

Calendar Year 2009 Benefit Accuracy Measurement Data Summary

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-Service members (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. In addition, BAM 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.

The Improper Payments Information Act (IPIA) of 2002 and subsequent amendments in the Improper Payments Elimination and Recovery Act (IPERA) of 2010 require agencies to examine the risk of erroneous payments in all programs and activities they administer. An improper payment includes 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. IPERA defines "significant erroneous payments" as annual erroneous payments exceeding both 2.5 percent of program payments and/or \$10 million. UI meets both of these criteria. IPERA codifies the requirement for valid statistical estimates of improper payments such as those generated by BAM and compels the reporting of actions taken to reduce improper payments.

The Department of Labor (DOL) reports the Annual Report and Operational Overpayment rates, as well as the underpayment rate and improper denial rates to Office of Management and Budget (OMB), as part of its IPIA report. It is extremely important that BAM accurately measures the level of improper payments so that performance against the targets can be properly evaluated.

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.

UI benefit payments included in BAM in calendar year (CY) 2009 increased to \$76.8 billion, compared with nearly \$41.6 billion in CY 2008. CY 2009 BAM paid claims results are based on the 21,144 sample cases. This represents a completion rate of 99.07 percent. BAM auditors completed claimant interviews in 94.1 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.

No single measure can reflect all aspects of UI benefit payment integrity. DOL uses six analytical measures to assess payment accuracy and estimate the risk of erroneous denial of benefits.

BAM Operational Rate (4.91%)* - The BAM operational overpayment rate includes those overpayments that the states are reasonably expected to detect and establish for recovery -- fraud and nonfraud recoverable overpayments, excluding work search, employment service (ES) registration, base period wage issues and miscellaneous causes, such as benefits paid during a period of disqualification, redeterminations, and back pay awards. Nationally, BAM estimates the operational rate dollars overpaid were \$3.771 billion.

BAM Annual Report Rate (9.29%)*- The Annual Report rate includes fraud, nonfraud recoverable overpayments, nonfraud nonrecoverable overpayments, official action taken to reduce future benefits, and payments that are technically proper due to finality or other rules. The rate excludes payments determined to be "technically" proper due to law/rules requiring formal warnings for unacceptable work search efforts. All causes and responsible parties are included in this rate. When overpayments attributed to another SWA are excluded from individual state results, the annual report rate is 9.28%. Nationally, BAM estimates that \$7.124 billion in benefit payments were overpaid.

Agency Responsibility (2.96%)* - 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, nonfraud nonrecoverable overpayments, official action taken to reduce future benefits, and payments that are technically proper due to finality or other rules. Nationally, BAM estimates SWAs had contributory responsibility for \$2.271 billion in benefits overpayments.

Fraud (2.04%)* - The definition of unemployment compensation fraud varies from state to state. Because fraud determination criteria and thresholds vary between states; the individual state rates reflect these differences. The rate includes all causes and responsible parties. Nationally, BAM estimates that \$1.572 billion in benefit payments were fraudulently claimed.

Underpayment Rate (0.63%)* - This rate includes payments that the BAM investigation determines were too small. All causes and responsible parties are included in this rate. It includes errors where additional payment is made or those errors that are technically proper due to finality rules or technically proper due to rules other than finality. As a percentage of

* Colorado completed insufficient cases for the period of January through June 2009 to produce valid results; therefore State rates are based on completed cases from July – December, 2009. Montana completed insufficient cases for the period January to December, 2009 to produce valid results. National rates are based on the calendar year 2009 data, which includes the Colorado population limitation and excludes Montana data completely. DOL is reviewing cases completed by Georgia from July to December 2009; rates are subject to revision based on the outcome of this review.

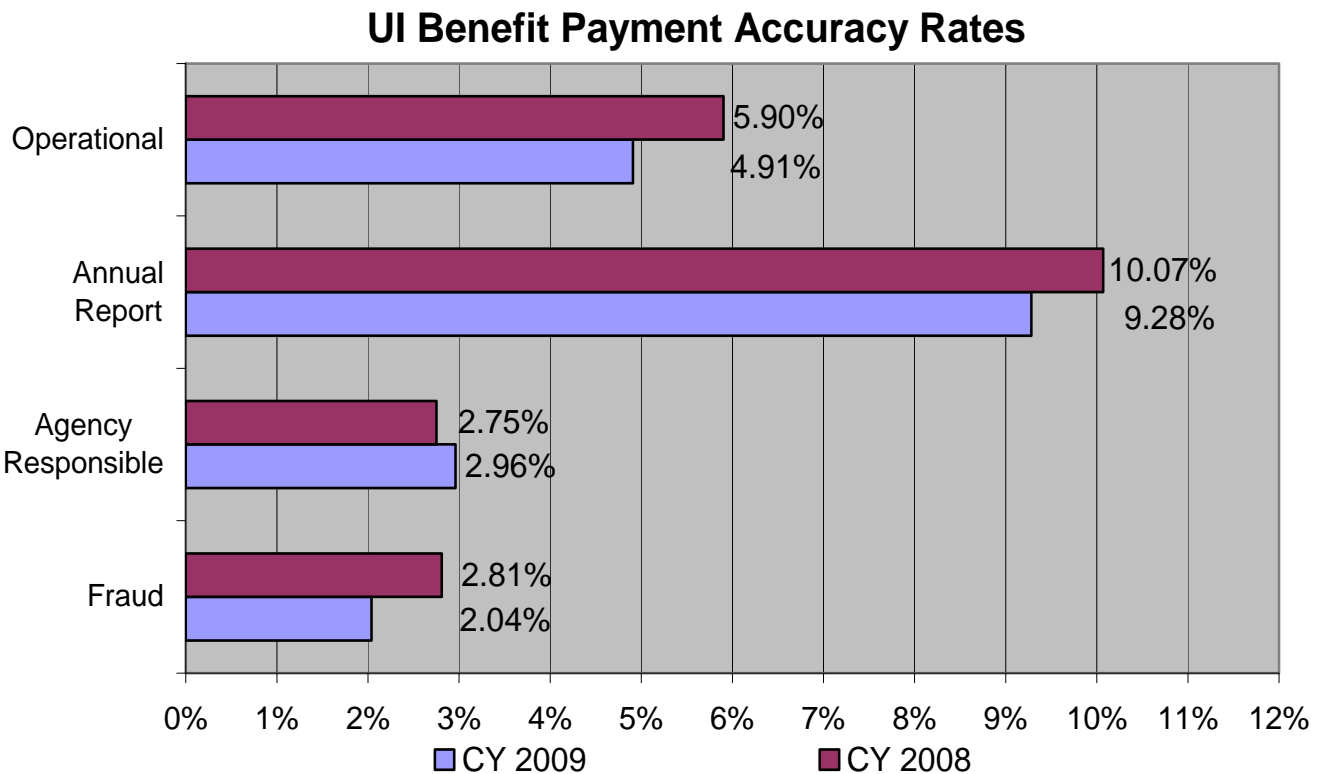
UI benefits paid, BAM estimates the underpayment rate was 0.63 percent or \$485 million.

Improper Denial Rates* - BAM estimates the adjusted improper denial rates to be 8.92% for monetary denials, 6.14% for separation denials, and 13.96% for nonseparation denials.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): [Integrity Rates-CY 2009-all states.xls](#).

I. Paid Claims Accuracy

For each paid UI week investigated, referred to as the Key Week (KW), BAM records whether the payment was proper or improper and, if improper, the type of erroneous payment. The coding of BAM audit findings is consistent with the laws, rules and written policies of the each SWA. BAM captures 110 data elements for each sampled payment or denial and DOL uses these elements to produce the various integrity rates listed. Data for nine of these elements are completed only for erroneous payments or denials. The following chart summarizes four paid claim accuracy (PCA) rates, which are used for calculating overpayment estimates.



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 [Methodology and Program Description](#) Integrity Rate definitions).

BAM Operational Overpayment Rate

The BAM operational rate is a component of the performance indicator that measures the detection of recoverable overpayments, which is one of five UI program performance goals that the Employment and Training Administration (ETA) has set as part of its Government Performance and Results Act (GPRA) plan. These goals reflect the UI program's benefit payment, tax, and reemployment facilitation responsibilities.

The [overpayment detection measure](#) is also a Core Measure for UI Performs, the UI performance management system. The overpayment detection measure covers a three-year period for the UI Performs Core Measure and a one-year period for the GPRA measure. The measure is defined as the percentage of recoverable, detectable overpayments estimated by BAM that state Benefit Payment Control (BPC) operations establish for recovery.

$$\text{Overpayment Detection Measure} = \frac{\text{Overpayments Established (BPC)}}{\text{Estimated Overpayments (BAM Operational Rate x benefits paid)}} \times 100$$

The operational rate represents that portion of total overpayments that state BPC operations should be able to detect and establish for recovery. The operational rate was developed following an extensive analysis of BAM overpayment data. State and national overpayment detection measure data can be found at the following links:

GPRA Measure- <http://www.workforcesecurity.doleta.gov/unemploy/gpra.asp>

Core Measure - http://www.workforcesecurity.doleta.gov/unemploy/3yr_overpay.asp

The following section shows the cause components of the operational rate and the types of overpayments excluded from the operational rate.

