

## **Benefit Accuracy Measurement State Data Summary Improper Payment Information Act Performance Year 2017**

The Benefit Accuracy Measurement (BAM) program is designed to determine the accuracy of paid and denied claims in three major Unemployment Insurance (UI) programs: regular State UI, Unemployment Compensation (UC) for Federal Employees (UCFE), and Unemployment Compensation for Ex-Servicemembers (UCX). State Workforce Agencies (SWAs) select weekly random samples of paid and denied claims. State BAM investigators audit these paid and denied claims to determine whether the claimant was properly paid benefits or properly denied benefits. 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 information gathered by the BAM program for Improper Payment Information Act (IPIA) performance year (PY) 2017, and some analysis of this information. 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 program are to:

- Assess the accuracy of UI payments;
- Estimate the UI improper payment rate as required by Improper Payments Information Act (IPIA) of 2002;
- Promote 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 codes and 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.

This analytical report uses the BAM data for the 12-month period (July 2016 through June 2017) and is aligned with the reporting period used by the UI program in the Department of Labor's Agency Financial Report (AFR). In this analytical report, rates are shown at a national level, which is the sum of the 52 SWAs. The SWAs consist of the 50 states, Puerto Rico, and the District of Columbia. Each SWA's data are provided in separate linked documents. The United States Virgin Islands is exempt from operating a BAM program.

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

release of annual results on its Web site: <https://www.dol.gov/general/maps> and the associated data page <https://www.dol.gov/general/maps/data>.

IPIA and the subsequent statutory amendments (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. Federal law defines the term improper payment as: “(A)...any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and (B) includes any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts.” 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 program improper payment estimates and report their planned activities to prevent, detect, reduce, and recover improper payments in an UI Integrity Action Plan (ET Handbook No. 336, see, Appendix V).<sup>1</sup>

The Department reports the overpayment and the underpayment rate to the Office of Management and Budget (OMB) as part of its IPIA<sup>2</sup> reporting. The IPIA PY 2017 (IPIA 2017) includes the period July 2016 through June 2017 (Batch Range 201627 through 201726). It is extremely important that the BAM programs in each SWA accurately measure the level of improper payments in its state so that performance against the state and national targets can be properly evaluated. BAM 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 2017 PY decreased to \$30.68 billion compared with \$30.89 billion during the IPIA 2016 PY. IPIA 2017 BAM paid claims results are based on 24,644 valid sample cases<sup>3</sup>. This represents a completion rate of 99.88 percent. BAM investigators completed claimant interviews in 21,754 or 88.27 percent of the completed cases. The remaining audits were completed based on

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<sup>1</sup> [Unemployment Insurance Program Letter \(UIPL\) No. 21-17](#) ; and [ET Handbook No. 336](#)

<sup>2</sup> U. S. Department of the Treasury [PaymentAccuracy.gov](http://www.paymentaccuracy.gov) Web Page: <http://www.paymentaccuracy.gov>

<sup>3</sup> States sampled 24,701 payments and deleted 27 payments as being out of the scope of the review, BAM investigators completed 24,644 of the remaining 24,674 valid cases. Puerto Rico was unable to complete 30 cases due to a catastrophic storm interrupting UC operations.

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 2017 Method Claimant Information Obtained.xlsx](#) in sheet titled "Paid Claims error % x response"), investigators are able to identify payment accuracy issues in cases, in which interviews are not completed. This limits nonresponse bias.

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 and enforces 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 2017 "Comparison of State Unemployment Laws," <https://oui.doleta.gov/unemploy/comparison2017.asp>).

Because the BAM data are based on relatively small samples, the estimated improper payment rate is subject to sampling and non-sampling errors. Sampling errors are errors that arise 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 errors are errors or biases that arise 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.

The Department's approved improper payment rate computation methodology can be found in [UIPL 09-13 Change 1](#) (January 27, 2015). Corrective action and integrity plans for FY 2018 are based on this computation methodology. 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.

In this report, the Department uses six analytical measures to assess SWA payment accuracy and estimate the risk of erroneous denial of benefits. Individual SWA rates reflect state law, administrative codes or rules, and policies. National results reflect the 52 SWAs' findings.

The Analytical Measures (Rates):

1. **Overpayment Rate** - The overpayment rate is defined in UIPL No. 09-13, Change 1. It is the total weighted amount of payments determined to be overpaid divided by the weighted dollar amount paid in the BAM sample population. The rate includes fraud, nonfraud recoverable, and nonfraud nonrecoverable overpayments. It excludes

payments that are technically proper due to finality, warnings issued for the failure to conduct an active search for work, or due to rules other than finality. All causes and responsible parties are included in this rate.

2. **Underpayment Rate** – The underpayment rate is defined in UIPL No. 9-13 Change 1. It is the total weighted amount of payments determined to be underpaid divided by the weighted dollar amount paid in the BAM sample population. All causes and responsible parties are included in this rate. It includes errors where additional payment is made to the claimant. 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** – 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 BAM survey results of paid UI claims in the state UI, UCFE, and UCX programs. Overpayments and underpayments determined to be technically proper under state UI law for finality and other reasons are excluded from the measure.
4. **Agency Responsibility Rate** - 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** - The definition of unemployment compensation (UC) fraud varies from state to state – there is no federal definition of fraud in the UC program. Generally, fraud involves a knowing and willful act and/or concealment of 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 implementing fraud administrative penalty determinations. In some states, a fraud determination becomes effective on the date of the fraudulent act. In other states, the administrative penalty takes effect on 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.
6. **Improper Denial Rates** - 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 (Please note that excel spreadsheets may have several worksheets or tabs of data):

[IPIA 2017 Integrity Rates All States.xlsx](#)

## I. Paid Claims Accuracy

The Code of Federal Regulations ([20CFR602](#)) requires States to conclude all findings of inaccuracy as detected through quality control (QC) (now known as BAM) investigations with appropriate official actions in accordance with the applicable State and Federal laws and to classify its findings in benefit payment cases as proper payments, underpayments, or overpayments, and in benefit denial cases as proper or improper denials or underpayments. The state's method of administration must ensure payment when due or prohibit payment when not due. The classification system for payment accuracy includes seven codes. The classification system for denials includes six codes.

