, and actively seeking work.”<sup>13</sup> [UIPL 05-13](#) (p. 3; January 10, 2013) provides that “Federal UC law establishes strictly limited circumstances under which states may not hold UC claimants to the work search requirement.” However, because Federal UC law does not specifically define “actively seeking work,” states have discretion in establishing requirements; therefore, state to state comparisons are problematic.

As displayed in the IPIA 2015 Overpayment Cause By Integrity Rate table, work search issues are the second leading cause for overpayments, but are not a significant cause of the fraud overpayments. Additionally, work search overpayments do not represent a significant portion of those improper payments for which the agency had full or partial responsibility.

<sup>13</sup> [https://www.ssa.gov/OP\\_Home/ssact/title03/0303.htm#ftn16](https://www.ssa.gov/OP_Home/ssact/title03/0303.htm#ftn16)

BAM data indicates that in 79.15 percent of weeks compensated, claimants were required to conduct an active search for work. The verification activities discussed below represent 18,671 key weeks with an average of 2.12 work search verifications per week. Overall, 91.89 percent of the claimant's work search actions meet state requirements. The Department estimates that the verification of each work search (contact and or activity) provided by the claimant takes ten minutes to complete. During this report period, states compensated 107,388,930 weeks and work search was required in approximately 84,996,130 of those weeks. Verification for work search compliance eligibility includes the state investigator, contacting employer(s) listed as contacts, and claimant providing detail information.

States vary with regards to the work search standards. In many states, claimants must make a minimum number of employer contacts each week. Within a state there may be differences in the number contacts required based on local labor market characteristics while in other states the number of contacts is standard throughout the SWA. Some of these states may allow certain activities such as attending job search seminars or networking to be considered acceptable work search activities. Depending on the occupation, some states require claimants to contact the employer in person. As a condition of eligibility, many states require a claimant to maintain a log or record of weekly work search contacts and provide the record for verification purposes. Some states allow a claimant to simply attest without presenting any tangible evidence that they have made an active search for work.

As a result of these diverse work search eligibility requirements and enforcement standards, there is tremendous variability in work search error rates among states. A lower error rate could reflect a higher rate of work search compliance within the state (which in turn could be due either to greater search efforts by claimants or to less stringent requirements for work search), greater leniency by an SWA in the circumstances under which it considers claimants' lack of compliance in work search or reporting as constituting an improper payment, varying SWA standards for verification of claimant provided contacts/activities, differences in how BAM audits are conducted, or the SWA BAM program's failure to consistently apply state laws in evaluating its cases.

The BAM program captures seven data elements to assist the state investigators in determining claimant work search compliance. Claimants are asked about their work search efforts in question 42 on the claimant questionnaire (ET Handbook No. 395, 5th Edition, Appendix B).

The numeric requirement for work search actions each week varies from state to state and in some states, the numeric requirement varies within the state, ([Comparison of State Laws Page 5-30 \(Table 5-15 Work Search Requirements\)](#)). BAM staff must investigate a sufficient number of contacts, applications, and/or work search activities to establish whether the claimant has met the state's work search requirement. Investigators may choose to (but are not required to) investigate additional work search contacts if they have reason to believe potential eligibility issues (for example, refusal of

work, availability, etc.) could be identified.

Total number of Key Week employer contacts, employment applications, and/or work search activities investigated for eligibility purposes g12	Percent Investigated employer contacts, employment applications, and/or work Search activities Acceptable	Percent Investigated employer contacts, employment applications, and/or Work Search Activities Unverifiable	Percent Investigated employer contacts, employment applications, and/or Work Search Activities Unacceptable
39,644	45.29%	46.60%	8.40%

The table below shows that 6.63 percent or 1,237 of the 18,671 claimants were held ineligible for benefits due to a failure to meet state work search requirements. However, in 3,592 key weeks reviewed or 19.25 percent of the 18,671 weeks where work search was required, investigators recorded that zero work search employer contacts and/or employment applications and/or work search activities were investigated.

Completed cases	# cases work search required (g1) =1	Percent of completed cases requiring active work search	# cases work search required (g1) = 1 & contacts and /or activities investigated	Percent of work search required cases with contacts and /or activities investigated for eligibility	Number work search required cases with no contacts or activities investigated (g12)=0	Percent of work search required cases with no contacts or activities investigated (g12)=0	Total # of Work Search ineligibility	Percent of work search required cases with Key Week work search ineligibility
23,590	18,671	79.15%	15,076	80.75%	3,595	19.25%	1,237	6.63%

As shown in the table below, some of these weeks with zero work search actions include situations where the claimant did not respond to the BAM investigation. States treat such failures differently. Furthermore, work search documentation requirements vary from state to state. Some states hold the claimant ineligible for the week because the claimant failed to provide required work search documentation while others do not.

Count cases with work search required and claimant response	Percent of work search required cases with a claimant response	count of cases work search ineligibility when claimant responds and work search required	Percent of work search required completed cases having a claimant response and work search ineligibility	Count of completed cases with work search required having no claimant response and no contacts investigated	Percent of work search required cases with no response and no contacts investigated	Count of work search required cases having no claimant response and no contacts activities investigated with work search ineligibility	Percent of work search required cases with no claimant response and no contacts investigated with a work search ineligibility
16,841	90.20%	850	5.05%	1,234	6.61%	286	23.18%

Additionally, state continued claim processes vary. In other words, some of the states are capable of capturing and requiring the claimant to provide detail work search information with each week claimed and other states do not. Therefore, in some states information is available even when the claimant fails to report. This further complicates the analysis.

Number of work search required cases where the claimant failed to respond to the investigation	Count of work search non response cases with contacts and/or activities investigated	Percent of work search required cases having no claimant response, however contacts investigated	Count of work search ineligibility in cases where no claimant response but contacts available for investigation	Percent of instances where the claimant failed to respond, however the state had information and found the claimant ineligible
1,830	596	32.57%	76	12.75%

Finally, there is one other category where claimants are held ineligible for benefits due to work search issues. These involve situations where the claimant provided information that initially exempted the individual from work search requirements. For example, the person may have said that they were a member of a union with a hiring hall and they obtained their employment through union referrals or that they had a definite recall date, therefore the work search requirement was waived. However, the investigation's verification with the union found that the claimant was not in good standing or with the employer found that the claimant had no recall date. In such a situation, the claimant might be held ineligible for a failure conduct an active work search because the exemption was invalid. Investigators identified 23 work search ineligibilities out of the 4,919 cases where the person was initially exempt from work search requirements.

### Separation Issues

Cause Separation Issues	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Estimated Amount by Cause	\$595,744,185	\$232,920,924	\$239,945,716
Estimated \$ Overpaid by Rate	\$3,230,311,692	\$911,734,364	\$501,597,110
Percent of Total \$ Overpaid	18.44%	25.55%	47.84%

As displayed in the IPIA 2015 Overpayment Cause By Integrity Rate table, issues involving the claimant's reasons for separating from work (separation issues) are the third leading cause of UI overpayments. They account for 18.44 percent of the overpayment rate and 25.55 percent of the fraud overpayments. Separation issues are the leading cause (47.84 percent) of the amount overpaid for which the agency had full or partial responsibility.

Being involuntarily unemployed – that is, the claimant is unemployed through no fault of their own - is a basic eligibility requirement. All state laws provide that, to receive

benefits, a claimant must be free from disqualification for such acts as voluntary leaving work without good cause, or discharge for misconduct connected with the work. Such disqualifying acts may occur prior to the initial claim for benefits or at any point during the benefit year. The SWAs have the crucial responsibility of identifying and pursuing separation issues, conducting fair and impartial fact finding hearings, and determining whether the employment separation is disqualifying. Separation fact finding hearings involve input from both employers and claimants and the facts may be disputed. The Benefits Timeliness and Quality (BTQ) guide sheets 1 and 2 in the [ET Handbook No. 301, 5th Edition](#), show the complexities of fact finding and the central role SWAs play in determining eligibility. However, the process demands employers and claimants provide complete and timely facts to separation adjudicators so the state can appropriately apply the law.

