CHAPTER I
BENEFITS QC OVERVIEW

1. Introduction. The Unemployment Insurance (UI) Benefits
Quality Control (BQC) system is a diagnostic tool for the use of
Federal and State Employment Security Agency (SESA) staff in
identifying errors and their causes and in correcting and
tracking solutions to these problems. Representative samples of
UI payments are drawn and examined intensively to determine if
they were made to eligible claimants and if these claimants were
paid the proper amounts. On the basis of the errors identified,
States will be able to develop corrective action plans and
implement them to ensure accurate administration of their laws,
rules, and procedures.

The major objectives of the BQC system are to:

> ! assess the impact of State and Federal laws and
>   requirements on the system's accuracy and integrity,
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> ! achieve improvements in program accuracy and integrity,
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> ! encourage more efficient administration, and
>
> ! improve program quality and solvency through error
>   reduction.

The system is designed to be comprehensive in coverage by
including all areas where errors could occur.

2. Background. The impetus for BQC came from a study by the
National Commission on Unemployment Compensation (NCUC). The
study was prompted by a continuing concern about the accuracy of
the benefit payment process in the UI system. The study of
benefits paid was conducted in six metropolitan areas during 1979
and 1980. The purpose was to determine rates, types, and causes
of improper payments by thoroughly investigating a small sample
of cases. The study revealed errors in benefit payments at rates
significantly higher than previously reported.

As a result of these findings, the Department of Labor
(hereinafter referred to as the Department) launched the Random

Audit program in five States in 1981. Random Audit was modeled
after the methodology used in the NCUC study. Additional States
were added each year until 46 States were involved in 1984. The
Random Audit results from 1981 through 1984 continued to confirm
the high percentage of errors in benefit payments identified by
the NCUC study. Although possibly exacerbated by high claims
loads during the periods measured, the error rates in many States
were unacceptably high.

3. <u>Overview of Benefits QC</u>. BQC is the first phase of the QC
program to be implemented. The rule establishing the program was
published in the <u>Federal Register</u> on September 3, 1987
(52 FR 33520). (See Appendix A.)

State resources are targeted to perform detailed investigations
of benefits paid in the largest permanently authorized programs
(regular UI including CWC) and Federally funded programs (UCFE
and UCX). A companion will be implemented to cover the revenue
(tax) portion of the program.

BQC builds on the experience of its predecessor, the Random Audit
program. The accuracy of monetary determinations and the proper
detection and resolution of eligibility issues are assessed by
detailed investigations of "key weeks" of selected benefit
payments. This is accomplished through examination of records
and contacts with claimants, employers, and other parties such as
Job Service, to verify all aspects of the claim that could affect
eligibility for payments.

Each case investigated in BQC represents a large number of
payments in the population. It is very important that staff
adhere to accepted methodology to ensure the reliability of data.
For example, the fraud investigator can follow a tip on potential
fraud, while BQC investigators must limit their cases to those
selected by the computer as a result of a predetermined program.
To do otherwise would jeopardize the reliability of inferences
made from the data coming out of the investigations.

The States have the responsibility to draw samples, perform
investigations, identify errors, compute error rates, analyze
data, and initiate corrective action if appropriate. The primary
Federal responsibilities are to a) ensure system integrity
through monitoring SESA practices and procedures and b) analyze
QC data to assess the impact of Federal requirements on the UI
system.

Data gathered on incorrect payments include such information as amount of error, type of error, responsible party, and cause of error. States can tabulate and analyze these data to plan corrective action focused on those areas where trends have been identified and track the impact of corrective action by monitoring the results of subsequent BQC samples.

    a. <u>Relationship with UI System</u>. BQC is different from other SESA efforts to control erroneous payments. While the UI fraud investigator tries to identify specific cases of fraud and recapture any overpayments, the BQC investigator looks at sample cases to produce statistics on the UI program in general. Errors uncovered as a result of BQC are corrected where feasible; however, the primary purpose is to identify system-wide problems.

QC is part of the formal UI system. Therefore, the findings of BQC are consistent with official rules and written policies of the SESA. Differences between the BQC unit and other units in the UI system are required to be resolved by higher authority, with the exception of appeals decisions that modify QC actions.

    b. <u>Automation of QC Data Collection</u>. The BQC system has been designed to be as highly automated as possible. States' UI computers that support QC operations have the capability to link with both the State mainframe computers and with the DOL host computer. This system is designed to increase the accuracy of data flows by minimizing the number of paper transactions and simplifying data storage and retrieval; to increase the usefulness of the data by simplifying data retrieval and raising the sophistication with which it can be manipulated and combined with other data; and to reduce the amount of time QC staff must spend in data handling. In order to ensure clarity and continuity of data flow, there are some portions of the data processing areas which allow for State optional data collection.

4. <u>Overview of Handbook</u>. This handbook contains three sections: Benefits QC Overview (Chapter I), Required Procedures (Chapters II-VII), and Appendices.

The section on Required Procedures defines the standard methodology to be used in all States. These include organization and authority; data record creation, processing, and transmission; data collection; classifying propriety of payments; investigative procedures, and record keeping and reporting.

The final section of the Handbook, the Appendices, include the
QC regulation, the Claimant Questionnaire form, and the
Investigative Guide.

The Handbook is supplemented by a Technical Assistance Guide
(TAG) with Recommended Procedures. The TAG makes reference to
the requirements and presents detailed suggestions for meeting
them. These recommendations need to be adjusted to accommodate
each State's laws and policies.

Additional handbooks have been issued for Statistics (No. 397)
and an ADP User Guide (No. 400).