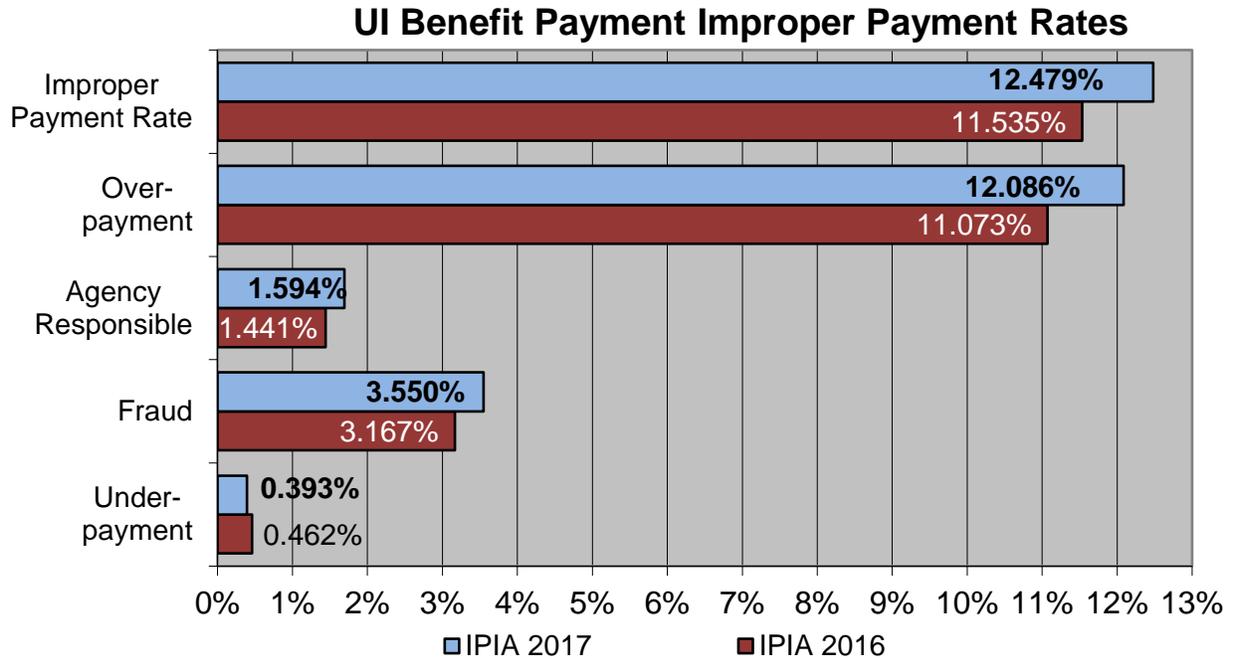
For each paid UI week investigated, referred to as the Key Week (KW), BAM investigators record whether the payment was proper or improper and, if technically proper or improper, the type of erroneous payment. Payment errors on the key week are weighted and used to generate improper payment estimates. The coding of BAM audit findings is required to be consistent with the laws, rules, and written policies of each SWA<sup>4</sup>. BAM captures 110 data elements for each sampled payment or denial.

The BAM data set includes demographic information as well as before and after investigation elements for eligibility conditions. Data for nine of these elements are completed only for improper 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 2017 Methodology and Program Description](#) Integrity Rate definitions). The Fraud and Agency Responsible Rates are subsets of the overpayment rate. Also, the data structure allows for the development of individual overpayment cause rates, which excludes the impact of other erroneous payments.

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<sup>4</sup> Comparison of State Unemployment Laws, <https://oui.doleta.gov/unemploy/comparison2017.asp>



The chart above summarizes five paid claim accuracy (PCA) rates, which are used for communicating overpayment estimates.

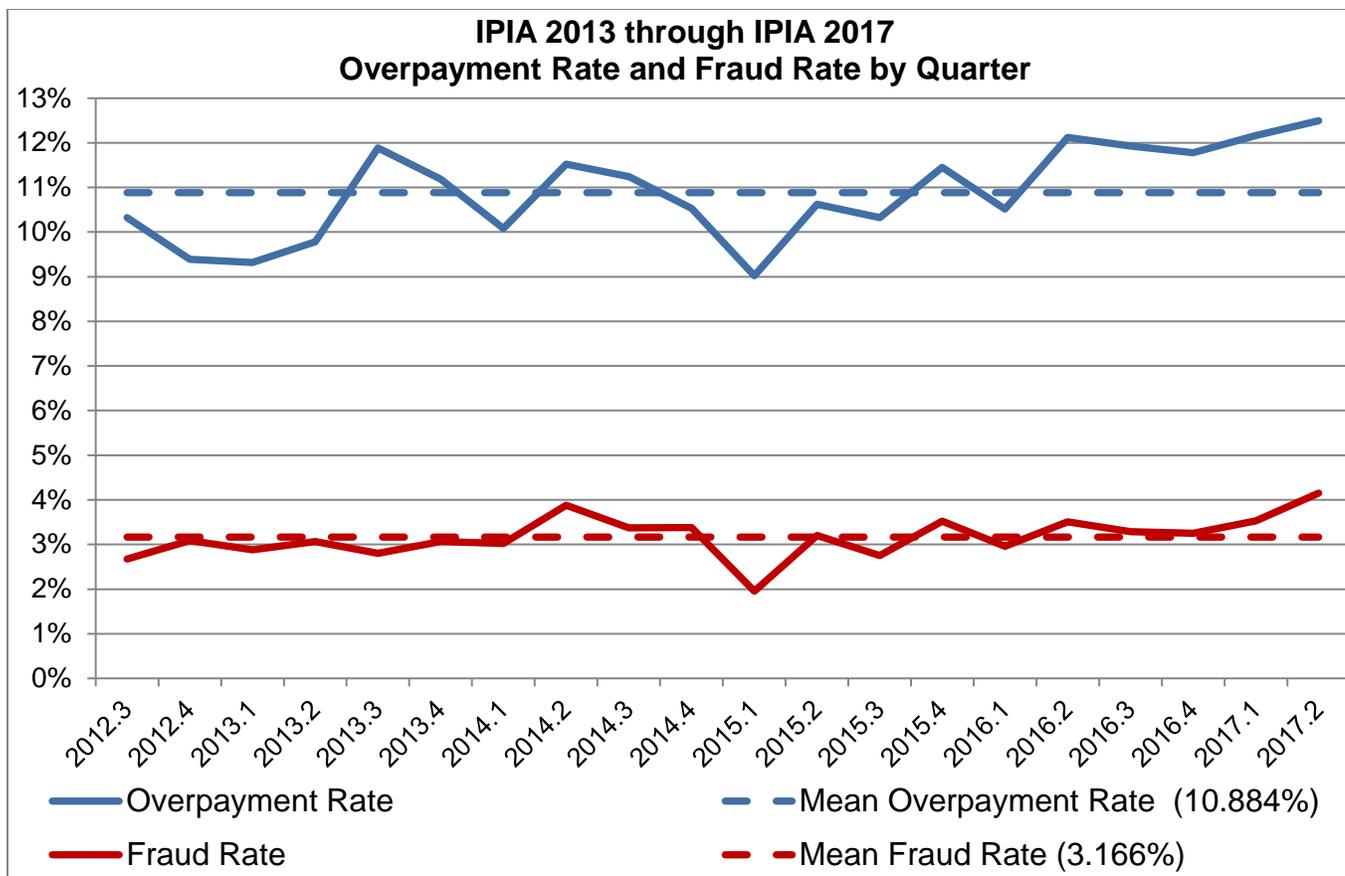
For a detailed listing of these rates for each state, click on the following link (the spreadsheet may have several pages or worksheets):

[IPIA 2016 - IPIA 2017 Integrity Rate Changes.xlsx](#)

### Overpayment Time Series

The following chart displays the overpayment and fraud rates by calendar quarter. For the period IPIA 2013 to IPIA 2017, the average revised overpayment rate was 10.884 percent.

Reviewers should be aware that SWAs' 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 probability of sampling a given number of weeks with payment errors; and seasonal factors. This volatility demonstrates that SWAs should be cautious in making performance assumptions and judging corrective actions effectiveness based on one single calendar quarter of data.



Footnote: For data display consistency, the 2013 data is presented using the same calculation methodology as described in UIPL No. 9-13 change 1.