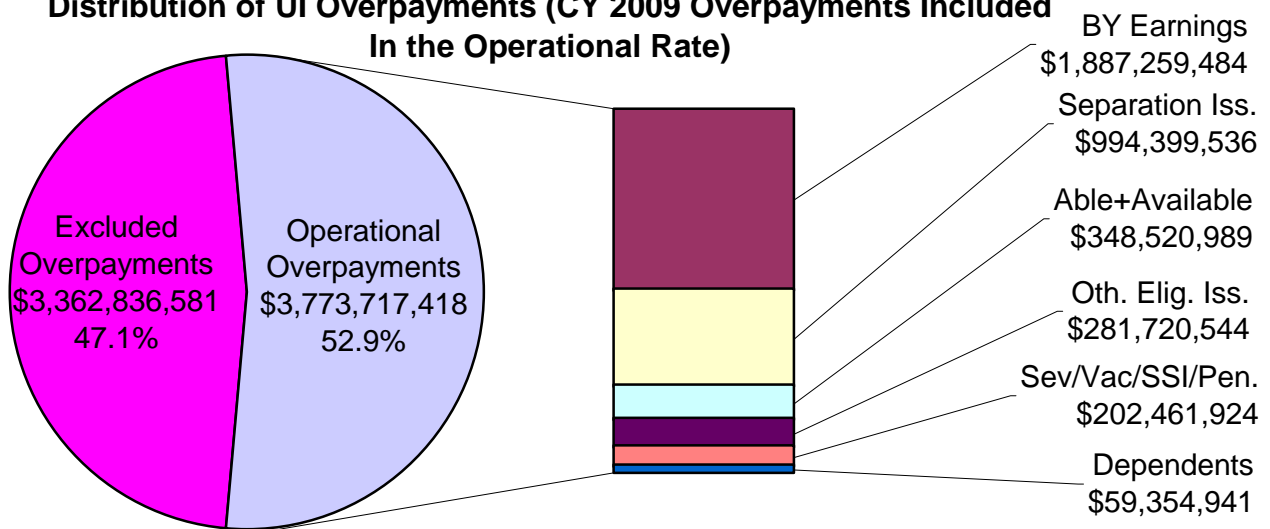
Operational Overpayments

Overpayments included in the operational rate constitute 52.9 percent of all UI benefit dollars overpaid in CY 2009. Slightly more than half of the operational overpayments involve unreported or misreported benefit year (BY) earnings. Separation issues account for approximately one-quarter of the operational overpayments, followed by issues related to the claimant's ability to work and availability for work (A&A). The "Other Eligibility" category includes refusal of suitable work, self-employment, alien status, identity theft, and reporting issues (failure to appear as requested by the SWA to provide information related to the UI claim). Deductible Income issues include benefit eligibility determinations involving the impact of payments received by the claimant such as pension, vacation pay, or severance pay.

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

[Operational Overpayment by cause all states CY2009.xls](#)

Distribution of UI Overpayments (CY 2009 Overpayments Included In the Operational Rate)



Overpayments Excluded from the Operational Rate

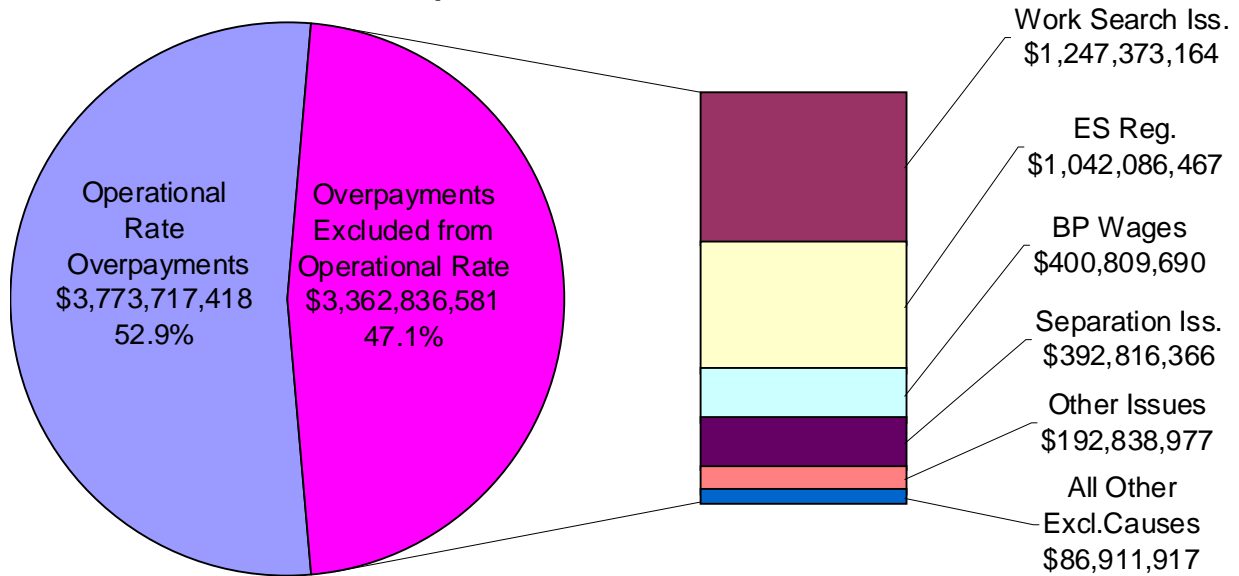
Several overpayment causes are excluded from the operational rate because either 1) SWAs are unlikely to detect these overpayments through the methods commonly employed by BPC (for example, crossmatches of UI claimant Social Security Numbers with wage record and New Hire Directory data, appeals reversals, and tips or leads); or 2) the cost of pursuing these overpayment errors exceeds the amount of benefits that can be recovered. Work search issues (37 percent of all excluded overpayments), Employment Service (ES) registration issues (31 percent of all excluded overpayments), base period wage issues and separation issues (representing slightly less than 12 percent each of all excluded overpayments) constitute the majority of the excluded causes.

After the exclusions by cause, the residual 8.5 percent of UI overpayments excluded from the Operational rate are found unrecoverable, because either 1) the time that has elapsed between the overpayment and its detection exceeds the period established in state law in which an erroneous payment can be recovered; or 2) responsibility for the improper payment error rests with the agency, employer, or third party, not the claimant; or 3) state law prohibits the SWA from re-determining an issue that has been previously addressed (finality rule). Most of these nonrecoverable overpayments are separation or continued eligibility issues, such as the requirement that the claimant is able and available for work.

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

[Overpayment Included & Excluded from the Operational Rate CY2009.xls](#)

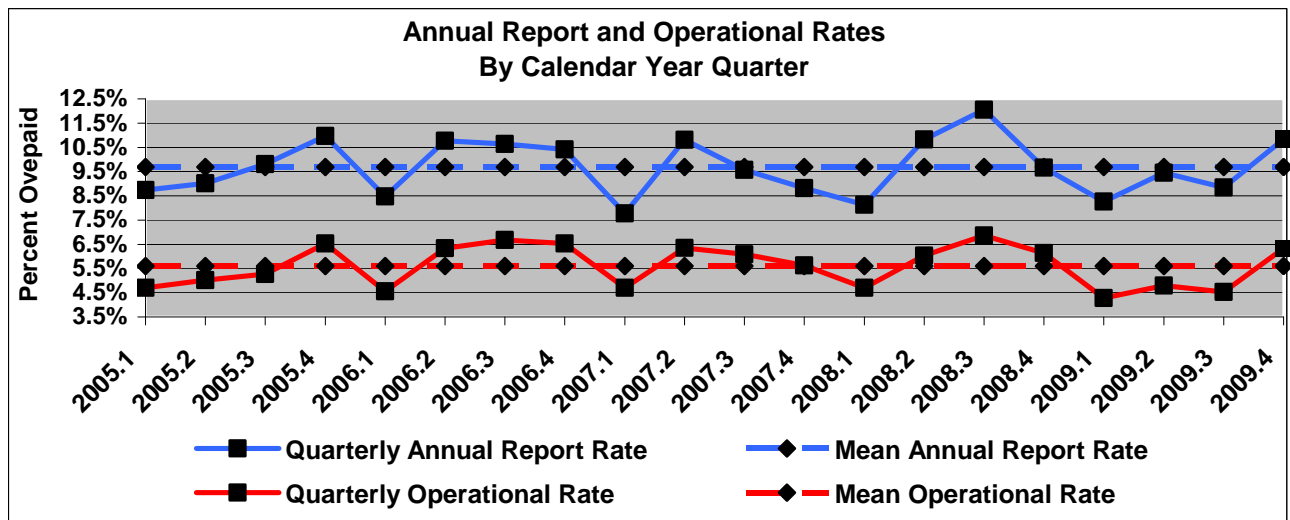
Distribution of UI Overpayments (CY 2009 Overpayments Excluded In the Operational Rate)



Annual Report and Operational Rate Time Series

The following chart displays the annual report and operational overpayment rates by calendar quarter. For the period CY 2005 to CY 2009, the average annual report rate was 9.69 percent and the average operational rate was 5.60 percent.

The chart displays the contrast between these two rates and the impact of excluding the payment errors that are considered “not detectable by normal means” or are cost prohibitive to establish and recover.