The SWA's central role in separation eligibility determinations is reflected in the agency responsible rate. BAM investigators found separation errors in 705 of the 23,590 cases investigated. However, when technically proper payments are excluded this number decreases to 499 cases. In 182 (or 36.47 percent) of the 499 separation error cases, the SWA's action or inaction contributed to the error. But in only 66 (or 33.21 percent) of the 182 cases the agency had exclusive responsibility; in the remaining 116 cases the agency shared responsibility with another party.

Although the BTQ data does not determine whether a payment is proper or improper, it reflects whether determination due process requirements were met. Therefore BTQ separation scoring reflects the BAM program's assignment of agency responsibility. The table below shows the BTQ program's finding for "allow payment separation determinations". Such separation allow payment determination become part of the BAM population of payments

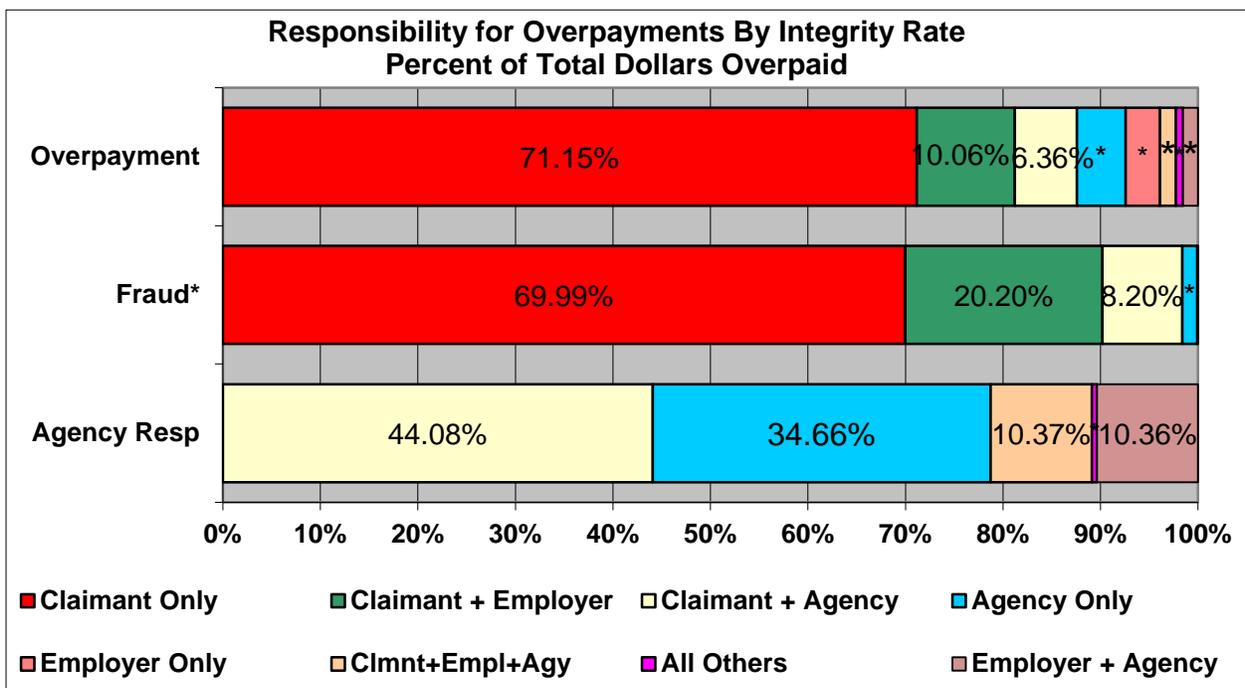
Percent of Total # of allow payment separation determinations where all relevant and critical facts were obtained or a reasonable attempt was made to obtain them and the nonmonetary determination is clearly correct	Percent of Total # of allow payment separation determinations where some critical facts were not obtained and in their absence correct or incorrect application of law cannot be established	Percent of Total # of allow payment separation determinations where all relevant critical facts obtained or a reasonable attempt was made to obtain the facts and the nonmonetary determination law is wrong
73.91%	22.89%	3.20%

Just because the agency did not fulfill its due diligence requirements does not mean a payment is improper. The BAM program conducts new and original fact-find to determine payment accuracy. As part of assigning responsible when a payment is improper, investigators look at the prior action the individual or entity took.

Further insight is gained on improper payments due to separation issues by examining the sections "Agency Action Prior to Sample Selection for Overpayments", "Employer Action Prior to Sample Selection for Overpayments", and "Claimant Action Prior to Sample Selection for Overpayments" sections below.

## Overpayment Responsibility by Integrity Rate

The BAM program identifies the party or parties responsible for all payment errors. As with cause, the distribution of overpayment responsibility varies considerably by integrity rate. A fundamental aspect of payment "when due," for purposes of Section 303(a)(1), SSA, is that UC is due to claimants who are eligible under state and federal law. Eligibility for UC is determined on a week-by-week basis. During a continued claim series, a claimant must certify continuing eligibility for each week. If information provided by the claimant or others establishes eligibility, the state agency manifests its determination of eligibility for that week by issuing compensation to the claimant. Once initial eligibility is established, the SWA must make continued payments unless a question concerning continued eligibility for benefits for a given week arises. In other words, the SWA makes continued benefit payments based on the presumption of eligibility and the claimant's ongoing certification that requirements have been met. However, when a question arises, the SWA is required to conduct an investigation of the facts and make a determination of eligibility or ineligibility.<sup>14</sup> Such a determination may affect past, present or future benefit payments.



\* Less than 5 percent of the overpayments were classified as this responsibility.

The overpayment rate is the broadest measure of overpayments. Since claimants control much of the information used to determine weekly eligibility, they alone were

<sup>14</sup> UIPL No. 04-01, "Payment of Compensation and Timeliness of Determinations during a Continued Claims Series" <http://wdr.doleta.gov/directives/attach/UIPL4-01.cfm>

responsible for almost 71 percent of the dollars overpaid included in the overpayment rate. Errors resulting in overpayments that were attributed exclusively to the SWA accounted for 5 percent of the amount overpaid. The claimant and agency were jointly responsible for an additional 6 percent of the dollars overpaid, and the claimant and employer were jointly responsible for an additional 10 percent of the annual rate overpayments.

Claimants alone were responsible for 70 percent of the fraud overpayments. Claimants along with employers were responsible for 20 percent. Nearly all of the remainder of the fraud includes claimant and agency responsibility.

The agency rate is defined by responsible party; it only includes improper payments where the agency had contributory responsibility. The SWA was solely responsible for almost 35 percent of the amount overpaid included in the agency rate. Agencies shared responsibility with claimants, employers, or third parties for the remainder.

For a detailed listing of these rates for each state, click on the following links (note: spreadsheets may have several pages):

[IPIA 2015 Integrity Rates by Responsibility.xlsx](#)

[IPIA 2015 Overpayment Rate Cause and Responsibility.xlsx](#)

### **Claimant Action Prior to Sample Selection for Overpayments**

Responsibility for improper payments are assigned based on the action that various parties take on the payment. Prior claimant action provides additional details on improper payment responsibility and helps prioritize ways to prevent, reduce, and detect overpayments.

Claimants provide most of the information that agencies use in determining eligibility for UI benefits. Initial eligibility is determined using claimant and/or employer information to establish monetary eligibility. Claimants must have had sufficient employment attachment and wages to be monetarily eligible. Along with monetary requirements, each state's UI law requires workers to meet nonmonetary requirements. Federal law mandates some of these requirements. The general rule is that workers must have lost their jobs through no fault of their own and must be able to work, available for work, and actively seeking work.

Continuing eligibility for UI is determined on a week-by-week basis. During a continued claim series, a claimant must certify their continuing eligibility for each week. Errors can occur anywhere in this business process. In the case of payment errors, BAM identifies the action that the claimant took prior to the sample's selection. BAM assigns a code to indicate action(s) taken by the claimant affecting the payment error issue by recording the following actions:

- Claimant provided adequate and timely information to SWA for determination.