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

[IPIA 13 IPIA 17 Overpayment Rate by Quarter & State.xlsx](#)

### Overpayment by Cause and Integrity Rate

UI initial and continuing eligibility requirements are complex. Benefit payments are limited to weekly benefit amounts and overall 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. Each week is an opportunity for a new improper payment. Payment and payment eligibility decisions are made by state government agencies using state specific Information Technology (IT) 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 treated as a proper payment from the integrity rate estimates.

Federal law establishes certain requirements for the UC program. The Social Security Act (SSA) and the Federal Unemployment Tax Act (FUTA) set broad coverage provisions, some benefit provisions, the Federal tax base and rate, and administrative requirements. One of the major functions of the Federal government is to ensure conformity and substantial compliance<sup>5</sup> of state law, regulations, rules, and operations with Federal law. As a condition of receiving administrative grants, each state's methods of administration must ensure payment when due.<sup>6</sup> The Department has always interpreted "when due" in Section 303(a)(1), SSA, to require accuracy to ensure that payments are not made when they are not due.<sup>7</sup>

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 specific wage requirements vary by state. The purpose of such qualifying requirements is to restrict benefits to covered workers who are genuinely attached to the labor force (see <https://oui.doleta.gov/unemploy/content/sigpros/2010-2019/January2017.pdf>).

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 must provide or be interpreted in such a manner that a claimant must meet week-to-week eligibility requirements to receive benefits. Claimants certify their weekly eligibility status when claiming benefits. Generally, 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 payments, vacation pay, severance payments).

The BAM program - as a statistical survey - uses standardized questionnaires to gather information to determine improper payments and their causes. 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 that could affect the key week accuracy, the investigator must pursue and resolve the issue. In making determinations of eligibility, a BAM investigator must comply with the [Secretary's Standard for Claim Determinations](#) and apply all facets of state law, administrative code and official policy to the case findings to determine whether a key

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<sup>5</sup> See <https://unemploymentinsurance.doleta.gov/unemploy/conformity.asp>

<sup>6</sup> Section 303, Social Security Act. [https://www.ssa.gov/OP\\_Home/ssact/title03/0303.htm](https://www.ssa.gov/OP_Home/ssact/title03/0303.htm)

<sup>7</sup> UIPL No. 04-01 (October 27, 2000) <https://wdr.doleta.gov/directives/attach/UIPL4-01.cfm>

week payment is proper or improper ([20 CFR 602.21\(c\)\(4\)](#)). 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>8</sup> into major categories. The table below displays the common error cause codes and 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

(See [IPIA 2017 Methodology and Program Description](#) Integrity Rate definitions for inclusion or exclusion from various rates).

UIPL No. 21-17<sup>9</sup> requires states to analyze their BAM data to identify the top root causes for improper payments and to develop strategies that will be effective in reducing or recovering improper payments. The following chart displays the percent of the dollars overpaid by integrity rate and cause category. The distribution of the causes for UI overpayments and the total amount overpaid varies considerably among the three overpayment integrity rates. The elements included or excluded from the various rates influence this cause distribution.

IPIA 2017 Overpayments (OP) by Cause and Integrity Rate Percent of the Estimated Dollars Overpaid			
Cause	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Work Search	37.440%	3.120%	3.915%
Benefit Year Earnings	26.383%	54.813%	16.756%
Separation Issues	17.297%	26.823%	35.377%
Able+Available	5.548%	6.477%	3.178%

<sup>8</sup> [https://wdr.doleta.gov/directives/attach/ETHandbook\\_395\\_Ch5\\_acc.pdf](https://wdr.doleta.gov/directives/attach/ETHandbook_395_Ch5_acc.pdf), Chapter V, pp. V-5 through V-7

<sup>9</sup> [https://wdr.doleta.gov/directives/attach/UIPL/UIPL\\_21-17\\_Acc.pdf](https://wdr.doleta.gov/directives/attach/UIPL/UIPL_21-17_Acc.pdf)

IPIA 2017 Overpayments (OP) by Cause and Integrity Rate Percent of the Estimated Dollars Overpaid			
Cause	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Other Eligibility	3.493%	4.817%	10.368%
Base Period Wage Issue	3.143%	0.326%	3.914%
ES Registration	2.207%	0.102%	13.418%
Sev./Vac./SSI/Pension	2.181%	0.305%	5.303%
Other Issues	2.125%	3.211%	7.629%
Dependent Allowance	0.182%	0.006%	0.143%
Total \$ Overpaid by Rate	\$3,707,543,451	\$1,088,928,763	\$519,095,002

An analysis of the top three causes nationally – Work Search, Benefit Year Earnings, and Separations -- 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 or worksheets):

[IPIA 2017 Integrity Rates by Cause.xlsx](#)

### Work Search Issues

Cause Work Search Issues	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Estimated Amount by Cause	\$1,366,464,900	\$33,977,042	\$20,322,211
Estimated \$ Overpaid by Rate	\$3,707,543,451	\$1,088,928,763	\$519,095,002
Percent of Total \$ Overpaid	37.440%	3.120%	3.915%

The Middle Class Tax Relief and Job Creation Act of 2012 (Public Law 112-96) amended the Social Security Act Section 303 by adding (a)(12): “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>10</sup> [UIPL No. 05-13](#) (p. 3; January 10, 2013) provides that “Federal Unemployment Compensation (UC) law establishes strictly limited circumstances under which states may not hold UC claimants to the work search requirement.” Because Federal UC law does not specifically define “actively seeking work,” states have discretion in establishing requirements. Therefore, readers are cautioned to not make any state to state comparisons.

As displayed in the IPIA 2017 Overpayment Cause By Integrity Rate table above, work search issues are the leading cause for overpayments, but they are not a significant

<sup>10</sup> [https://www.ssa.gov/OP\\_Home/ssact/title03/0303.htm#ftn16](https://www.ssa.gov/OP_Home/ssact/title03/0303.htm#ftn16)

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.

Over 37 percent of UI improper payments are the result of work search errors. Work search errors are currently the primary driver of the increase in the UI improper payment rate as states have implemented stricter work search requirements. UI claimants are required to certify weekly that they have met the state's work search requirements and to document their work search in accordance with the state's law.

States vary with regards to their work search standards. In many states, claimants must make a minimum number of employer contacts, employment applications, and/or work search activities each week. Within a state there may be differences in the number of work search actions required based on local labor market characteristics, while in other states the number of contacts is standard throughout the state. Some states 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, record, or other documentation of weekly work search actions and provide the record for verification purposes. In other states the claimant must provide information about their work search actions when questioned. A few states allow a claimant to simply attest or certify their eligibility without presenting any detailed information about what action the individual may have made in their 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). Other variables include the circumstances under which the SWA 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 investigators' failure to consistently apply state laws in evaluating its cases.

In 2016, the Department's Chief Evaluation Office assisted the UI program in organizing an independent technical working group (TWG) of UI program experts, statisticians, and economists that was tasked with developing a study methodology to determine the proportion of the improper payment rate that is attributable to certain structural elements of the program. Among their findings and recommendations, even without further study, is that the vast majority of work search errors are not preventable as a result of the due process requirements associated with detection of a work search error. Federal law requires that when an issue is detected the claimant has a right to receive notice and to provide information. As part of the "payment when due" policy described above, there is a presumption in UI that the claimant will continue to be eligible once initial eligibility is

determined and should, therefore, be paid. If an eligibility issue associated with work search (or any other eligibility issue) is detected, there is a requirement to pay for a claimed week no later than the week after an issue is detected. The time it takes to work through the necessary due process steps prevents states from stopping the payment before it is must be paid. In this circumstance, for sound policy reasons, states must make payments that have the potential to later be considered improper under the Federal definition.