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

[CY 2008-CY2009 Integrity Rate changes.xls](#)

[CY05-CY09 BAM Annual Report & Operational Overpayment Rates by Quarter & State.xls](#)

Overpayment Cause by Integrity Rate

The distribution of the causes of UI overpayments varies considerably among the four overpayment integrity rates. The elements included or excluded from the various rates influence this distribution (See [Methodology and Program Description](#) Integrity Rate definitions).

Unreported or misreported benefit year earnings are the leading cause of UI overpayments. They account for over 65 percent of UI fraud overpayments, just over half (50 percent) of the overpayments defined by the operational rate, and nearly a quarter (26 percent) of the overpayments included in the Annual Report rate, but only 8 percent of the amount overpaid for which the agency had full or partial responsibility.

Separation issues are the second leading cause of UI overpayments. They account for 26 percent of the operational overpayments, 19 percent of the Annual Report rate, nearly 21 percent of the fraud overpayments, and 28 percent of the of the amount overpaid for which the agency had full or partial responsibility.

CY 2009 Overpayment Cause By Integrity Rate				
Percent of the Estimated Dollars Overpaid				
Cause	Annual	Operational	Fraud	Agency
Benefit Year Earnings	26.62%	50.01%	65.77%	8.05%
Separation Issues (Iss.)	19.06%	26.36%	20.99%	27.91%
Work Search Iss.	18.35%	N/A	1.38%	7.38%
ES Registration Iss.	14.63%	N/A	0.89%	31.99%
Base Period Wage Iss.	5.64%	N/A	0.55%	5.45%
Able & Available Iss.	4.96%	9.23%	4.61%	1.80%
Other Eligibility Iss.	4.07%	7.47%	2.95%	6.02%
Deductible Income Iss.	3.10%	5.36%	1.91%	3.35%
Other Issues	2.75%	1.57%	0.97%	8.05%
Dependents	0.83%	9.23%	0.00%	0.00%
Total \$ Overpaid by Rate	\$7,124,255,716	\$3,771,332,964	\$1,572,327,251	\$2,271,084,665

However, Employment Service (ES) Registration issues are the leading cause of overpayments for which the agency had full or partial responsibility, accounting for slightly less than one-third of the amount overpaid. By definition, work search and ES registration issues are excluded from the operational rate, and account for very small proportions of

fraud overpayments. ES registration issues account for nearly one-seventh of the amount overpaid in the Annual Report rate.

Work search issues are a significant cause for the broadest measure of overpayments, the Annual Report rate (18.35 percent), but are not a significant cause of either fraud overpayments (1.38 percent) or overpayments for which the agency had full or partial responsibility (7.38 percent).

Able and available issues account for slightly more than 9 percent of the amount overpaid included in the operational rate, just under 5 percent of the amount overpaid included in the Annual Report rate, more than 4 percent of the fraud overpayments, and less than 2 percent of the agency responsibility rate.

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

[Annual Overpayment by cause - all states CY 2009.xls](#),
[Operational Overpayment by cause all states CY2009.xls](#)
[Fraud Overpayment by cause - all states CY 2009.xls](#),
[Agency Responsible Overpayment by cause - all states CY 2009.xls](#)

Overpayment Responsibility by Integrity Rate

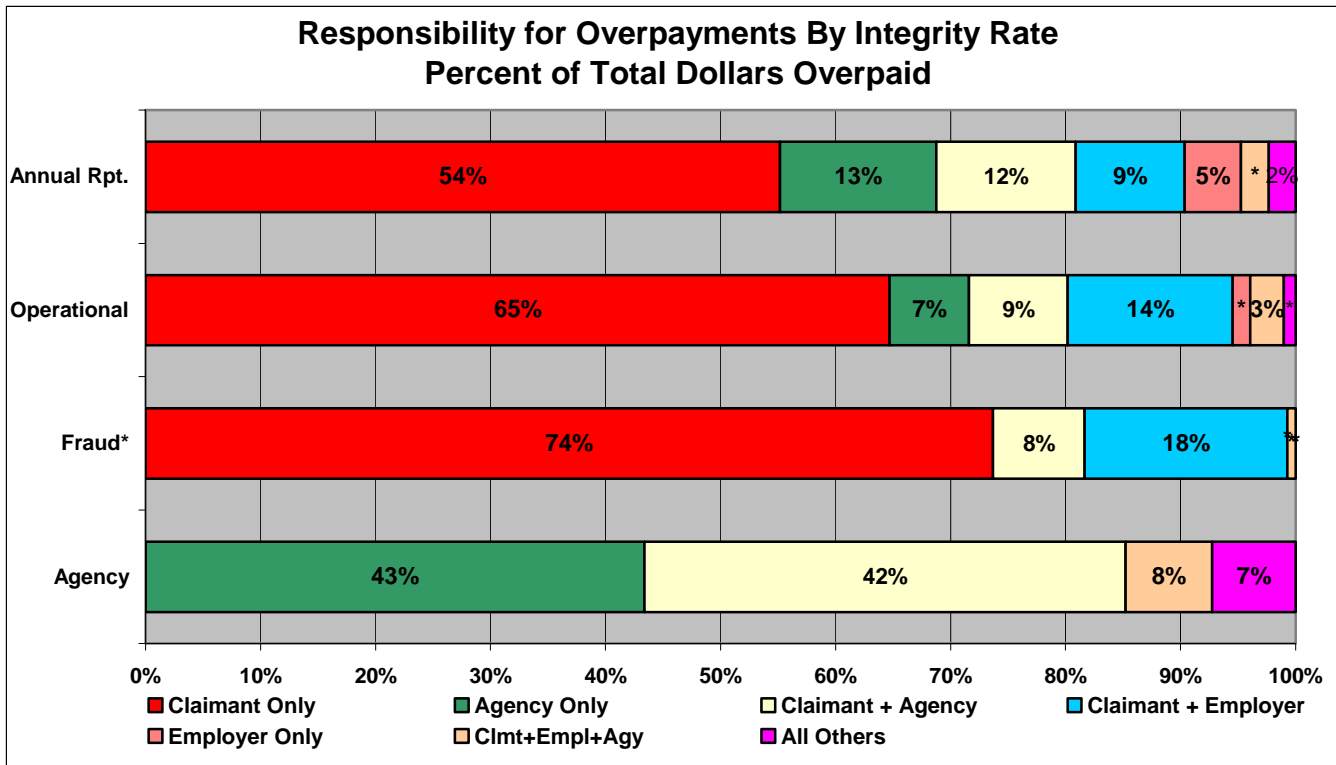
BAM identifies the party or parties responsible for all payment errors. As with cause, the distribution of overpayment responsibility varies considerably by integrity rate.

Claimants alone were responsible for 54 percent of the dollars overpaid included in the Annual Report rate. Errors resulting in overpayments that were attributed exclusively to the SWA accounted for 12 percent of the amount overpaid. The claimant and agency were jointly responsible for an additional 9 percent of the dollars that were overpaid.

Claimants alone were responsible for 65 percent of the amount overpaid included in the operational rate. The claimant and agency were jointly responsible for 9 percent of the UI benefits overpaid under the operational rate definition, and the claimant and employer were jointly responsible for an additional 14 percent of the operational rate overpayments.

Claimants alone were responsible for 74 percent of the fraud overpayments. Claimants along with employers or agencies were responsible for nearly all of the remainder.

The agency rate is defined by responsible party. The agency was solely responsible for 43 percent of the amount overpaid included in this rate. Agencies shared responsibility with claimants, employers, or third parties for the remainder.



* Less than 2 percent of the overpayments were classified as this responsibility.

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

- [Integrity Rates by Responsibility - all states CY 2009.xls](#)
- [Annual Report Rate Cause and Responsibility - CY 2009.xls](#)

Claimant Action Prior to Sample Selection for Overpayments

In the case of payment errors, BAM identifies the action that the claimant took prior to the sample’s selection. Prior claimant action provides additional details on improper payment responsibility and helps prioritize ways to prevent, reduce, or 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, available, 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. If information provided by the claimant or others establishes eligibility, the SWA manifests its

determination of eligibility for that week by issuing compensation to the claimant. When a question concerning continued eligibility for benefits for a given week arises, the SWA conducts an investigation of the facts and makes a determination of eligibility or ineligibility.

Errors can occur anywhere in this business process. 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 information. Prior claimant action provides insight into this coding. For example, in 77.3 percent of the benefit year earnings overpayments and 60.5 percent of the separation overpayments, the claimant provided inadequate but timely information contributing to \$2.29 billion overpaid in these two cause categories.