- Claimant provided adequate information to SWA after due date for determination.
- Claimant provided timely but inadequate information to SWA for determination.
- Claimant provided inadequate/incorrect information to SWA after due date for determination.
- Claimant did not respond to SWA request for information.
- SWA did not request the claimant to provide information.

Depending on the cause, BAM often finds claimants responsible for overpayments because they are a principal source of eligibility information. Prior claimant action provides insight into this coding. For example, in 89 percent of the benefit year earnings overpayments and almost 65 percent of the separation issues overpayments, the claimant provided inadequate but timely information contributing to \$1.35 billion overpaid in these two cause categories. The data further emphasizes the importance of verifying separation and earnings information with employers and conducting these verification actions.

For a detailed listing of this rate, click on the following link (note: the spreadsheet may have several pages): [IPIA 2015 Cause x Prior Claimant Action.xlsx](#)

### **Agency Action Prior to Sample Selection for Overpayments**

Responsibility for improper payments are assigned based on the action that various parties take on the payment. Prior agency action provides additional details on improper payment responsibility and helps prioritize ways to prevent, reduce, and detect overpayments. In the case of payment errors, BAM identifies the action that the SWA took prior to the sample's selection.

At the time the SWA made payment, BAM found most overpayments were not detectable through normal agency procedures. Just over 85 percent of the overpayments determined to be due to fraud were not detectable through normal agency procedures at the time the payment was made. BAM found that special agency actions (e.g., crossmatching with the National Directory of New Hires or taking additional steps to secure employer information) were required to prevent or detect these overpayments. The remaining fraud overpayments were distributed among the other prior agency action categories.

For overpayments included in the overpayment rate, a little less than 82 percent of the 3.23 billion dollars of UI benefits overpaid was not detectable through normal agency procedures. The agency had sufficient information but did not resolve the issue for 6.6 percent of the amount overpaid, and the agency identified the overpayment issue but took the incorrect action for 3.8 percent of dollars overpaid. The agency failed to follow its own procedures, which precluded the ability to prevent the overpayment, for 2.2 percent of the overpayment rate dollars overpaid. At the time BAM selected the

sample, the agency had resolved or was in the process of resolving improper payments constituting 3.6 percent of the amount overpaid. Additionally, the agency identified 1.6 percent of these overpayments using crossmatches.

For the agency rate, BAM determined SWAs were responsible for \$502.3 million because they had full or partial responsibility for the overpayment. Of these, the agency had sufficient information to identify the overpayment issue but did not resolve the issue for 44 percent of the amount overpaid; the agency took the incorrect action for 26 percent, and did not follow procedures thereby precluding the SWA's ability to detect the payment error for 15 percent of the amount overpaid. The remaining overpayments for which the agency had full or partial responsibility were either not detectable through normal procedures at the time the payment was made or the agency had resolved or was in the process of resolving improper payments or the error was committed by another SWA.

For a detailed listing of these rates for each state, click on the following links (note: spreadsheets may have several pages):

[IPIA 2015 Integrity Rates Cause x Prior Agency Action.xlsx](#)

### **Employer Action Prior to Sample Selection for Overpayments**

In the case of payment errors, BAM identifies the action that the employer took before the payment was selected for the BAM sample. Prior employer action provides additional details on improper payment responsibility and helps prioritize ways to prevent, reduce, and detect overpayments. As discussed in the previous section, BAM considers a large majority of the overpayments included in the overpayment rate and fraud rate to be undetectable by the agencies during their usual payment administration processes, and thus prohibitively expensive for the agency to prevent. However, BAM detects the majority of its payment errors through the verification of claim information with employers.

Although claimants provide most of the information that agencies use in determining eligibility for UI benefits, employers also provide critical information to the agencies. Employers provide wage information, which is used to calculate the claimants' monetary eligibility and weekly benefit payments. Employers respond to notices of new initial and additional claims by providing information on the reason for the claimant's separation from work. Employers submit notices of new hire, which agencies use to detect claims filed by individuals who have returned to work. Employers also provide detailed information that may corroborate or contradict claimant provided information on issues that affect eligibility, such as information concerning availability for work, work search, job refusal, and benefit year earnings.

BAM data show that prior employer action is a critical factor in the agency's ability to prevent or detect many overpayments. BAM assigns a code to indicate action(s) taken by the employer affecting the payment error issue and records the following employer actions:

- Employer provided adequate information to SWA in a timely manner for the payment determination.
- Employer provided adequate information after due date for payment determination.
- Employer provided inadequate/incorrect information in a timely manner for payment determination.
- Employer provided inadequate/incorrect information after due date for payment determination.
- Employer did not respond to request for information.
- Employer did not report claimant as a “New Hire” as required by law.
- Employer, as an interested party, was not requested by agency to provide information for determination.
- Not an employer-related issue.

Because the state agency uses employer provided information in its eligibility determinations, the accuracy and timeliness of this information affect whether benefits were properly paid. Five of these actions may lead to improper payments. The following table displays prior employer actions for each of the integrity rates.

**IPIA 2015 Integrity Rates - Dollars Overpaid by Prior Employer Action**

Employer action as of the time that the payment was selected for audit	Overpayment Rate	Fraud Rate Overpayments	Agency Rate Overpayments
Not An Employer Issue	\$1,271,917,097	\$119,388,711	\$117,872,575
Agency Did Not Request	\$866,284,372	\$401,221,711	\$74,446,468
Adequate and Timely Information	\$567,072,182	\$209,005,326	\$209,735,605
Did Not Respond to request	\$254,292,565	\$109,660,508	\$52,395,329
Inadequate information	\$167,916,190	\$11,236,249	\$34,398,379
Not Timely information	\$29,657,267	\$12,464,361	\$6,006,736
Inadequate and Untimely	\$6,333,349	\$835,982	\$2,952,168
Did Not Report New Hire	\$65,566,200	\$47,444,504	\$4,496,563
Estimated dollars overpaid where a different employer action may have produced a different outcome	\$523,765,571	\$181,641,604	\$100,249,175
Percent of Total Dollars overpaid where a different employer action may have produced a different outcome	16.22%	19.93%	19.96%
Total Estimated Overpaid	\$3,229,039,222	\$911,257,352	\$502,303,823

The highlighted sections show estimated overpayments where a different employer action in response to a claim may have produced a different outcome. BAM estimates that employer actions contribute 16.22 percent of the overpayments included in the

overpayment rate, 19.93 percent to the fraud rate dollars overpaid, and 19.96 percent of the overpayments included in the agency responsible rate.

For example, over \$230.8 million overpaid in the overpayment rate involved verification difficulties dealing with employment separations. A significant portion of these improper payments involved situations where the employer did not respond to the agency’s request for separation information. An additional \$87.8 million overpaid involved employer verification problems and benefit year earnings. These overpayments may have been prevented or reduced if timely or accurate information had been provided.

One element stands out in the agency responsible error rate. For 14.82 percent of the total dollars overpaid or approximately \$74.4 million, BAM found that the SWAs did not request information from employers who were an interested party to a determination.

Overall, BAM data shows that prior employer participation is an essential factor in the prevention or detection of many overpayments.

For a detailed listing of these rates for each state, click on the following links (note: spreadsheets may have several pages):

[IPIA 2015 Integrity Rates Cause x Prior Employer Action.xlsx](#)

**Point of Detection**

BAM records the point in its audit process at which it first detects a payment error. BAM detects most payment errors by verifying base period wages, benefit year earnings, and separation information with employers. The data suggest that taking additional steps to secure employer information or to conduct more in-depth claimant interviews may influence overpayment amounts. For example, a cross tabulation displaying the joint distribution of the point of detection and overpayment cause shows that BAM found significant errors when payment information is corroborated with employers and through extensive claimant interviews.