The BAM investigator must review a sufficient number of work search actions to determine whether the claimant met state requirements. The BAM program assigns three classifications to actions reviewed. These are:

- (1) Acceptable - documentation exists in the BAM file that such employer contacts, employment applications, or state approved work search activities were made by claimant and were acceptable within state's written law/policy on active search for work.
- (2) Unverifiable - the investigator was unable to establish sufficient information to make a judgment of whether the work search activities were either acceptable or unacceptable within the state's written law/policy on work search.
- (3) Unacceptable - written documentation exists in the BAM file that such contacts or activities were not made at all by claimant or were made but are unacceptable within the framework of state's written law or policy or the work search activity occurred outside of the week investigated.

Work search actions classified as acceptable or unverifiable count towards meeting the state's work search requirement. For performance year 2017, the BAM work search improper payment estimates are based on verification activities representing 19,828 key weeks with an average of 2.29 work search verifications per week totaling 45,441 actions reviewed. Overall, 92.18% percent of the claimant's work search activities meet state requirements. This includes those contacts and/or work search activities which are classified as acceptable or unverifiable. Work search contacts, employment applications, and activities deemed unacceptable do not satisfy a count towards meeting the state's numeric requirements.

Total number of Key Week employer contacts, employment applications, and/or work search activities investigated reviewed for eligibility determination purposes and work search required	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
45,441	47.24%	44.94%	7.82%

The table below shows that 7.02 percent, or 1,392 of 19,828 claimants were held ineligible for benefits due to a failure to meet state work search requirements.

Count of cases work search required (g1) =1	Percent of the 24,644 cases where active work search required	Count of 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	Total Count of Work Search in-eligibility	Percent of work search required cases with Key Week work search ineligibility
19,828	80.46%	15,891	80.14%	1,392	7.02%

The BAM dataset includes a number cases where work search was required with zero work search actions investigated. This includes instances of nonresponse and cases where the claimant provided no evidence of work search actions. States address such failures or lack of evidence 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 establishing an active search for work while other states do not.

Additionally, states' continued claim processes vary. Some states continued claim systems are capable of capturing and requiring the claimant to provide detailed work search information with each week claimed. Therefore, in a few states work search information is available to evaluate when the claimant fails to report to a review of their actions.

Finally, there is one other category where claimants are held ineligible for benefits due to work search issues. This involves 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 investigator's verification with the union found that the claimant was not in good standing or the investigator's verification with the employer found that the claimant had no definite recall date. In such a situation, the claimant might be held ineligible for a failure to conduct an active work search because the exemption was invalid. Investigators identified 23 work search ineligibilities out of the 4,816 cases where the person was initially exempt from work search requirements.

BAM data indicates that in 80.258 percent of weeks compensated, in the population subject to BAM sampling, claimants were required to conduct an active search for work. In 19.733 percent of the cases, the investigator found that claimants were attached to an employer or that the person met a recognized work search exemption or condition which fulfills the requirement. In the final 0.009 percent of the cases, investigators indicated that the state was not in conformity with federal law by indicating that the state did not have a work search requirement. Investigator coding relative to this last cohort of cases may represent a BAM coding or staff training issue.

(g1) Work Search Requirement	BAM Case Count of Work search Requirement	Estimated number of weeks by requirement	Estimated Percent of the population
Not Applicable, if no active work search policy	4	8,253	0.009%
Required to actively seek work (in addition to union contact if applicable)	19,828	73,171,407	80.258%
An agency directive temporarily suspended the claimant's normal work search for the Key Week	159	673,887	0.739%
Union deferral (seeking work only through union)	1,332	5,124,303	5.621%
Job attached deferral (temporary lay-off, recall, partial, industry attached)	2,994	11,267,994	12.359%
Other deferral (disability, Jury service, school etc.)	327	923,995	1.013%
Total	24,644	91,169,839	100.00%

Work search verification is very workload intensive. Random audits can detect work search improper payments, but not prevent them. Messaging and ensuring claimants understand work search requirements is another strategy that the Department has supported through the development of messaging tools and funding for state implementation.

For a detailed listing of work search compliance for each state, click on the following link (note: the spreadsheet has multiple tabs or worksheets):

[IPIA 2017 Work Search Verification Outcomes.xlsx](#)

### Benefit Year Earnings Issues

Cause Benefit Year Earnings	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Estimated Amount by Cause	\$985,214,222	\$596,872,136	\$86,981,583
Estimated \$ Overpaid by Rate	\$3,707,543,451	\$1,088,928,763	\$519,095,002
Percent of Total \$ Overpaid	26.383%	54.813%	16.756%

As displayed in the IPIA 2017 Overpayment Cause by Integrity Rate table, unreported or misreported benefit year earnings (BYE) are the second leading cause of UI overpayments. They account for more than half (54.81 percent) of UI fraud overpayments and slightly more than a quarter (26.38 percent) of the overpayments included in the Overpayment Rate. However, BYE errors represent a smaller portion (16.76 percent) of the Agency Responsible rate.

The UI system is designed to maintain and to encourage claimant attachment to the workforce overall and to their previous employers when feasible. The system does this by allowing partial payments, which are reduced for BYE (weekly benefit amount reduced as a result of wages, commissions, bonuses, tips or gratuities, odd jobs or self-

employment income) and through Short-Time Compensation programs (also known as Workshare).<sup>11</sup> Because UI benefits only replace a portion of the claimant's previous base period wages<sup>12</sup>, states have devised various earnings disregard and benefit reduction provisions.<sup>13</sup> Ultimately, these payment adjustments require accurate reporting of these BYE. 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 claims taking process (See claim filing methods by state [IPIA 2017 Claim Filing Methods.xlsx](#)).

For regular UI, states reported that they compensated 90,707,229 weeks during the IPIA 2017 year. Of these 90,707,229 weeks, states reported that they reduced the amount of benefits paid in 7,248,292 weeks or 7.99 percent of the weekly payments made. The BAM program collects data for several important UI eligibility criteria before and after the investigation. Claimant earnings and adjustments to the claimant's weekly benefit amount (WBA) for the paid week investigated by BAM (referred to as the key week) can produce useful information related to benefit year earning (BYE) improper payments. The following table summarizes the earnings and adjustments data after BAM investigations, that is, it compares the information at the time the claimant received benefits to the findings after the investigation.

IPIA Period July 1, 2016 through June 30, 2017 Benefit Year Earnings (BYE) Analysis		
24,644		Completed BAM Reviewed Cases
		Over Reported Earnings
2,143	8.70%	Total Cases completed initially reported benefit year earnings (BYE)
278	12.97%	Of the 2,143 cases with earnings 278 had BYE over reported
	\$46.25	Average amount BYE over reported in the key week
	\$19.50	Median amount BYE over reported in the key week
		Accurately Reported Earnings
1,159	54.08%	Of the 2,143 cases 1,159 had BYE amounts accurately reported
	\$197.43	Average amount of BYE accurately reported in the key week
	\$171.00	Median amount of BYE accurately reported in the key week
		Under Reported Earnings
706	32.94%	Of the 2,143 cases with earnings, 706 had BYE under reported
	\$106.96	Average amount BYE of under reported in the key week
	\$39.00	Median amount BYE of under reported in the key week

<sup>11</sup>Short-Time Compensation (STC) provides partial UC benefits to individuals whose usual hours of work are reduced to avert the layoff of workers. STC is a program that allows an employer to request UI agency approval of a plan that provides the STC benefits to those workers whose hours are reduced.