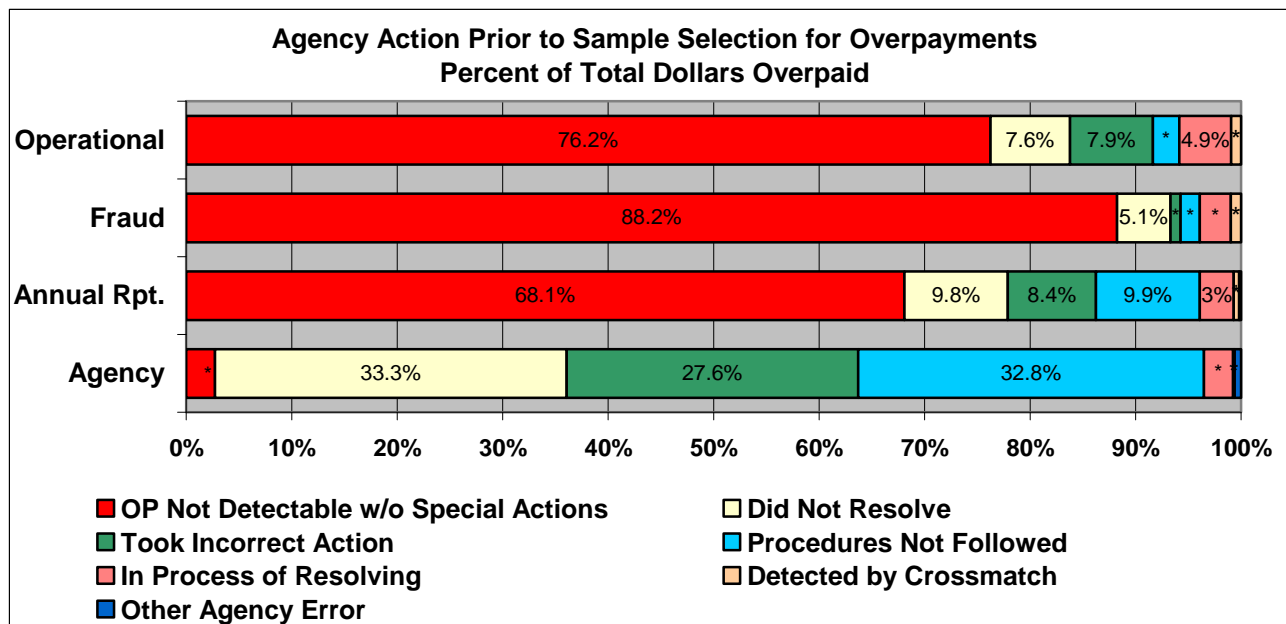
For a detailed listing of this rate, click on the following link (note: the spreadsheet may have several pages):

[Prior Claimant Action and Cause CY2009.xls](#)

Agency Action Prior to Sample Selection for Overpayments

In the case of payment errors, BAM identifies the action that the SWA took prior to the sample's selection. Prior agency action provides additional details on improper payment responsibility and helps prioritize ways to prevent, reduce, or detect overpayments. At the time the SWA made payment, BAM found most overpayments were not detectable through *normal agency procedures*. For example, without special actions 76 percent of the operational rate's \$3.77 billion overpaid were not detectable.

However, BAM determined that 24 percent of the operational overpayments were detectable at the time the payment was made. BAM found that at the time the sample was selected the agency had resolved or was in the process of resolving just under 5 percent of the operational overpayments and identified an additional 1 percent of benefit year earnings overpayments through crossmatch with new hire or wage records investigation. For the remainder (18 percent or \$676 million) of the operational dollars overpaid, the agency had sufficient information to identify the overpayment issue but did not resolve the issue, identified the overpayment issue but took the incorrect action, or did not follow the prescribed procedures thereby precluding the SWA's ability to detect the error.



*Less than three percent of total dollars overpaid were identified with this prior agency action.

Eighty-eight percent of the overpayments determined to be due to fraud were not detectable through normal agency procedures at the time the payment was made. Again, 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 similar to the operational overpayments.

For overpayments included in the Annual Report rate, a little over 68 percent of the amount of UI benefits overpaid were not detectable through normal agency procedures. The agency had sufficient information but did not resolve the issue for 9.8 percent of the amount overpaid and the agency identified the overpayment issue but took the incorrect action for 8.4 percent of dollars overpaid. The agency failed to follow its own procedures, which precluded the ability to prevent the overpayment for 9.9 percent of the annual rate dollars overpaid. At the time BAM selected the sample, the agency had resolved or was in the process of resolving improper payments constituting 3.2 percent of the amount overpaid. Additionally, the agency identified 0.5 percent of these overpayments using crossmatches. Finally, a small portion of dollars overpaid are caused by another SWA.

BAM determined SWAs were responsible (agency rate) for \$2.27 billion 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 33.3 percent of the amount overpaid; took the incorrect action for 27.6 percent, and did not follow procedures thereby precluding the SWA's ability to detect the payment error for 32.8 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 link (note: the spreadsheet may have several pages):

[Prior agency action for all integrity rates CY2009.xls](#)

[Prior Agency Action and Cause CY2009.xls](#)

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, or detect overpayments. As discussed in the previous section, BAM considers a large majority of the overpayments included in the annual report, operational, and fraud rates 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. For example, employers provide wage information, which is used to calculate the claimants' weekly benefit payments; respond to notices of new initial and additional claims by providing information on the reason for the claimant's separation; submit notices of new hire, which agencies use to detect claims filed by individuals who have returned to work; and provide detailed information that may corroborate or contradict claimant provided information on issues that affect eligibility, such as availability for work, work search, and job refusal.

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.

CY 2009 Integrity Rates - Dollars Overpaid by Prior Employer Action				
Employer action as of the time that the payment was selected for audit	Annual Report Overpayments	Operational Rate Overpayments	Fraud Rate Overpayments	Agency Rate Overpayments
Not An Employer Issue	\$3,863,234,609	\$1,476,343,633	\$575,465,041	\$1,174,658,481
Agency Did Not Request	\$877,484,562	\$813,458,637	\$419,813,733	\$148,734,821
Adequate & Timely	\$1,035,232,834	\$736,843,772	\$286,833,447	\$614,192,150
Did Not Respond	\$608,092,782	\$410,055,584	\$183,697,801	\$159,918,881
Inadequate	\$487,670,731	\$124,024,205	\$22,510,584	\$109,472,721
Not Timely	\$176,070,365	\$131,845,567	\$40,841,335	\$52,547,110
Inadequate & Untimely	\$20,215,758	\$14,181,758	\$9,183,495	\$5,794,182
Did Not Report New Hire	\$56,254,074	\$64,579,807	\$33,981,815	\$5,766,321
Estimated dollars overpaid where a different employer action may have produced a different outcome	\$1,348,303,710	\$680,107,114	\$256,233,215	\$327,732,894
Percent of Total Overpaid Dollars where a different employer action may have produced a different outcome	18.93%	18.03%	16.30%	14.43%
Total Estimated \$ Overpaid	\$7,124,255,715	\$3,771,332,963	\$1,572,327,251	\$2,271,084,667
Rate % of Benefit \$ Overpaid	9.28%	4.91%	2.05%	2.96%

BAM estimates that employer actions may contribute to 18.9 percent of the overpayments included in the annual report rate, 18.0 percent of the operational rate dollars overpaid, 16.3 percent to the fraud rate dollars overpaid, and 14.4 percent of the overpayments included in the agency rate. The highlighted sections show estimated overpayments where a different employer action in response to a claim may have produced a different outcome. For example, over \$685 million overpaid in the annual rate involved verification difficulties dealing with employment separations. An additional \$179 million overpaid involved employer verification problems and benefit year earnings. This is shown in a cross tabulation of "[Prior Employer Action and Cause](#)." These overpayments may have been prevented or reduced if timely or accurate information had been provided.

One element stands out in agency responsible error rate. For 6.6 percent of the total dollars overpaid or approximately \$148.7 million, BAM found that the SWAs did not request information from employers who were an interested party to a determination. 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 link (note: the spreadsheet may have several pages):

[Prior Employer Action for all integrity rates - all states CY2009.xls](#)
[Prior Employer Action and Cause CY2009.xls](#)

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 - Annual rate	Benefit Year Earnings	Separation Issues
Wage/ Earnings/ Separation Verification	\$1,241,824,716	\$724,349,275
Claimant Interview	\$254,610,678	\$177,355,537

BAM identified an additional \$1,124,839,951 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.
Total \$ by Prior Agency Action	\$596,381,327	\$696,587,374

This information taken together suggests that inadequate staff training and insufficient investigational time may be issues contributing to benefits being improperly paid.

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 Social Security Act (SSA) requires "[s]uch methods of administration . . . as are found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due." Application of this "when due" provision requires the appropriate balancing of the dual concerns of promptness and accuracy. As well as promptness, the Department has always interpreted "when due", to require accuracy in order to ensure that payments are not made when they are not due.

Finally, in a number of states there appears to be systemic problems with information technology processes or standard operational procedures for enforcing employment service registration requirements. BAM estimates that \$772.5 million in benefits were paid to ineligible claimants because they had failed to register with employment service and

concludes that this information was readily available to the state SWA in the employment service records.