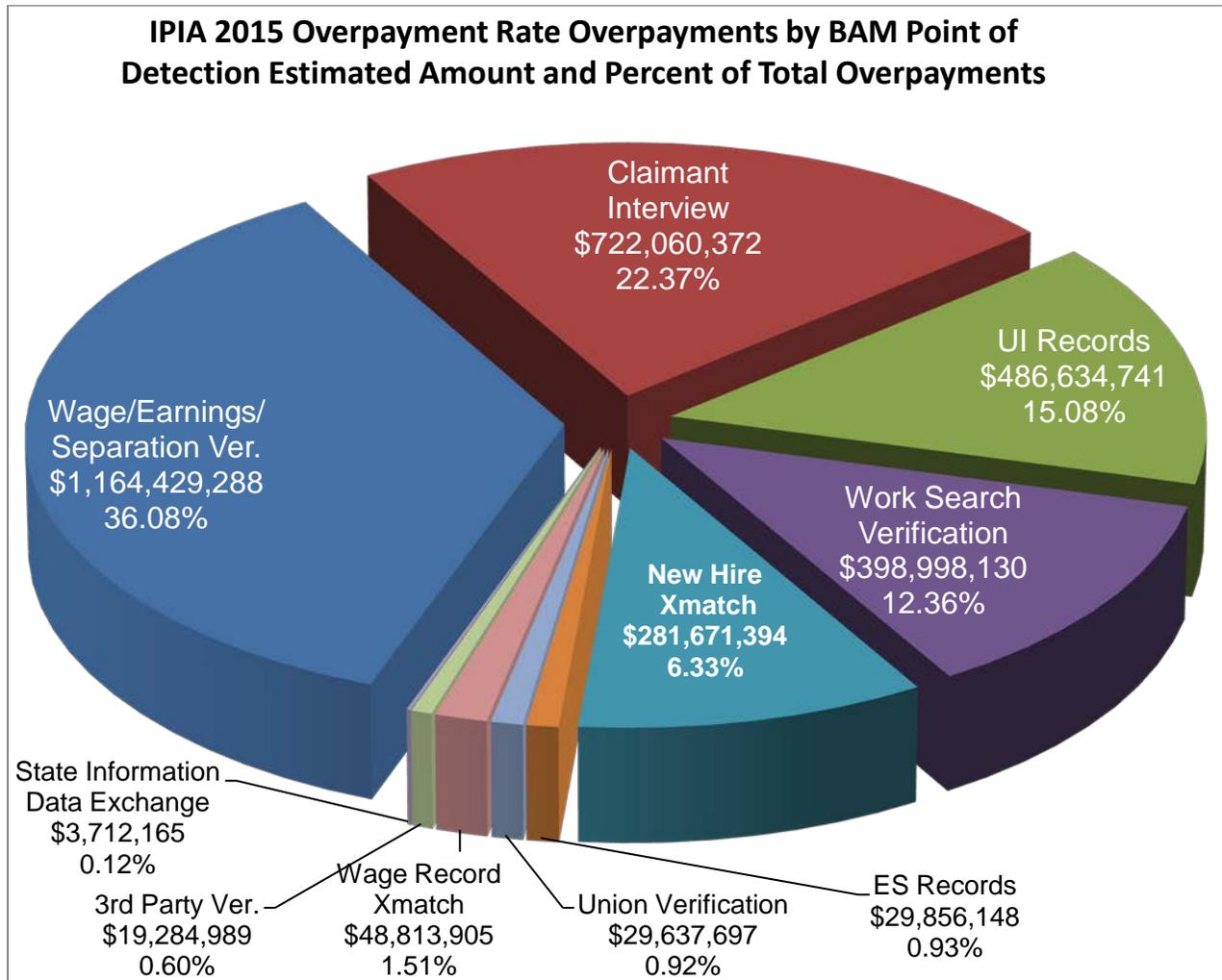
Point of Detection - Overpayment rate	Benefit Year Earnings	Separation Issues
Wage/ Earnings/ Separation Verification	\$663,049,369	\$254,359,518
Claimant Interview	\$80,455,883	\$83,787,379

BAM identified an additional \$486,634,741 of overpayments in agency “UI Records.” Such overpayments may be displayed as erroneous prior agency actions.

Agency Actions	SWA identified KW issue prior to KW selection but took incorrect action.	SWA had sufficient documentation to identify that there was a KW issue but did not resolve the issue.
\$ by Prior Agency Action	\$121,433,541	\$214,226,207

This information taken together suggests that inadequate staff training and insufficient investigational time may be issues contributing to benefits being improperly paid. Also, benefit system limitations might influence these agency actions.

Aggregate IPIA 2015 Point of Detection data for all states are displayed in the following chart.



BAM identified an estimated \$243.1 million in benefit year earnings and \$66.4 million in separation overpayments using the National Directory of New Hires (NDNH) crossmatch. These overpayments are identified with a specific detection point code. BAM also captures whether the agency had identified the overpayment at the time of sample selection. In many cases, the SWA has not taken action on the new hire hit when BAM selects its case. This strongly suggests that SWA should review and improve their crossmatch workflow processes and adjust their crossmatch parameters to optimize new hire detections.

Within this framework, it is important to note that the audit process differs substantially from normal UI operations in terms of cost, time, and effort. BAM exhausts all avenues in obtaining information while UI operations make reasonable attempts. This procedural difference may contribute to BAM identifying some of these overpayments. However, Section 303(a)(1) of the SSA requires "[s]uch methods of administration . . . to insure full payment of unemployment compensation when due." Application of this "when due" provision requires the balancing of the dual concerns of promptness and accuracy. The Department has always interpreted "when due" to include accuracy to ensure that payments are not made when they are not due.

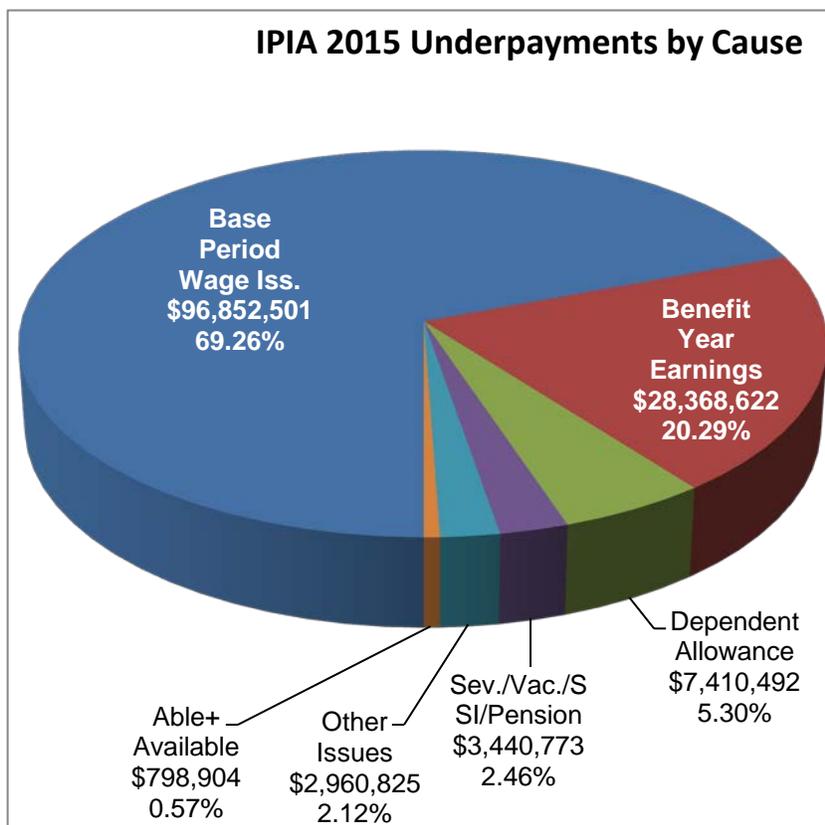
For a detailed listing of these rates for each state, click on the following links (note: spreadsheets may have several pages):

[IPIA 2015 Integrity Rates by Point of Detection.xlsx](#)

## II. Underpayments and Denied Claims Accuracy

### Underpayment Rate

IPIA requires estimates of underpayment rates, in addition to overpayments. BAM estimates that \$139.85 million was underpaid in IPIA 2015, compared with \$172.84 million underpaid in IPIA 2014. IPIA 2015 data excludes technically proper underpayments. As a percentage of UI benefits paid, the IPIA 2015 national underpayment rate of 0.44 percent is slightly lower than the IPIA 2014 rate of 0.48 percent. State underpayments ranged from 0.01 percent in Georgia to 1.67 percent in New Jersey.