<sup>12</sup> See Wage Replacement Ratios in the [IPIA 2017 Base Period Wages Report.xlsx spreadsheet](#)

<sup>13</sup> 2017 Comparison of State Laws; Chapter 3 Monetary Entitlement; Table 3-8; pp. 3-17 to 3-19; <https://unemploymentinsurance.doleta.gov/unemploy/pdf/uilawcompar/2017/monetary.pdf> ;

IPIA Period July 1, 2016 through June 30, 2017 Benefit Year Earnings (BYE) Analysis		
		Failed to Report Earnings
22,501	91.30%	Of the 24,644 cases 22,501 had no BYE initially reported
879	3.91%	Of the 22,501 cases 879 not initially reporting BYE actually had BYE
	\$426.61	Average unreported or concealed BYE amount in the key week
	\$323.00	Median unreported or concealed BYE amount in the key week

In IPIA 2017, the BAM program reviewed 24,644 key weeks. From these 24,644 paid weeks, 22,501 or 91.30 percent of the weeks selected had no benefit year earnings reported at the time of payment. From these 24,644 paid weeks, 2,143 or 8.70 percent of the weeks investigated had benefit year earnings reported at the time of payment. Slightly more than 54 percent (1,159 weeks) of the 2,143 key weeks with benefit year earnings initially reported actually had the earnings reported accurately. However, 706 weeks, representing 32.94 percent of the weeks with earnings initially reported, had under reported earnings (claimant earned more than reported), and 278 weeks (12.97 percent) of the weeks had over reported earnings (claimant earned less than what they reported).

Additionally, investigators found 879 weeks or 3.91 percent of the 22,501 weeks with no benefit year earnings initially reported actually had earnings income, which should have been reported. The vast majority of these identified 879 cases had benefits amounts payable to the claimant decreased or reduced completely because the claimant was found to be working part time or full time.

### Separation Issues

Cause Separation Issues	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Estimated Amount by Cause	\$647,146,858	\$292,082,993	\$183,637,864
Estimated \$ Overpaid by Rate	\$3,707,543,451	\$1,088,928,763	\$519,095,002
Percent of Total \$ Overpaid	17.297%	26.823%	35.377%

As displayed in the IPIA 2017 Overpayment Cause by Integrity Rate table (page 9), issues involving the claimant's reasons for separating from work (separation issues) are the third leading cause of UI overpayments. They account for 17.297 percent of the overpayment rate and 26.823 percent of the fraud overpayments. Separation issues are the leading cause (35.377 percent) of the amount overpaid for which the agency had full or partial responsibility.

Overpayments attributable to separation issues involve inadequate or inaccurate claimant and/or employer separation information resulting in improper payments. They involve claimants who are ultimately determined to be ineligible for UI when information

disclosing that claimants had disqualifying job separations, such as quitting a job without good cause or being discharged for misconduct under the state UI law. 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. In some instances, the SWA contributes to separation improper payments.

Cause	Prior Agency Action*	Estimated Amount
SEP	(40) SWA Had Documentation - Did Not Resolve Issue	\$86,080,185
SEP	(50) Procedures Not Followed Preventing Detection	\$42,387,364
SEP	(30) SWA Took Incorrect Action	\$41,806,881

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.

To address UI improper payments caused by separation-related issues, ETA, in collaboration with SWAs, implemented the State Information Data Exchange System (SIDES), which was designed to enable more rapid and accurate communications between SWAs and employers, resulting in better initial eligibility determinations and a reduction in UI improper payments. While SWAs' and employers' participation in SIDES is voluntary, DOL provided \$43.4 million to 51 SWAs to build and integrate SIDES into their current systems and to market the benefits of SIDES to employers. As of January 2017, 48 of the 51 SWAs were using SIDES. The Department's Office of Inspector General found SIDES has contributed to reductions in separation-related improper payment rates in SWAs sampled during a recent audit.<sup>14</sup> Efficiencies and improvements can be found in every state.

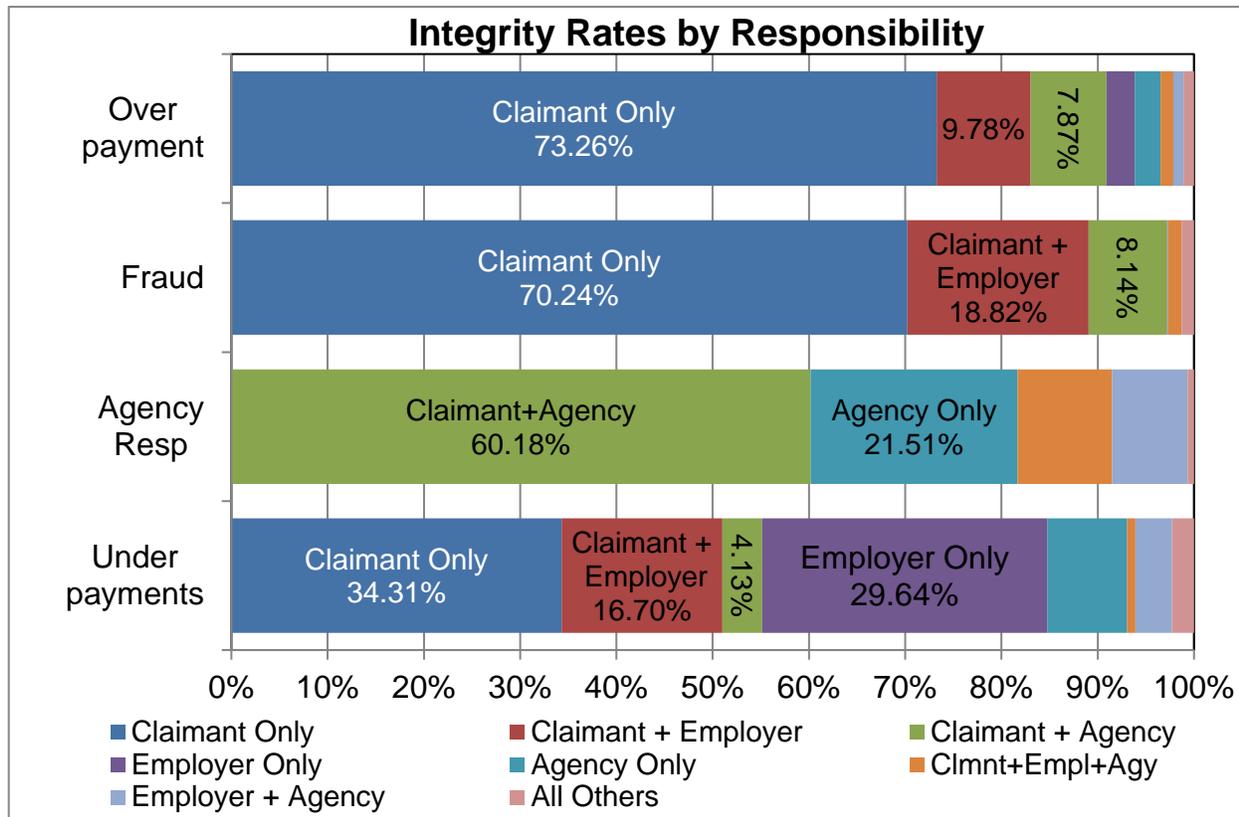
### **Overpayment Responsibility by Integrity Rate**

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. The BAM investigator attributes responsibility to various parties based on their actions or inaction. Improper payment responsibility may be assigned to one or more parties.