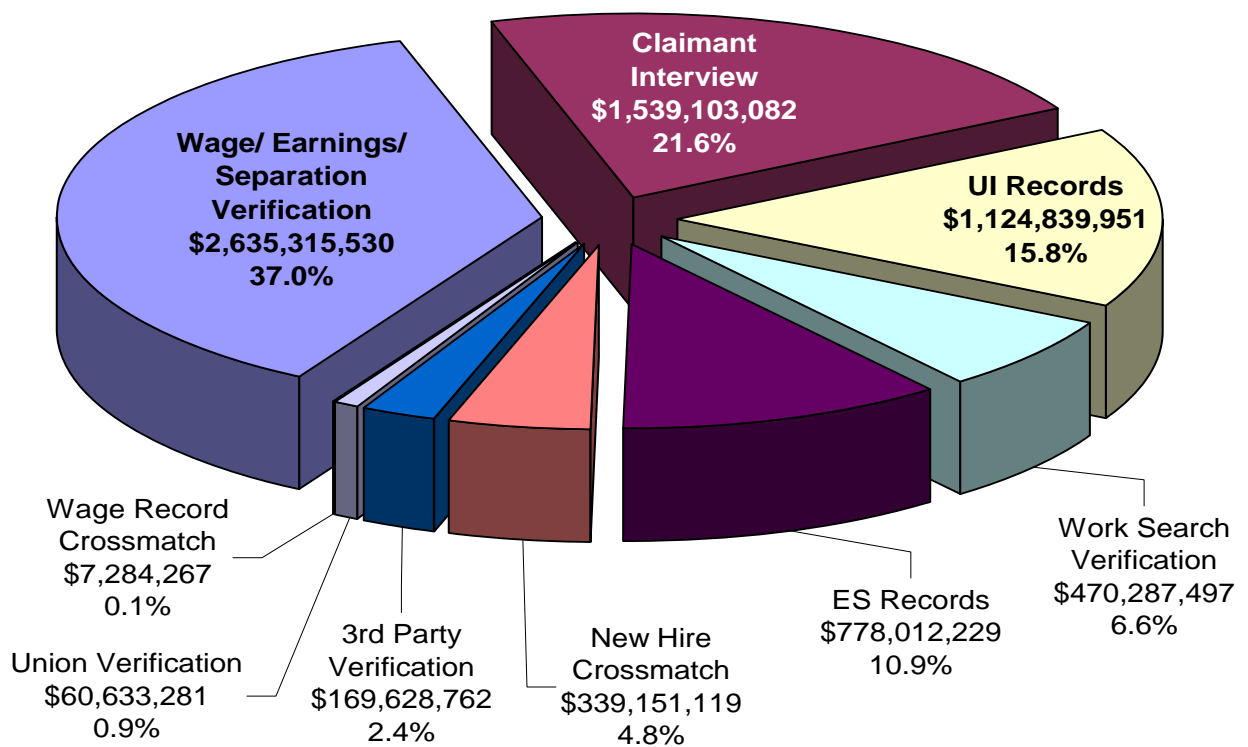
For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[Annual Rate Point of Detection - all states CY 2009.xls](#)

[Annual & Operational Overpaid By Point of Detection and Cause CY2009.xls](#)

Aggregate CY 2009 Point of Detection data for all states are displayed in the following chart.

Annual Report Overpayments by Point of Detection -- CY 2009

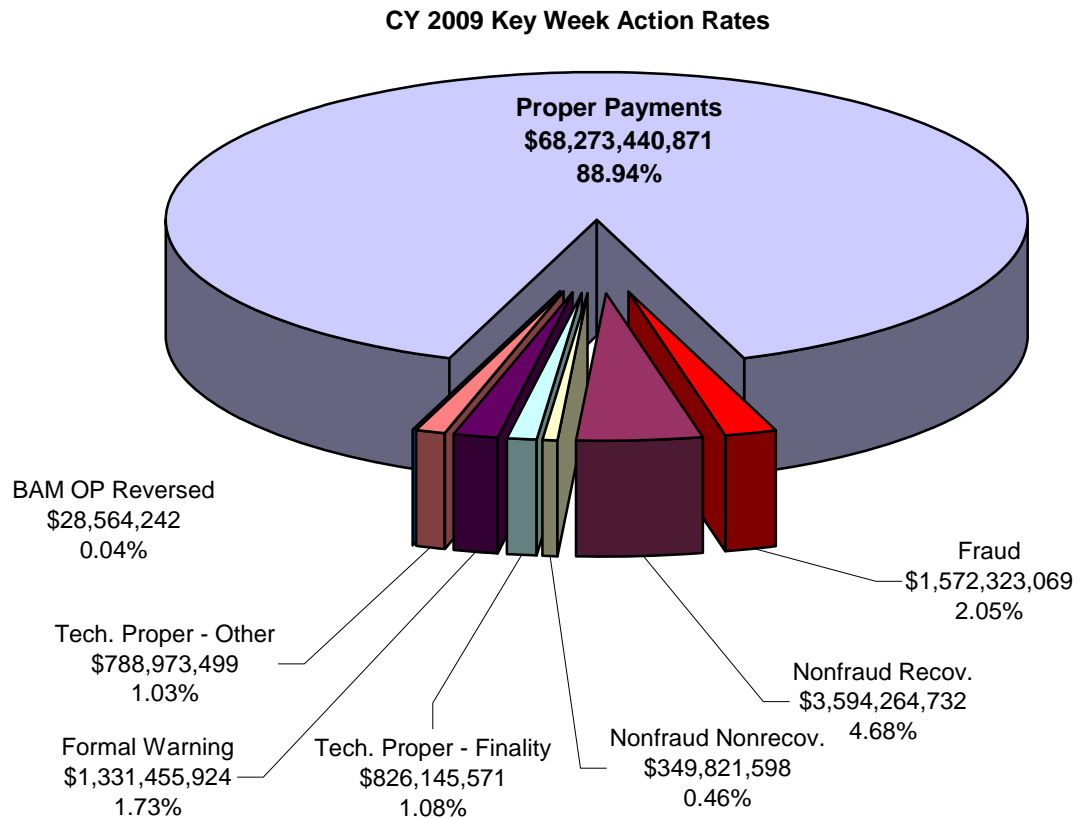


Key Week Action Rates

For each paid UI week investigated, referred to as the Key Week (KW), BAM records whether the payment was proper or improper and, if improper, the type of erroneous payment. The coding of BAM audit findings must be consistent with the laws, rules and written policies of the SWA. DOL uses these KW action codes to develop the payment integrity rates discussed throughout this analysis. These integrity rates are defined in [Methodology and Program Description](#).

Key week action rates highlight differences in state laws. For example, work search requirements differ significantly in that some states require a formal warning before holding a claimant ineligible. In other states, after a given period, legal provisions for making

determinations final or unchangeable may apply. States may also differ in the way they interpret and apply seemingly identical work search and other UI eligibility requirements. SWA administrators and legislators may use key week action error overpayment rates in setting policy priorities or identifying procedural constraints that affect claimstaking or limit overpayment establishment. Aggregate CY 2009 data for all states are displayed in the following chart.



Key Week Action state-level data highlights how state laws vary and why integrity rates are displayed with warnings not to compare individual state rates.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): [Key week action overpayments CY2009.xls](#)

II. Underpayments and Denied Claims Accuracy

Underpayment Rate

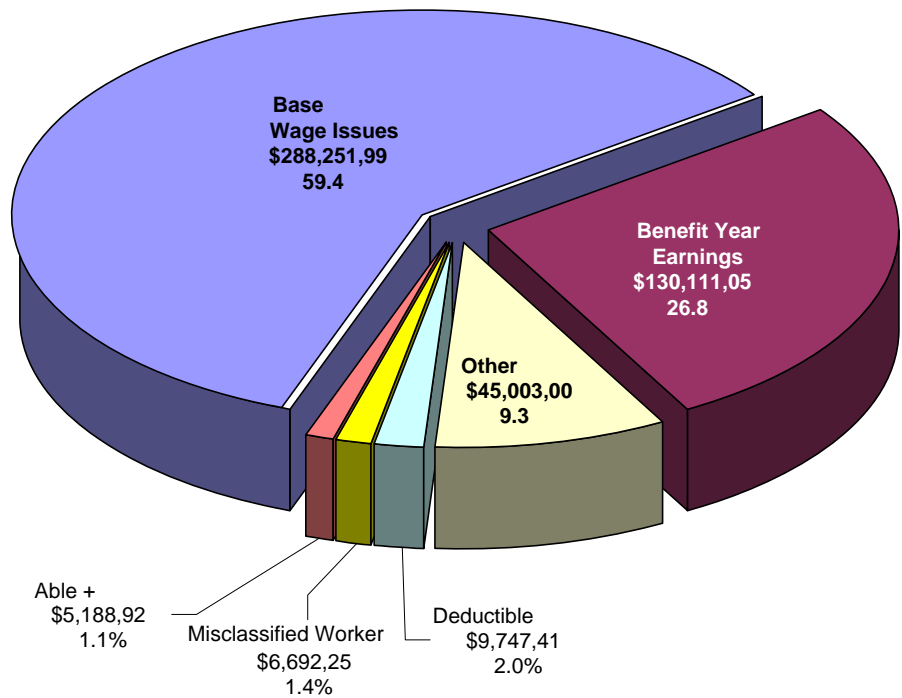
IPIA requires estimates of underpayment rates, as well as overpayments. BAM estimates that \$484.9 million was underpaid in CY 2009, compared with \$259.3 million in CY 2008. As a percentage of UI benefits paid, the CY 2009 national underpayment rate of 0.63 percent is essentially unchanged from CY 2008 rate of 0.62 percent. State underpayments ranged

from 0.00 percent in Kansas to 1.95 percent in New Jersey.