Errors in reporting or recording base period wages accounted for slightly less than 69.26 percent of the amount underpaid, and represented 0.31 percent of the amount of UI benefits paid. Employers report employees' wages to SWAs each calendar quarter. SWAs use these wages to establish a claimant's base period, which in turn is used in

the calculation of weekly benefit amounts and maximum benefit amounts (see [IPIA 2015 Base Period Wages Report.xlsx](#) for individual state findings). Instances where the weekly benefit amount increases after the investigation represent underpayments used to produce the estimate.

Type	Base Period Wages			Weekly Benefit Amount			Maximum Benefit Amount		
	# of Cases	% of Cases	Avg. Error	# of Cases	% of Cases	Avg. Error	# of Cases	% of Cases	Avg. Error
Correct	20,625	87.43%		22,415	95.02%		22,075	93.57%	
Understated	1,656	7.02%	(\$5,084.37)	667	2.83%	(\$37.33)	880	3.73%	(\$985.59)
Overstated	1,310	5.55%	\$5,680.06	509	2.16%	\$54.12	636	2.70%	\$1,480.78
<b>Total</b>	<b>23,591</b>	<b>100.00%</b>		<b>23,591</b>	<b>100.00%</b>		<b>23,591</b>	<b>100.00%</b>	

**Understated**

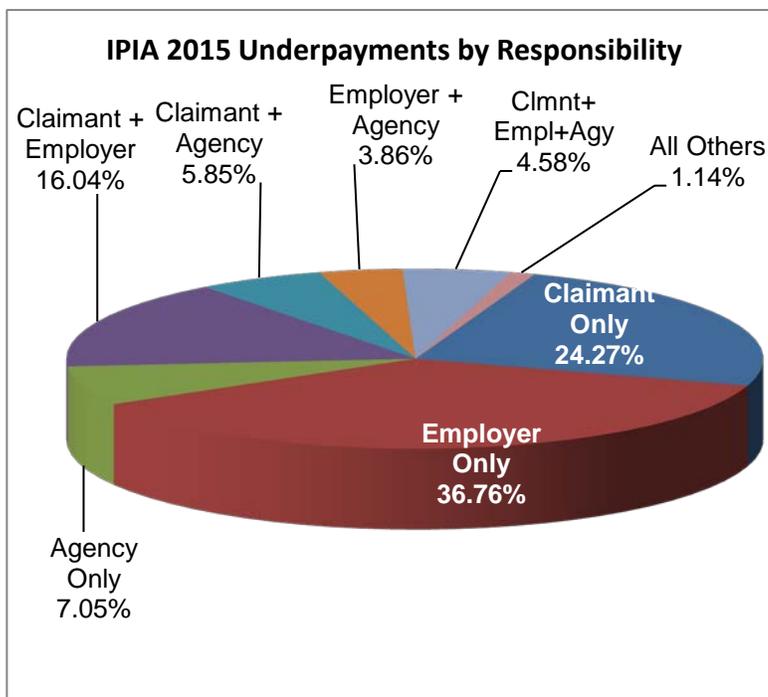
- Number of cases where base period wages (BPW) before investigation (e3) were less than the base period wages after investigation (e4); “(e3 < e4)”,
- Number of cases where the weekly benefit amount (WBA) before investigation (e9) was less than the weekly benefit amount after investigation (e10); “(e9 < e10)”,
- Number of cases where the maximum benefit amount (MBA) before investigation (e11) was less than the maximum benefit amount after investigation (e12); “(e11 < e12)”

Overstated - Number of cases where “e3 > e4” for BPW, “e9 > e10” for WBA, and “e11 > e12” for MBA.

Errors in reporting or recording benefit year earnings were the second leading cause of underpayments – 20.29 percent of all underpayments and 0.09 percent of UI benefits paid. Generally, claimants can work and earn wages while collecting UI benefits as long as they report their earnings. However, weekly UI payments may be adjusted downward based on claimant reported earnings. For many of these underpayments, the claimant may have over reported their weekly earnings and because of this error, BAM found that UI benefit amount paid was too small.

IPIA Period July 1, 2014 through June 30, 2015 Benefit Year Earnings Analysis		
23,590		Completed Cases
2,388	10.12%	Total Cases completed initially reported benefit year earnings (BYE)
320	13.40%	Of the 2,388 cases with earnings 320 had BYE over-reported
	\$48.77	Average amount BYE over-reported in the key week
	\$16.00	Median amount BYE over-reported in the key week

Employers alone were responsible for 36.76 percent of amount underpaid, which represented 0.16 percent of the amount of UI benefits paid. Claimants alone were responsible for an additional 24.27 percent of the amount underpaid, which represented 0.11 percent of the amount of UI benefits paid. Because SWAs often send out confirmations to the claimant and base period employers at the time of monetary determination, responsibility for these types of underpayments are highly distributed.



The underpayments estimated from BAM paid claims samples represent underpayments only for those claimants eligible for UC. Underpayments also result when claims for UI are erroneously denied. Each week, BAM units in the SWAs select samples of denied UI claims from three populations, defined by the type of issue on which a benefit denial was based -- monetary, separation, and nonseparation (continued claim filing eligibility). Denied Claim Accuracy (DCA) measures the accuracy of disqualifying monetary, separation, and nonseparation determinations for both intrastate and interstate claims.

### **Denied Claims Accuracy Rates**

Unlike the investigation of paid claims, in which all prior determinations affecting claimant eligibility for the compensated week are evaluated, the investigation of denied claims is limited to the issue upon which the denial determination is based. DCA investigators verify facts contained in the case file, obtain any missing information, and conduct new and original fact-finding that may be impact the denial determination. The DCA audits record error information in a manner similar to paid claim accuracy: Dollar Amount of Error, Error Issue Action Code, Error Cause, Error Responsibility, Error Detection Point, Prior Agency Action, Prior Employer Action, DCA Action Appealed, and Prior Claimant Action.

### **Monetary Denials**

SWAs determine the monetary eligibility of claimants when they file a new initial claim or a transitional claim (to establish a new benefit year). In IPIA 2015, SWAs determined that 86.81 percent of the 10.49 million new initial and transitional claims were monetarily eligible.

BAM estimates that 13.55 percent of the 1.1 million monetary denials included in the BAM DCA population were improper. This compares to an improper denial rate of 15.35 percent in IPIA 2014. These UI claims were denied because the agency had initially determined that the claimant had not earned sufficient wages in employment prior to being unemployed or failed to meet other requirements for monetary eligibility, such as sufficient earnings in a minimum number of weeks. The BAM DCA audit identified additional wage credits or an alternate or extended base period for these claimants that had not been included in the original monetary determination or identified other errors in the original determination.

For many of these improper monetary denials, the SWA had identified the additional wages and issued a redetermination establishing eligibility independent of the BAM investigation, or the initial denial was reversed on appeal. When the improper monetary denial rate is adjusted for these agency initiated redeterminations or appeals reversals, the improper denial rate for monetary determinations drops to 10.14 percent. This represents approximately 112,136 of the 1.1 million claimants who were monetarily denied. This rate is lower than the adjusted improper denial rate of 12.15 percent in IPIA 2014.

## **Separation Denials**

In order to be eligible for UC, claimants must be unemployed due to no fault of their own, discharged for non-disqualifying reasons, or must have voluntarily left employment for a non-disqualifying reason provided in state law, such as workplace harassment, unsafe working conditions, domestic violence, or to relocate with a spouse. Agencies conduct determinations of eligibility when a separation issue has been identified. The agency gathers information from the claimant, employer, and relevant third parties. Based on the findings of fact and the application of state laws, SWAs issue a determination of eligibility.