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. The SWA makes continued benefit payments based on the presumption of eligibility and the claimant's

<sup>14</sup> <https://www.oig.dol.gov/public/reports/oa/2017/04-17-003-03-315.pdf>

ongoing certification that requirements have been met. If a question of eligibility arises, the SWA is required to conduct an investigation to establish evidentiary facts and make a subsequent determination of eligibility or ineligibility.<sup>15</sup> Such a determination may affect past, present, or future benefit payments.



The overpayment rate is the broadest measure of overpayments. Since claimants control much of the information used to establish the presumption of weekly eligibility, it is not surprising that claimants alone were responsible for almost 73 percent of the dollars overpaid included in the overpayment rate. Errors resulting in overpayments that were attributed exclusively to the SWA accounted for 2.67 percent of the amount overpaid. The claimant and agency were jointly responsible for an additional 7.87 percent of the dollars overpaid, and the claimant and employer were jointly responsible for an additional 9.78 percent of the dollars overpaid.

Claimants alone were responsible for 70.24 percent of the fraud overpayments. Claimants along with employers were responsible for almost 18.82 percent of fraud overpayments. Nearly all of the remainder of the fraud includes claimant and agency responsibility.

<sup>15</sup> UIPL No. 04-01, "Payment of Compensation and Timeliness of Determinations during a Continued Claims Series" <https://wdr.doleta.gov/directives/attach/UIPL4-01.cfm>

The agency rate includes improper payments in which the agency had contributory responsibility. The SWA was solely responsible for almost 21.5 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 or worksheets):

[IPIA 2017 Integrity Rates by Responsibility.xlsx](#)

[IPIA 2017 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.

Continuing eligibility for UI is determined on a week-by-week basis. During a continued claim series, a claimant must certify his/her 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. 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 or worksheets): [IPIA 2017 Cause x Prior Claimant Action.xlsx](#)

## Agency Action Prior to Sample Selection for Overpayments

In the case of payment errors, BAM case reviews identify the action that the state agency took before the payment was selected for the BAM sample. 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. Slightly less than 84 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 claimant and/or employer information) were required to prevent or detect these overpayments. The remaining fraud overpayments were distributed among the other prior agency action categories. The table below shows overpayments by prior agency action.

Prior Agency Action*	Percent of Dollars Paid	Percent of Dollars OP	Estimated Amount
Issue Not Detectable by normal procedures	10.140%	83.90%	\$3,110,562,838
Sufficient Infor But Did Not Resolve Issue	0.825%	6.82%	\$253,020,609
Identified But Took Incorrect Action	0.336%	2.78%	\$103,155,774
Procedures Not Followed Precluding Detection	0.340%	2.81%	\$104,331,909
In Process of Resolving	0.321%	2.66%	\$98,614,705
Detected Thru NDNH Xmatch	0.072%	0.59%	\$22,040,564
Detected Thru Wage Xmatch	0.048%	0.40%	\$14,846,972
Agency provided incorrect information	0.003%	0.03%	\$970,079
<b>Total</b>	<b>12.086%</b>	<b>100.00%</b>	<b>\$3,707,543,450</b>
<b>Amt. Paid</b>			<b>\$30,675,108,501</b>

For overpayments included in the overpayment rate, BAM estimates that 83.9% or \$3.11 billion of the \$3.71 billion of UI benefits overpaid were not detectable through normal agency procedures. BAM results indicate the agency had sufficient information but did not resolve the issue for \$253 million or 6.8 percent of the amount overpaid, and the agency identified the overpayment issue but took the incorrect action in about \$103 million or 2.8 percent of dollars overpaid. The agency failed to follow its own procedures, which precluded the ability to prevent the overpayment in an additional \$104 million or 2.8 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 2.7 percent of the amount overpaid. Additionally, the agency identified 1.0 percent of these overpayments using crossmatches.

For the Agency Responsible Rate, BAM estimated SWAs were responsible for approximately \$519.1 million in overpayments 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 51 percent of the amount overpaid; the agency took the incorrect action for 21.3 percent and did not follow procedures thereby precluding the SWA's ability to detect the payment error for 20.3 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. Again, we note there are structural "due process" requirements in the UI program that prevent stopping payment without an opportunity for the claimant and employer to be heard. This requirement is for good policy reasons and in many cases requires the SWA to proceed with payment of benefits that may later be determined to be improper.

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

[IPIA 2017 Integrity Rates Cause x Prior Agency Action.xlsx](#)

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

In the case of payment errors, BAM case reviews identify 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. The following table displays prior employer actions for each of the integrity rates. The highlighted cells reflect employers’ action that may lead to improper payments.

**IPIA 2017 Integrity Rates – Estimated Dollars Overpaid by Prior Employer Action**

	Overpayment Rate Overpayments	Fraud Rate Overpayments	Agency Rate Overpayments
Total Estimated Overpaid	\$3,707,543,454	\$1,088,928,759	\$519,095,002
Employer action as of the time that the payment was selected for audit			
Not An Employer Issue	\$1,691,350,975	\$123,033,931	\$162,750,310
Agency Did Not Request	\$837,003,443	\$503,055,291	\$62,592,254
Adequate and Timely Information	\$580,840,626	\$230,025,076	\$198,248,308
Did Not Respond to request	\$292,427,778	\$149,168,090	\$38,507,408
Inadequate information	\$188,706,429	\$21,803,755	\$33,634,341
Did Not Report New Hire	\$62,351,055	\$46,832,450	\$920,620
Not Timely information	\$46,260,762	\$14,372,978	\$21,035,486
Inadequate and Untimely	\$8,602,386	\$637,188	\$1,406,275
Estimated dollars overpaid where a different employer action may have produced a different outcome	\$598,348,410	\$232,814,461	\$95,504,130

**IPIA 2017 Integrity Rates – Estimated Dollars Overpaid by Prior Employer Action**

	Overpayment Rate Overpayments	Fraud Rate Overpayments	Agency Rate Overpayments
Percent of Total Dollars overpaid where a different employer action may have produced a different outcome	16.14%	21.38%	18.40%

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 16.14 percent of the overpayments included in the overpayment rate, 21.38 percent to the fraud rate dollars overpaid, and 18.40 percent of the overpayments included in the agency responsible rate. Overall, BAM data shows that prior employer participation is an essential factor in the prevention or detection of many overpayments.

For example, over \$235.6 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 \$95.7 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.