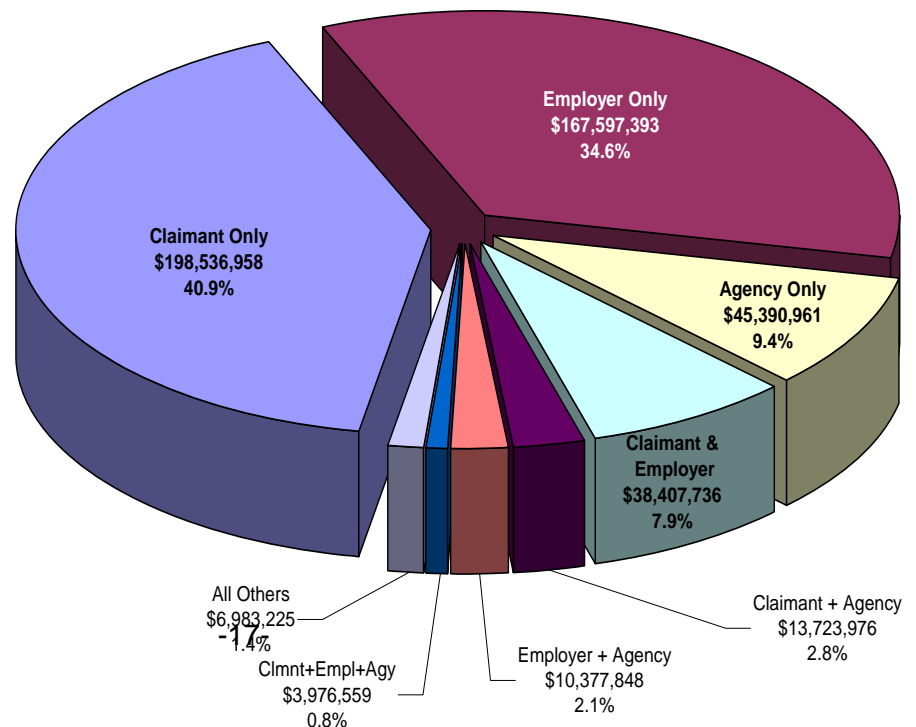
Errors in reporting or recording base period wages accounted for just over 59 percent of the amount underpaid and represented 0.38 percent of the amount of UI benefits paid. Employers report employee wages to SWAs each calendar quarter. SWAs use these wages to establish a claimant's base period, which in turn is used in the calculation of weekly benefit amounts and maximum benefit amounts (See [Base Period Wage Report](#) for individual state findings). Additionally in CY 2009 BAM introduced codes to identify instances of misclassification of employees as independent contractors to measure the impact on benefit eligibility. Worker Misclassification may result in underpayments or improper monetary denials.

Errors in reporting or recording benefit year earnings were the second leading cause of underpayments – 26.8 percent of all underpayments and 0.17 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

BAM Annual Underpayments by Cause CY 2009



CY 2009 BAM Annual Underpayments by Responsibility



benefit amount paid was too small.

Employers alone were responsible for almost 35 percent of amount underpaid, which represented 0.22 percent of the amount of UI benefits paid. Claimants alone were responsible for an additional 40.9 percent of the amount underpaid, which represented 0.26 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.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): [Underpayments CY 2009.xls](#).

The underpayments estimated from BAM paid claims samples represent underpayments only for those claimants eligible for unemployment compensation. 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, as well as conduct new and original fact-finding that may be relevant to the denials determination. The DCA audits record error information in a manner similar to PCA: 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. In CY 2009, SWAs determined that 84.88 percent of the 20.05 million new initial and transitional claims were monetarily eligible.

BAM estimates that 13.51 percent of the 2.23 million monetary denials included in the BAM DCA population were improper. This compares to an improper denial rate of 13.42 percent in CY 2008. 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 rate is adjusted for these redeterminations and appeals reversals, the improper denial rate for monetary determinations drops to 8.92 percent, and this represents approximately 198,650 of the 2.23 million claimants who were monetarily denied. This rate compares with an adjusted improper denial rate of 9.6 percent in CY 2008.

Separation Denials

In order to be eligible for unemployment compensation, 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 CY 2009, there were approximately 17.02 million monetarily eligible new initial claims and approximately 11.7 million additional claims. No separation determinations were conducted for nearly 82 percent of these claims, because the reason for separation was lack of work or reduction in workforce. SWAs completed just over 5.2 million separation investigations and found disqualifying circumstances in 2.58 million of these determinations that resulted in denial of benefits.

In CY 2009, BAM estimated that 9.19 percent of the 2.35 million separation denials included in the BAM DCA population were improper, compared with 8.1 percent estimated for CY 2008. When redeterminations and appeals reversals are taken into account, the improper denial rate for separations decreases to 6.1 percent, compared with 5.4 percent in CY 2008. Neither difference is statistically significant. Nationally, BAM estimates that approximately 144,052 of the 2.35 million separation denials subject to audit were incorrectly decided.

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 worker has no right to benefits until s/he requalifies, usually by obtaining new work or by serving a set 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.

determination was conducted. These unpaid weeks primarily involve claims where the claimant earnings from work exceeded SWA payment limits¹ SWAs made payments for 268.87 million weeks. SWAs completed 4.77 million nonseparation determinations and concluded that 3.39 million of those investigations should result in denial of benefits.

For the 2.77 million nonseparation denials included in the DCA population, BAM estimates an improper denial rate of 19.02 percent and the adjusted improper denials rate of 13.96 percent.

Overpayments and Proper Denials

BAM determined that small percentages of the separation (0.12 percent) and nonseparation (1.61 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 for weeks that he or she claims UI benefits. For some of these compensated weeks, the BAM audit identified additional income that reduced benefits further or in some cases eliminated eligibility for benefits entirely.

For small percentages of 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 in the determination (for example, availability versus reporting).

DCA Rate Table

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

CY 2009 US Denied Claims Accuracy Rates

Denial Type	BAM Population of Denials	Sample of Denials	Improper Rate*	Adjusted Improper Rate**	Over-Payment	Proper Denial***
Monetary	2,227,108	7,378	13.51%	8.92%	0.00%	1.03%
Separation	2,346,118	7,676	9.19%	6.14%	0.12%	4.79%
Nonseparation	2,768,533	7,641	19.02%	13.96%	1.61%	6.20%

¹ A countable nonmonetary determination may be issued only when there is a question on whether for a particular week: a) the claimant's activities or status constitutes "service" or "employment," or b) the claimant earns "wages" or receives "remuneration," resulting in ineligibility as "not unemployed," or only partially unemployed.

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 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 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 rates for each state, click on the following link (note: the spreadsheet may have several pages):

[Denied Claims Accuracy & Error Rates CY 2009.xls](#)

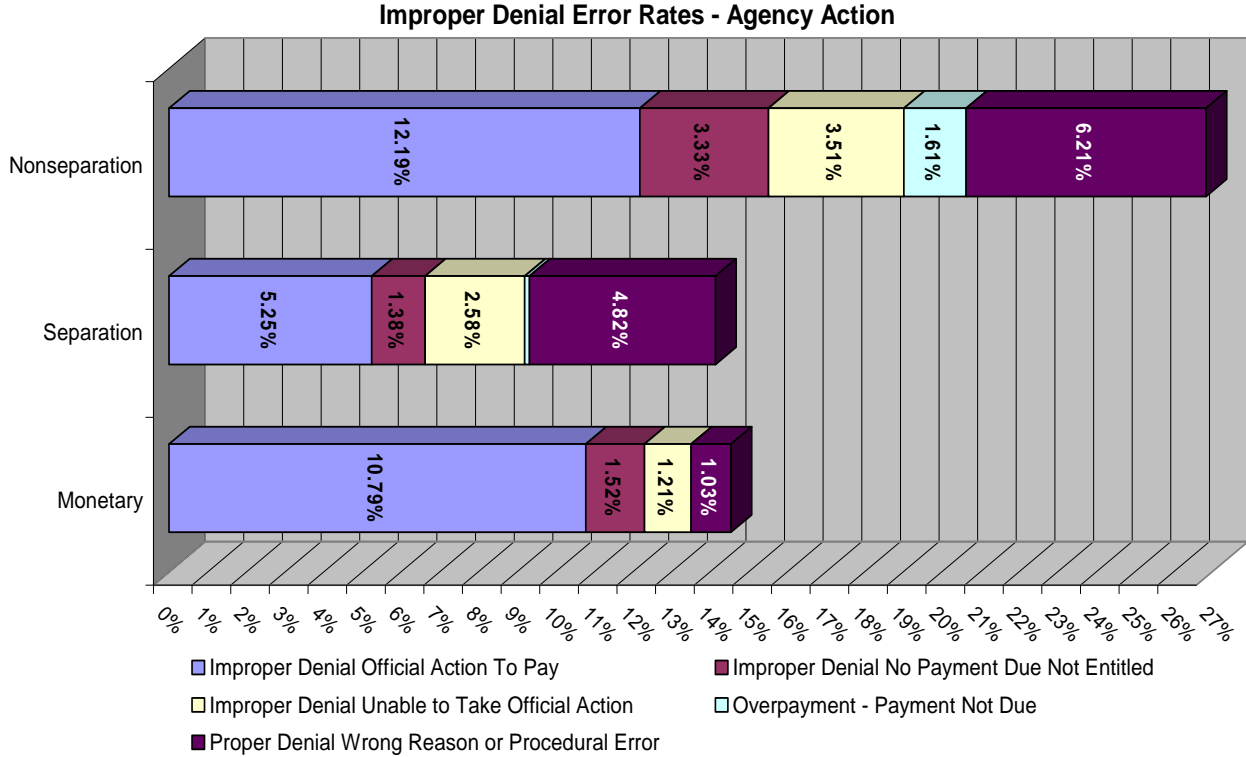
Agency Action for Improper Denials

Not every improper denial results in the agency issuing a payment to the claimant (or increasing the claimant's weekly benefit amount, maximum benefit amount, or dependents' allowance). Agencies or BAM took action to insure that benefits were paid for just over 74 percent of the improper monetary denials. However, 37 percent and 45 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.