Separation issues normally are identified when a new initial claim or an additional claim is filed. In IPIA 2015, there were approximately 9.10 million monetarily eligible new initial claims and approximately 5.28 million additional claims. No separation determinations were conducted for nearly 73 percent of these claims, because the reason for separation was lack of work or reduction in workforce. SWAs completed slightly more than 3.88 million separation investigations and found disqualifying circumstances in 1.91 million of these determinations that resulted in denial of benefits.

In IPIA 2015, BAM estimated that 9.87 percent of the 1.73 million separation denials included in the BAM DCA population were improper, compared with 9.51 percent estimated for IPIA 2014. When redeterminations and appeal reversals are taken into account, the improper denial rate for separations decreases to 5.68 percent, compared with 5.92 percent in IPIA 2014. Nationally, BAM estimates that approximately 98,146 of

the 1.73 million employment separation denials subject to audit were incorrectly denied benefits.

## **Nonseparation Denials**

Nonseparation issues include the claimant's ability to work and availability for work, disqualifying and unreported earnings and income during the benefit year, failure to meet work search requirements, and failure to report as required by the SWA to provide information related to the UI claim or to receive reemployment services. There is often a distinction between issues that result in disqualification and issues that result in a specific number of weeks of ineligibility. A disqualified claimant has no right to benefits until s/he requalifies, usually by obtaining new work or by serving an established disqualification period. In some cases, benefits and wage credits may be reduced. An ineligible worker is prohibited from receiving benefits until the condition causing the ineligibility ceases to exist. Eligibility issues are generally determined on a week-by-week basis. Although nonseparation issues can be detected at various points in the UI claims taking process, these issues generally affect the claimant's eligibility for continued claims of UI.

In IPIA 2015 claimants requested payment or "claimed" 124.66 million weeks of benefits. Approximately 11.57 percent of UI weeks claimed were not paid, and no nonseparation determinations were conducted. These unpaid weeks primarily involved claims where the claimant earnings from work exceeded SWA payment limits.<sup>15</sup> SWAs made payments for 107.39 million weeks. SWAs completed 3.97 million nonseparation determinations and concluded that 3.22 million of those investigations should result in denial of benefits.

For the 2.57 million nonseparation denials included in the DCA population, BAM estimates an improper denial rate of 12.47 percent and when redeterminations and appeals reversals are taken into account, the adjusted improper denials rate is 9.41 percent.

## **Overpayments and Proper Denials**

BAM determined that small percentages of the separation (0.11 percent) and nonseparation (0.66 percent) denials resulted in overpayments. Overpayments can occur if the period of disqualification for UI benefits was less than it should have been, and the claimant received compensation during the period that he or she should have been ineligible for benefits. Overpayments can also occur if the claimant received a partial payment that was too large. A partial payment is a reduction in the claimant's weekly benefit amount and is issued when the claimant has earnings or other deductible income (such as pension, vacation, severance, and SSI) for weeks that he or she claims UI benefits. For some of these compensated weeks, the BAM audit identified

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<sup>15</sup> A nonmonetary determination may be issued only when there is a question on whether for a particular week: **a) the claimant's activities constitutes "employment,"** or **b) the claimant earns "wages"** or receives "remuneration," resulting in ineligibility as "not unemployed," or only partially unemployed.

additional income that reduced benefits further or in some cases eliminated eligibility for benefits entirely.

In a small percentage for all three types of denials, BAM concluded that the claimant was properly denied but the agency committed a procedural error, such as basing the determination on the wrong reason or section of the law or applying incorrect dates to the period of denial. For example, a claimant may have been denied because of a monetary determination that the claimant had earned insufficient wages in the minimum number of weeks required by state law. The BAM audit determined that the claimant did meet the minimum weeks test, but was still ineligible due to insufficient total wage credits earned in the base period. For separation and nonseparation determinations, these errors typically involve citing the wrong issue or the wrong section of the law in the determination (for example, quit versus fired or availability versus reporting).

### DCA Rate Table

The following table summarizes the DCA rates for the three denial categories described above.

**IPIA 2015 US Denied Claims Accuracy Rates**

Denial Type	BAM Population of Denials	Improper Denial Rate*	Adjusted Improper Denial Rate**	Over-Payment	Proper Denial***
Monetary	1,105,872	14.90%	13.55%	10.14%	0.00%
Separation	1,727,907	17.60%	9.87%	5.68%	0.11%
Nonseparation	2,573,817	18.85%	12.47%	9.41%	0.66%

Estimates and population exclude Florida

#### DCA Rate Table Notes:

In several states, the population from which the BAM DCA samples were selected may not include all of the determinations that meet the definition for inclusion in the DCA population. This limits the degree to which inferences about the population can be made from BAM DCA data. States are in the process of resolving these population issues.

\* Improper Denial rate is the percentage of denied claims that BAM DCA concluded were erroneous, whether or not official agency action was taken to issue payment or increase claimant's WBA, MBA or remaining balance.

\*\* Adjusted improper Denial rate excludes erroneous denials that were corrected by the agency and claims for which eligibility was established on appeal prior to DCA case completion.

\*\*\* Properly denied, but BAM identified a procedural error, such as basing the determination on the wrong reason or section of the law or applying an incorrect period of denial.

For a detailed listing of these denial rates for each state, click on the following link (note: the spreadsheet may have several pages):

[IPIA 2015 Denied Claims Accuracy & Error Rates.xlsx](#)

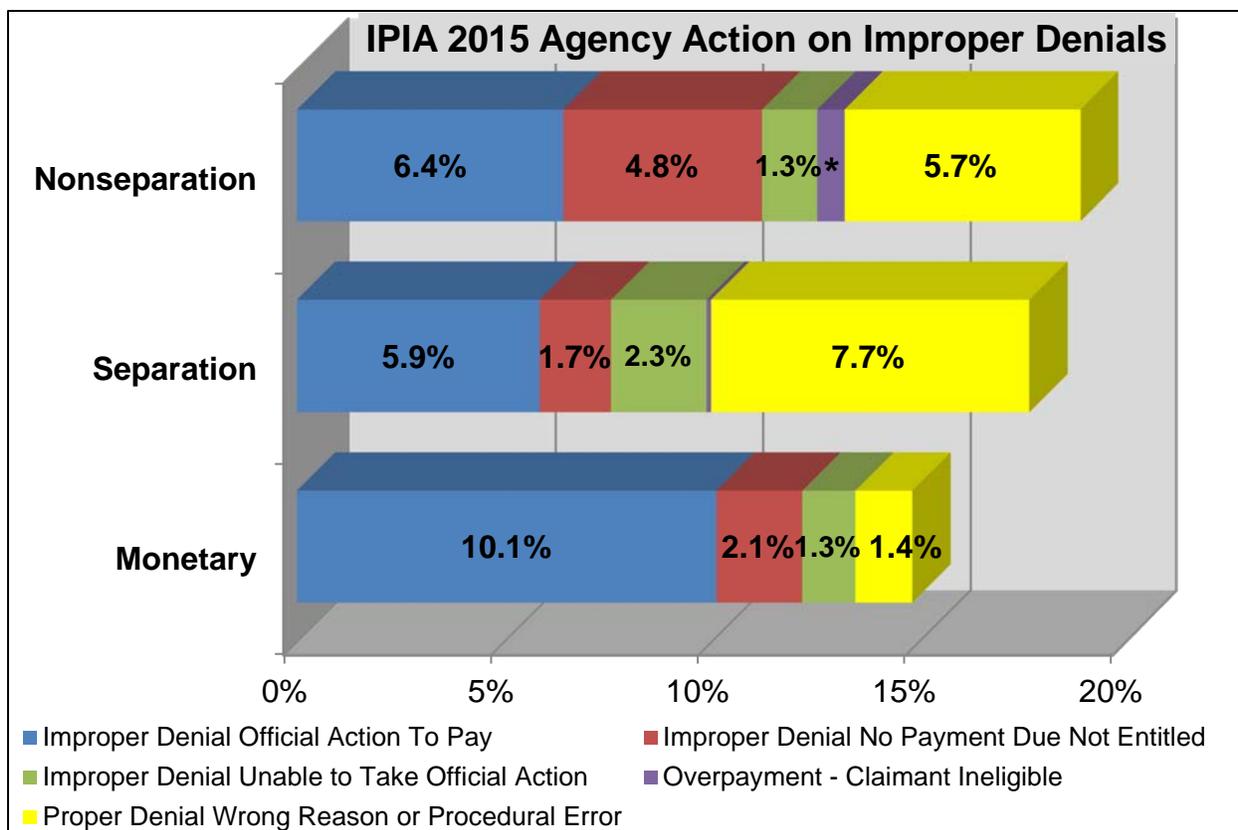
### **Agency Action for Improper Denials**