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

[IPIA 2017 Integrity Rates Cause x Prior Employer Action.xlsx](#)

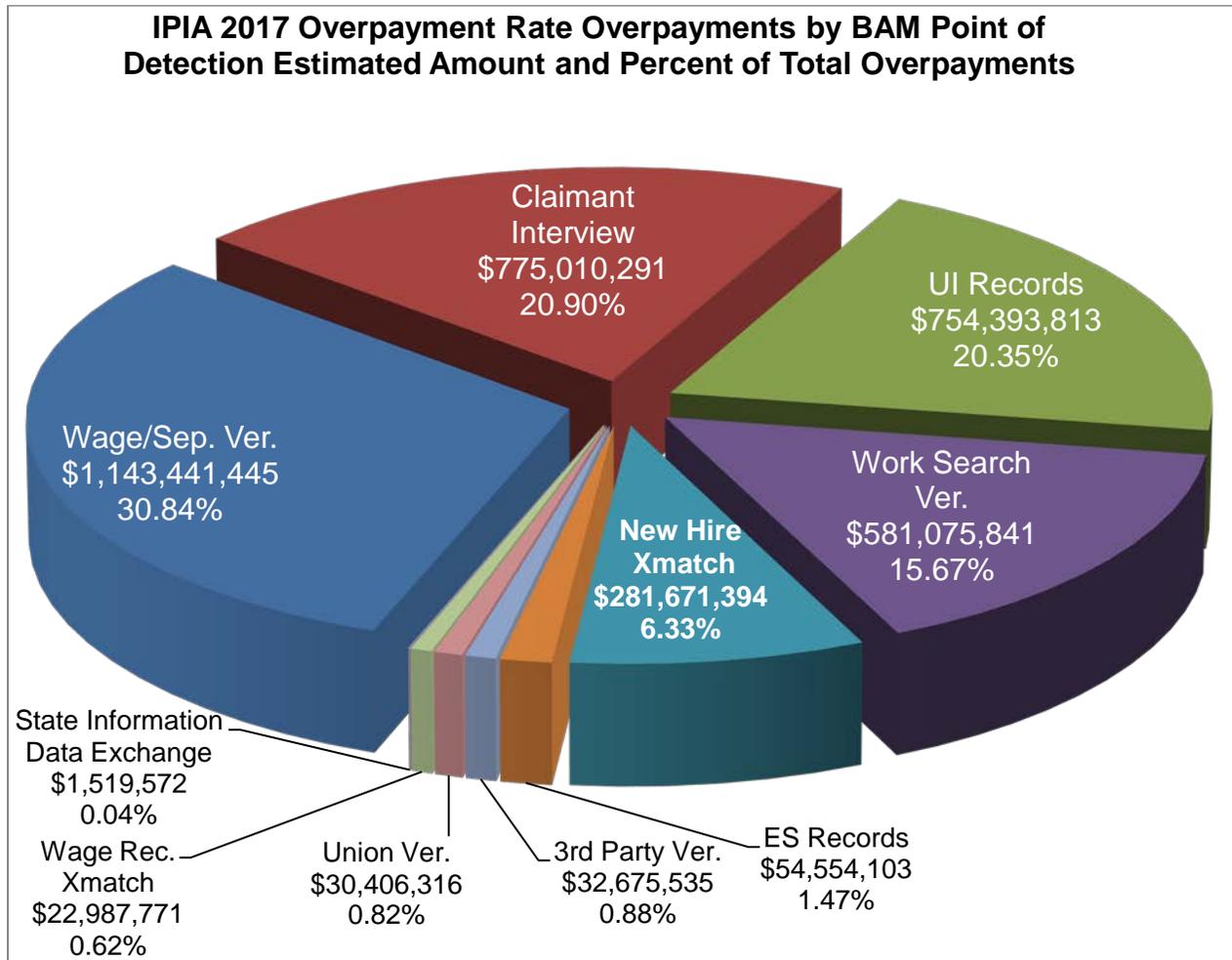
**Point of Detection**

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 impact overpayment amounts. For example, BAM found significant errors when payment information is corroborated with employers and through extensive claimant interviews.

Within this framework, it is important to note that the BAM audit process differs substantially from normal UI operations in terms of cost, time, and effort. BAM exhausts all avenues in obtaining information. Whereas, normal UI operations make reasonable attempts to obtain information, but must make determinations based on available information in order to make timely payments. Therefore, this procedural difference may contribute to BAM identifying some of these overpayments which are not detected by the agency.

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 crossmatch 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.

Aggregate IPIA 2017 Point of Detection data are displayed in the following chart.



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

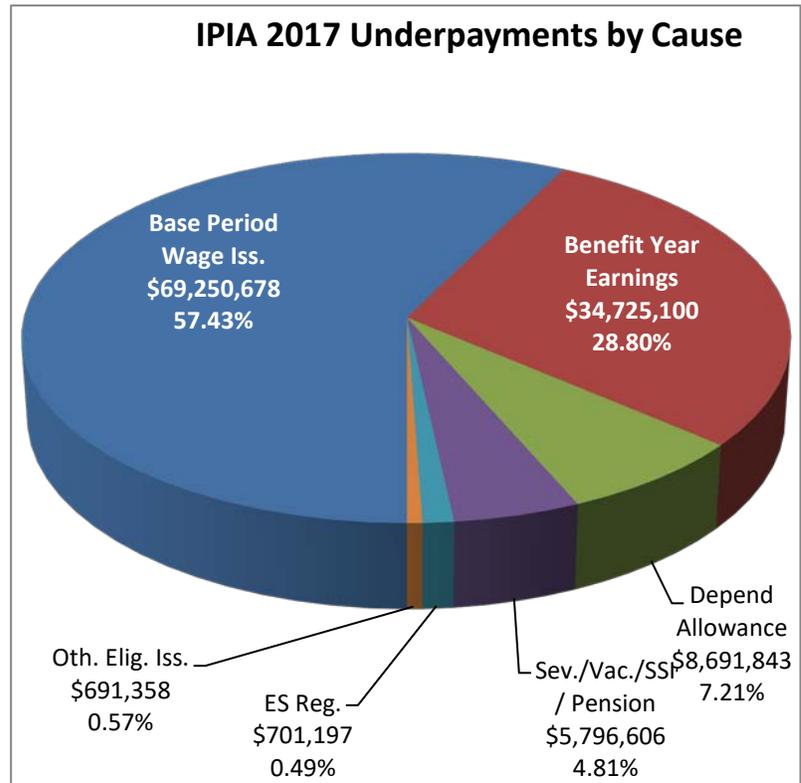
[IPIA 2017 Integrity Rates by Point of Detection.xlsx](#)

## II. Underpayments

### Underpayment Rate

IPIA requires estimates of underpayment rates, in addition to overpayments. BAM estimates that a total of \$120.6 million was underpaid in IPIA 2017, compared with \$142.6 million in IPIA 2016.

IPIA 2017 data excludes technically proper underpayments. As a percentage of UI benefits paid, the IPIA 2017 national underpayment rate of 0.393 percent is slightly lower than the IPIA 2016 rate of 0.462 percent. State underpayments ranged from 0.01 percent in Arizona to 1.26 percent in District of Columbia.



As with overpayments, the BAM program captures the cause of and responsibility for underpayments. Errors in reporting or recording base period wages accounted for 57.38 percent of the amount underpaid and represented 0.23 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. Instances in which the weekly benefit amount increases after the BAM investigation represent underpayments used to produce the portion of the estimate.