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;
- Overpayment - Claimant received payment for weeks of unemployment to which he or she was not entitled;
- Procedural Error - Claimant properly denied, but BAM identified a procedural error on the part of the agency.

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



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

[Agency Action for Improper Denials CY 2009.xls](#)

Cause for Improper Denials

The distribution of the causes of improper denials varies considerably among the three denial rates. The elements included or excluded from the various rates by business process definition influences this distribution.

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

[Denied Rates by Cause CY 2009.xls](#)

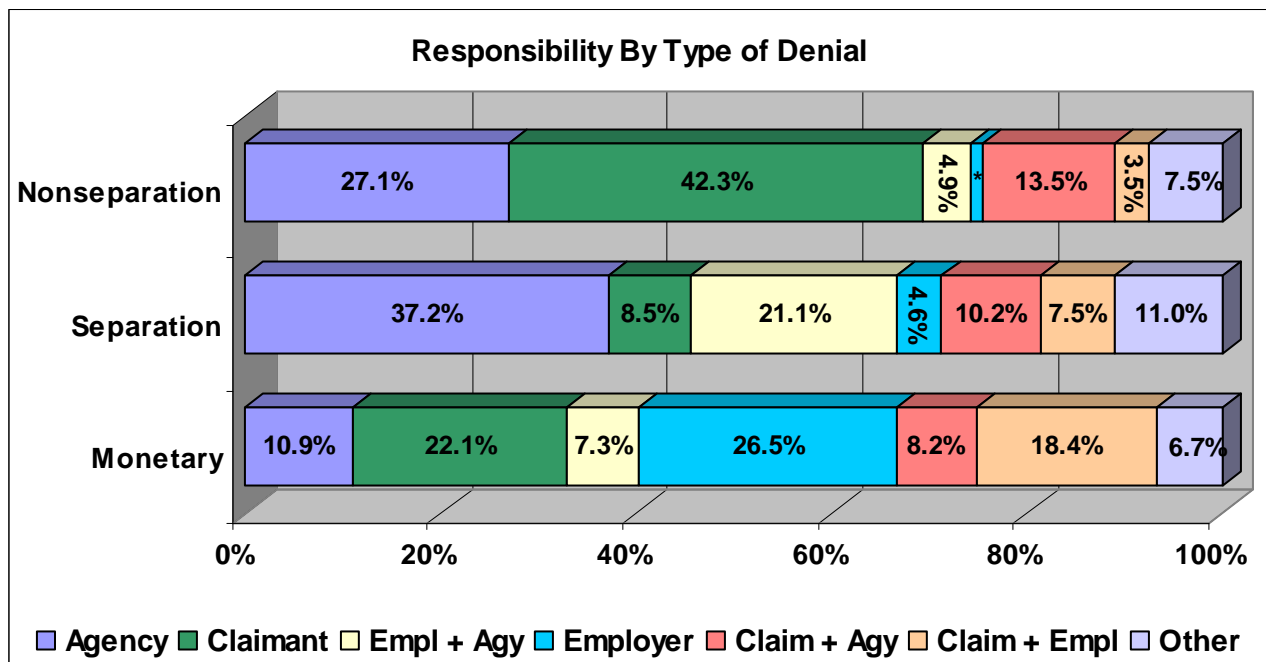
Responsibility for Improper Denials

The party responsible for erroneous denials varies by type of denial determination. Employers were solely responsible for almost 26.5 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 22 percent of the erroneous monetary denials, and agency error accounted for approximately 11 percent of the improper monetary denials.

The SWAs were solely responsible for approximately 37 percent of the incorrect separation denials and 27 percent of the improper nonseparation denials. Employers and the SWAs were jointly responsible for 21 percent of the erroneous separation denials. Claimants were responsible for over 42 percent of the erroneous nonseparation denials.

The following graph summarizes improper denial errors by responsible party.



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

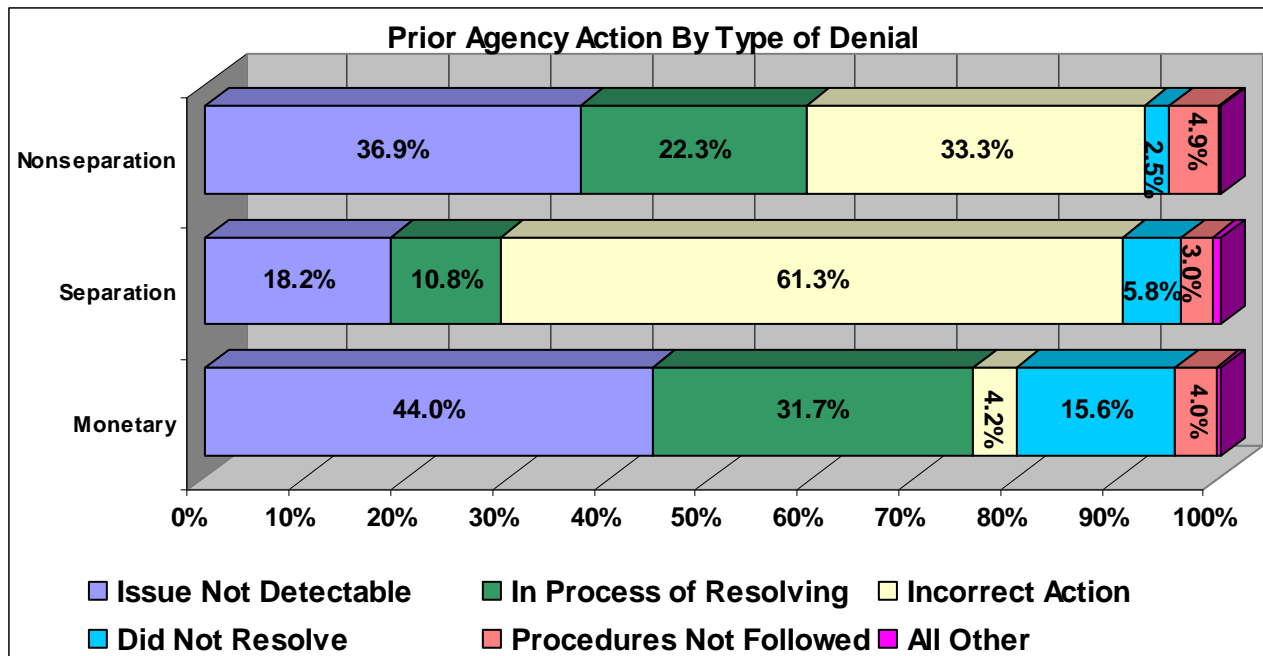
[Responsibility For Improper Denials CY 2009.xls](#)

Prior Agency Action for Improper Denials

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 31 percent of the erroneous monetary denials. However, 44 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 61

percent of the improper separation determinations and 33 percent of the erroneous nonseparation determinations.

Although the agency followed its procedures, the issue or information was undetectable for 18 percent of the improper separation determinations and 37 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.



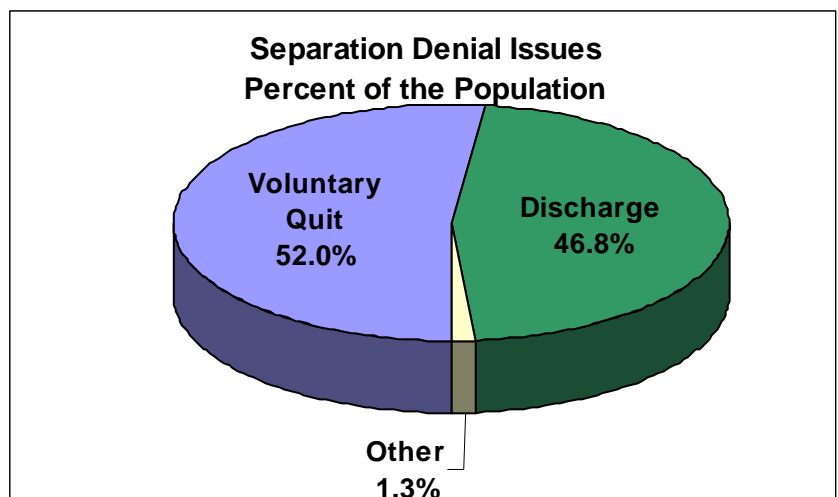
For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[Prior Agency Action For Improper Denials CY 2009.xls](#)

Separation Issues

A majority of the separation denials concerned voluntary quits (VQ), while discharges accounted for most of the balance. "Other" includes 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 more likely to be in error (9.52 percent) than denials issued for discharge



(8.84 percent). Separation denials that were based on “Other” issues were incorrect at similar rates. The following table displays these separation error rates by type.