Not every improper denial results in the agency issuing a payment to the claimant (i.e., increasing the claimant's weekly benefit amount, maximum benefit amount, or dependents' allowance). Agencies or BAM took action to ensure that benefits were paid for just over 75.11 percent of the improper monetary denial cases reviewed. Additionally, in the other types of denials reviewed, 58.62 percent and 48.64 percent of the claimants improperly denied for separation and nonseparation issues respectively, received benefits. In some cases, claimants are ineligible for payment due to other disqualifying issues. In other cases, the agency is precluded from taking action because of the time that has elapsed, since the denial was issued (determination finality rules) or by other provisions of the law. Data shows that finality applies to 15.38 percent of the monetary denials, 17.23 percent of the separation denials, and 36.29 percent of the nonseparation denials.

BAM records the following agency actions:

- Official Action - Agency or BAM took action to issue payment;
- No Payment Due - Claimant was not entitled to payment due to other disqualifying issue or the claimant did not file a claim for the week(s), which were improperly denied;
- Other Improper - No official action could be taken due to finality or other provisions of state law prohibiting redetermination;
- Overpayment - Claimant received payment for weeks of unemployment to which he or she was not entitled; and
- Procedural Error - Claimant properly denied, but BAM identified a procedural error on the part of the agency such as applying the wrong section of the law.

The following graph summarizes the denial error rates by outcome and whether agency action was possible.



\*Less than one percent

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[IPIA 2015 Agency Action on Improper Denials By Denial Type.xlsx](#)

### Cause for Improper Denials

The distribution of the causes of improper denials varies considerably among the three denial types and rates. The elements included or excluded from the various rates are controlled by business process definitions, and this influences the distribution.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): [IPIA 2015 Improper Denials by Cause.xlsx](#)

### Responsibility for Improper Denials

The party responsible for erroneous denials varies by type of denial determination. Employers were solely responsible for almost 22.69 percent of the erroneous monetary denials due to misreporting or underreporting employees' wages. A small percentage of these improper monetary denials involved employers misclassifying claimants as

independent contractors during the base period. Claimants were responsible for another 23.19 percent of the erroneous monetary denials, and agency error accounted for approximately 15.22 percent of the improper monetary denials.

The SWAs were solely responsible for 38.81 percent of the incorrect separation denials and 38.21 percent of the improper nonseparation denials. Employers and the SWAs were jointly responsible for just over 15.99 percent of the erroneous separation denials. Claimants were responsible for approximately 33.35 percent of the erroneous nonseparation denials.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[IPIA 2015 Improper Denials by Responsibility.xlsx](#)

### Improper Denials by Prior Agency Action

Because the SWAs, either solely or jointly with other parties, are responsible for the majority of the erroneous nonmonetary denials and for a significant proportion of the monetary denials, it is instructive to examine agency action prior to the DCA investigation. Agencies had resolved or were in the process of resolving 22.1 percent of the erroneous monetary denials. However, 46.6 percent of the improper monetary denials could not be detected through the normal claims taking procedures. Typically, these are claims for which the employer incorrectly reported the wages or the claimant failed to inform the agency that he or she had out-of-state wage credits. Therefore, the agency issued the monetary denial based on the best information available at the time of the initial determination. For improper nonmonetary denials, the agency identified the issue but took the incorrect action for 57.7 percent of the improper separation determinations and 40.0 percent of the erroneous nonseparation determinations.

Prior Agency Action For Improper Denials -- IPIA 2015  
July 1, 2014 through June 30, 2015 (Batch Range 201427 - 201526)

Sample Type	Not Detect	Agency Resolved	Incorrect Action	Not Resolved	Procedure Not Followed	Detected by XMatch	Provided incorrect Info	Other SWA Error
Monetary	46.64%	22.07%	3.74%	22.22%	5.15%	0.00%	0.18%	0.00%
Separation	23.52%	9.91%	57.65%	5.35%	3.58%	0.00%	0.00%	0.00%
Nonseparation	32.67%	16.94%	40.02%	5.60%	3.79%	0.00%	0.95%	0.02%

Although the agency followed its procedures, the issue or information was undetectable for 23.52 percent of the improper separation determinations and slightly less than 33 percent of the erroneous nonseparation determinations. For these claims the agency issued its determination to deny eligibility based on information that, although incomplete, was the best available under normal procedures at the time of its decision.

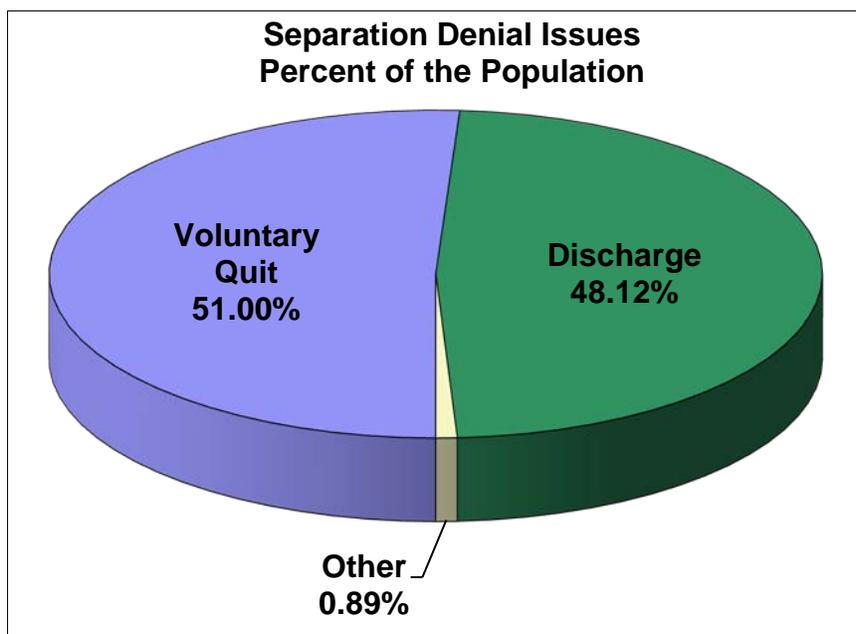
For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[IPIA 2015 Improper Denials by Prior Agency Action.xlsx](#)

**Separation Issues**

A very slight majority of the separation denials concerned voluntary quits (VQ), almost in balance with number of discharges, other separation issues accounted for the balance.

“Other” separation denials include a small number of labor disputes, military separations, or claimants who were still job attached (partial unemployment). Claims that were denied for VQ issues were somewhat less likely to be in error (9.57 percent) than denials issued for discharge (10.08 percent). Separation denials that were based on “Other” issues were incorrect at a higher rate (15.73 percent)



The following table displays sample and population classification of these separation denial determinations and improper denial rates by type.