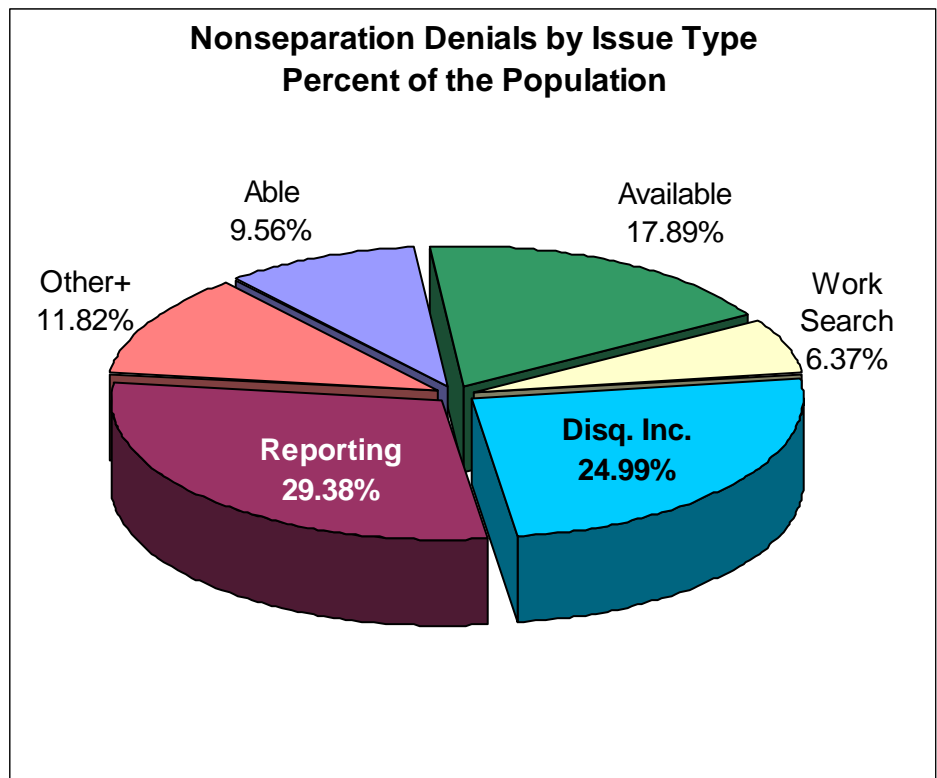
Separation Type	Sample Cases	Population of separation type denial	Percentage of Type in Population	Improper Denials
Voluntary Quit	4,025	1,218,814	51.95%	9.52%
Discharge	3,550	1,096,780	46.75%	8.84%
Other	101	30,524	1.30%	8.69%
Total	7,676	2,346,118	100.00%	
% Improper				9.19%

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

[Denied Claims Separation Error Rates by State CY2009.xls](#)

Nonseparation Issues

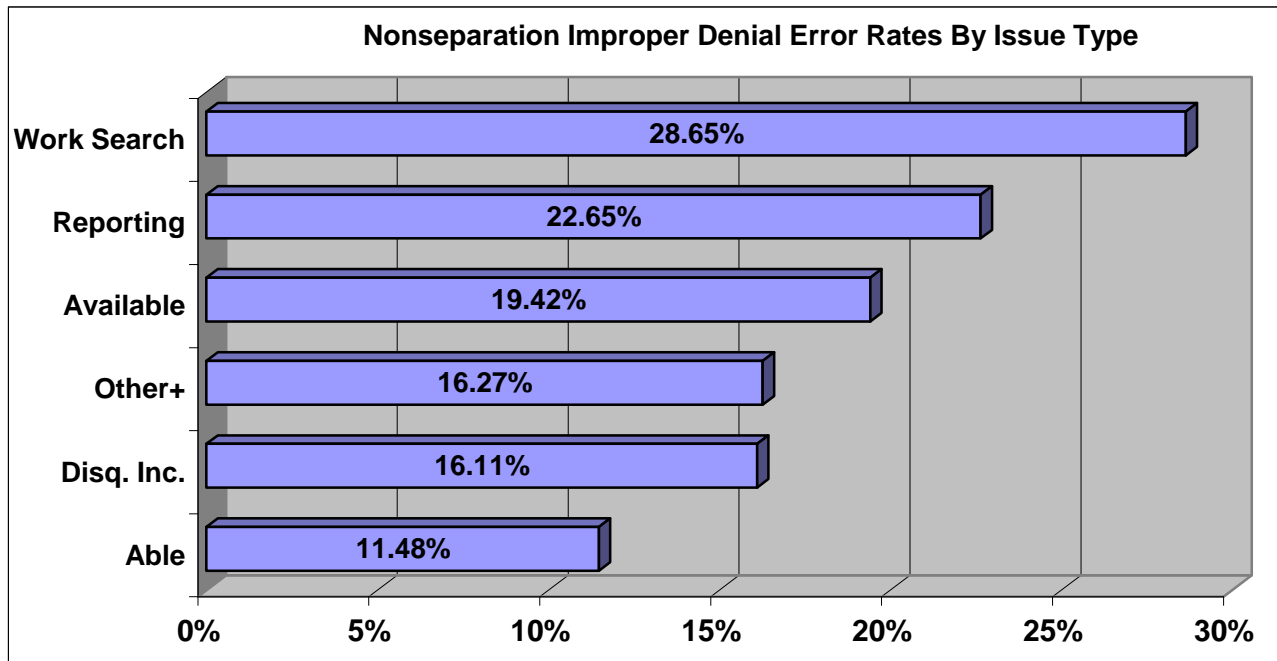
The claimant’s failure to report as required by the SWA and provide information related to the UI claim or to receive reemployment services constituted the largest category of nonseparation denials in CY 2009. This is followed by issues involving disqualifying income. The remaining nonseparation denials are distributed among several issues, with able and available issues, work search, and other+ which includes refusal of suitable work, alien, athlete, school, seasonality issues.



Nonseparation Type	Sample Cases	Population	Percentage of Type in Population	Improper Denials
Able	800	265,584	9.56%	11.48%
Available	1,333	497,023	17.89%	19.42%
Work Search	372	176,851	6.37%	28.65%
Disq. Inc.	2,311	694,174	24.99%	16.11%
Reporting	2,001	816,224	29.38%	22.65%
Other+	877	328,483	11.82%	16.27%
Total	7,694	2,778,339	100.00%	
% Improper				19.00%

Determinations that denied eligibility because the claimant failed to meet the state's work search requirements had the highest error rate (28.65 percent), although work search issues constitute less than seven percent on the nonseparation denials. Denials based on the claimant's ability to work had the lowest error rate (11.48 percent).

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):

[Denied Claims Nonseparation Error Rates by State CY2009.xls](#)

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

Integrity Rates*

- [Integrity Rates-CY 2009-all states.xls](#)
- [CY 2008-CY2009 Integrity Rate changes.xls](#)

Integrity Rates - Cause / Responsibility*

- [Annual Overpayment by cause - all states CY 2009.xls](#),
- [Operational Overpayment by cause all states CY2009.xls](#)
- [Overpayment Included & Excluded from the Operational Rate CY2009.xls](#)
- [CY05-CY09 BAM Annual & Operational Overpayment Rates by QTR & State.xls](#)
- [Fraud Overpayment by cause - all states CY 2009.xls](#)
- [Agency Responsible Overpayment by cause - all states CY 2009.xls](#)
- [Integrity Rates by Responsibility - all states CY 2009.xls](#)
- [Annual Report Rate Cause and Responsibility CY 2009.xls](#)

Integrity Rates - Prior Action / Point of Detection*

- [Prior agency action for all integrity rates CY2009.xls](#)
- [Prior Claimant Action and Cause CY2009.xls](#)
- [Prior Agency Action and Cause CY2009.xls](#)
- [Prior Employer Action for all integrity rates - all states CY2009.xls](#)
- [Prior Employer Action and Cause CY2009.xls](#)
- [Annual Rate Point of Detection - all states CY 2009.xls](#)
- [Annual & Operational Overpaid By Point of Detection and Cause CY2009.xls](#)

Key Week Action Rates*

- [Key week action overpayments CY2009.xls](#)

Underpayments and Denied Claim Accuracy*

- [Underpayments CY 2009.xls](#)
- [Base Period Wages Report by State CY 2009.xls](#)
- [Denied Rates by Cause CY 2009.xls](#)
- [Denied Claims Accuracy & Error Rates CY 2009.xls](#)
- [Agency Action for Improper Denials CY 2009.xls](#)
- [Responsibility For Improper Denials CY 2009.xls](#)
- [Prior Agency Action For Improper Denials CY 2009.xls](#)
- [Denied Claims Nonseparation Error Rates by State CY2009.xls](#)
- [Denied Claims Separation Error Rates by State CY2009.xls](#)

BAM Methodology

- [Methodology and Program Description](#)
- [BAM State Contacts](#)
- [ET 395 Handbook 5th Edition BAM State Operations Guidance](#)
- [Electronic Code of Federal Regulations - Quality Control in the Federal State](#)

Unemployment Insurance System

Other References

- [Comparison of State Unemployment Laws](#)
- [Significant Provisions of State Unemployment Insurance Laws](#)
- [ET 301 Handbook 5th Edition - nonmonetary determination guide sheets](#)

Performance Measures which use the BAM Operational Rate

- GPRA Measure- <http://www.workforsecsecurity.doleta.gov/unemploy/gpra.asp>
- Core Measure - http://www.workforsecsecurity.doleta.gov/unemploy/3yr_overpay.asp
- [Calculation of the Core Measure](#)

*** Note: the spreadsheets may have several pages**

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Division of Performance Management
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