Separation Type	Sample Cases	Population of separation type denial	Percentage of Type in Population	Improper Denials
Voluntary Quit	4,119	881,206	51.00%	9.57%
Discharge	3,707	831,387	48.12%	10.08%
Other	82	15,314	0.89%	15.73%
Total	7,908	1,727,907	100.00%	
% Improper				9.87%

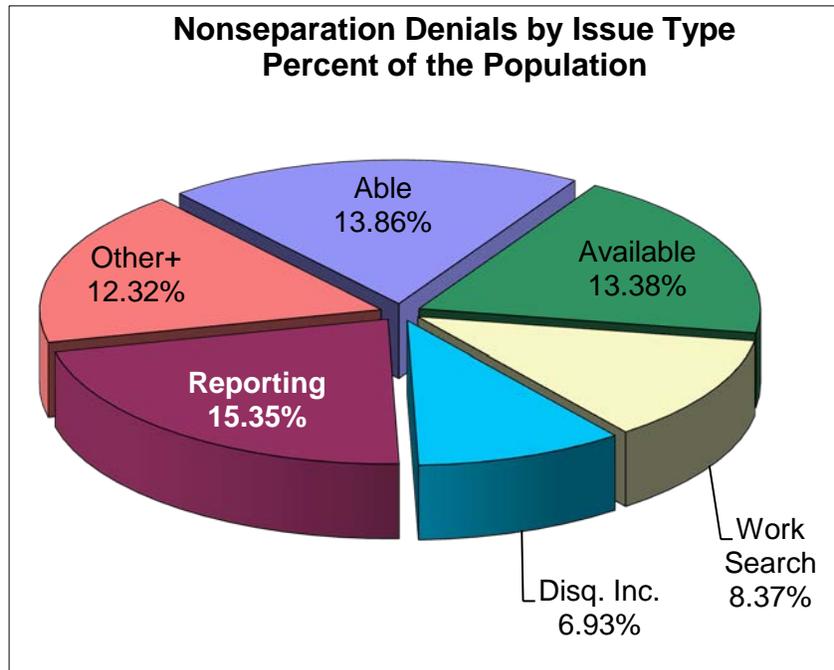
For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[IPIA 2015 Denied Claims Accuracy Separation Determinations.xlsx](#)

## Nonseparation Issues

The largest category of nonseparation denials in IPIA 2015 concerns claimants failing to report when SWAs require them to provide information related to the UI claim or to receive reemployment services. Failing to report is followed by issues involving ability to work and availability to work.

The remaining nonseparation denials are distributed among several issues, such as disqualifying income, failing to conduct an active search for work, and other issues. The “Other” nonseparation denial category includes issues such as refusal of suitable work, alien, athlete, school, and seasonality.



The following table displays sample and population classification of these nonseparation denial determinations and improper denial rates by type.

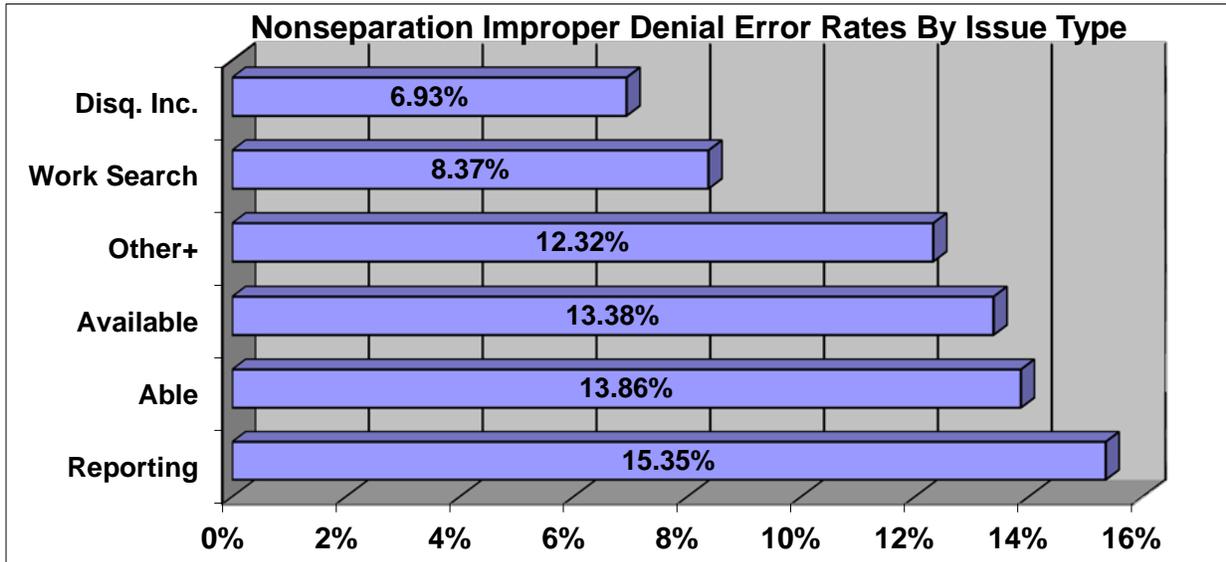
Nonseparation Denial Type	Sample Cases	Population of Denials	Percentage of Denial Type in Population	Improper Denials
Able	645	198,868	7.73%	13.86%
Available	946	327,388	12.72%	13.38%
Work Search	907	315,532	12.26%	8.37%
Disqualifying. Income.	1,590	396,591	15.41%	6.93%
Reporting	3,024	1,093,493	42.49%	15.35%
Other+	826	241,945	9.40%	12.32%
Total	7,938	2,573,817	100.00%	
% Improper				12.55%

+Other includes refusal of suitable work, alien, athlete, school, seasonality issues.

Determinations that denied eligibility because the claimant failed to meet the state's reporting requirements had the highest error rate (15.35 percent), and represent the

largest portion of denial population. Denials based on the claimant's ability to work represented the smallest part of the denial population although the investigation found claimants were improperly denied 13.86 percent of the time.

The following chart shows improper nonseparation denial error rates by the type of issue.



For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[IPIA 2015 Denied Claims Accuracy Nonseparation Determinations.xlsx](#)

## Links to Additional BAM Paid and Denied Claims Data and BAM Methodology

### Integrity Rates\*

- [IPIA 2015 Integrity Rates all states.xlsx](#)
- [IPIA 2014 - IPIA 2015 Integrity Rate Changes.xlsx](#)

### Integrity Rates - Cause / Responsibility\*

- [IPIA 2015 Integrity Rates x Cause.xlsx](#)
- [IPIA 11 IPIA 15 Overpayment Rate by Quarter & State.xlsx](#)
- [IPIA 2015 Work Search Verification Outcomes.xlsx](#)
- [IPIA 2015 Integrity Rates by Responsibility.xlsx](#)
- [IPIA 2015 Overpayment Rate Cause and Responsibility.xlsx](#)

### Integrity Rates - Prior Action / Point of Detection\*

- [IPIA 2015 Integrity Rates Cause x Prior Agency Action.xlsx](#)
- [IPIA 2015 Cause x Prior Claimant Action.xlsx](#)
- [IPIA 2015 Integrity Rates Cause x Prior Employer Action.xlsx](#)
- [IPIA 2015 Integrity Rates by Point of Detection.xlsx](#)
- [IPIA 2015 Claim Filing Methods.xlsx](#)

### Underpayments and Denied Claim Accuracy\*

- [IPIA 2015 Base Period Wages Report.xlsx](#)
- [IPIA 2015 Denied Claims Accuracy & Error Rates.xlsx](#)
- [IPIA 2015 Agency Action on Improper Denials By Denial Type.xlsx](#)
- [IPIA 2015 Improper Denials by Cause.xlsx](#)
- [IPIA 2015 Improper Denials by Prior Agency Action.xlsx](#)
- [IPIA 2015 Denied Claims Accuracy Separation Determinations.xlsx](#)
- [IPIA 2015 Denied Claims Accuracy Nonseparation Determinations.xlsx](#)
- [IPIA 2015 Improper Denials by Responsibility.xlsx](#)

### BAM Methodology

- [IPIA 2015 Methodology and Program Description](#)
- [IPIA 2015 Method Claimant Information Obtained.xlsx](#)
- [IPIA 2015 State Contacts.xlsx](#)
- [ET 395 Handbook 5th Edition BAM State Operations Guidance](#)
- [Code of Federal Regulations-Quality Control in the Federal State UI System](#)

### Other References

- [Comparison of State Unemployment Insurance Laws IPIA 2015](#)
- [Significant Provisions of State UI Laws](#)
- [Benefits Timeliness and Quality Nonmonetary Determinations Guide Sheets.pdf](#)

\* Note: the spreadsheets may have several pages

Prepared by:

U. S. Department of Labor  
Employment and Training Administration  
Office of Unemployment Insurance  
Division of Performance Management  
March 2016