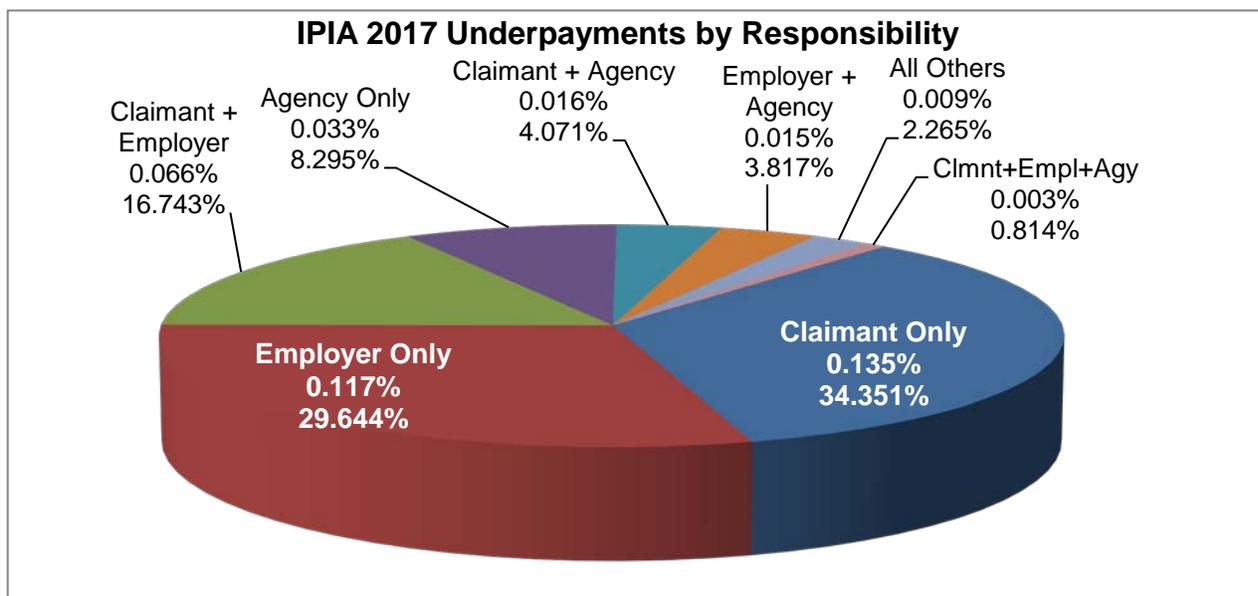
Accuracy Finding	Base Period Wages		Weekly Benefit Amount		Maximum Benefit Amount	
	% of Cases	Avg. Error	% of Cases	Avg. Error	% of Cases	Avg. Error
Correct	85.47%		94.87%		92.93%	
Understated	7.91%	(\$6,244.19)	2.93%	(\$32.87)	4.37%	(\$1,181.06)
Overstated	6.63%	\$5,473.37	2.20%	\$45.45	2.70%	\$1,397.10
<b>Total</b>	<b>100.00%</b>		<b>100.00%</b>		<b>100.00%</b>	

(See [IPIA 2017 Base Period Wages Report.xlsx](#) for individual state findings. The spreadsheet has several worksheets or tabs and includes worksheets for underpayment cause and responsibility.)

Errors in reporting or recording benefit year earnings were the second leading cause of underpayments – 28.8 percent of all underpayments and 0.11 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, 2016 through June 30, 2017 Benefit Year Earnings Analysis		
24,644		Completed Cases
2,143	8.70%	Total Cases completed initially reported benefit year earnings (BYE)
278	12.97%	Of the 2,143 cases with earnings 278 had BYE over-reported
	\$46.25	Average amount BYE over-reported in the key week
	\$19.50	Median amount BYE over-reported in the key week

As with overpayments, the BAM program captures the responsibility for underpayments. The chart below shows the distribution of underpayment responsibility. Employers alone were responsible for 29.64 percent of amount underpaid, which represented 0.117 percent of the amount of UI benefits paid.



Claimants alone were responsible for an additional 34.35 percent of the amount underpaid, which represented 0.135 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.

### III. Denied Claims Accuracy

#### Denied Claims Accuracy Rates

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. Denied Claim Accuracy (DCA) measures the accuracy of disqualifying monetary, separation, and nonseparation determinations for both intrastate and interstate claims.

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 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.

#### **DCA Rate Table**

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

**IPIA 2017 US Denied Claims Accuracy Rates**

Denial Type	BAM Population of Denials	Improper Denial Rate*	Adjusted Improper Denial Rate**	Over-Payment****	Proper Denial***
Monetary	874,202	15.11%	11.62%	0.07%	0.83%
Separation	1,580,478	10.59%	6.69%	0.15%	6.74%
Nonseparation	2,662,362	11.82%	8.90%	0.72%	5.05%

#### 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 still 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.

\*\*\* Proper Denial is the percentage of properly denied claims, 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.

\*\*\*\* Overpayments are discussed below.

## Monetary Denials

SWAs determine the monetary<sup>16</sup> eligibility of claimants when they file a new initial claim or a transitional claim (to establish a new benefit year). In IPIA 2017, SWAs determined that 89.21 percent of the 9.04 million new initial and transitional claims were monetarily eligible.

The BAM program estimates that 15.11 percent of the 874,202 monetary denials included in the BAM DCA population were improper. This compares to an improper denial rate of 14.79 percent in IPIA 2016. These UI claims were denied because the agency had initially determined that the claimant had not earned sufficient wages in covered 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 11.62 percent. This rate is higher than the adjusted improper denial rate of 10.47 percent in IPIA 2016. During IPIA 2017 monetarily eligible claimants who received a first payment were compensated \$5,273 over the duration of the claim. However, these improper denials of benefits are not included in the underpayment rate or totals.

One thing stands out in the monetary denial data. In states with alternative base period (ABP) provisions only 55.39 percent or 283,485 of the 511,765 claimants who were monetarily denied received a determination regarding their alternative base period eligibility. Generally, the ABP provision provides that a claimant use the four most recent completed calendar quarters in the base period, prior to filing the claim for benefits, if the individual is found ineligible for the regular base period (first four of the last five completed quarters). In other words, such state laws allow claimants two methods at becoming monetarily eligible. In 2017, 39 of states had ABP provisions in their state laws.

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<sup>16</sup> See the 2017 Comparison of State Unemployment Laws Chapter 3 for Monetary Entitlement <https://oui.doleta.gov/unemploy/pdf/uilawcompar/2017/monetary.pdf>

The BAM program records the agency's action whether the state redetermined the claimant's monetary eligibility prior to or during the course of the DCA investigation. For those claimants initially monetarily denied in states with ABP provisions, consideration of the alternative method ranges from less than one percent of the population to 100% of the population.

## **Separation Denials**

In order to be eligible for UC, states require claimants to 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. Separation issues generally involve an act of misconduct (fired) or leaving employment (quit). The agency gathers information from the claimant, employer, and relevant third parties through structured interviews. Based on the findings of fact and the application of state laws, SWAs issue a determination on whether the claimant is eligible for benefits.

Separation issues normally are identified when a new initial claim or an additional claim is filed. Generally, separation issues are addressed after a claimant is found monetarily eligible. In IPIA 2017, there were approximately 8.07 million monetarily eligible new initial claims and approximately 4.48 million additional claims. No separation determinations were required for nearly 73.45 percent of these claims, because the reason for separation was lack of work or reduction in workforce. SWAs completed almost 3.33 million separation investigations and found disqualifying circumstances in 1.62 million of these determinations that resulted in denial of benefits.

In IPIA 2017, BAM estimated that 10.59 percent of the 1.58 million separation denials included in the BAM DCA population were improper, compared with 10.54 percent estimated for IPIA 2016. When redeterminations and appeal reversals are taken into account, the improper denial rate for separations in IPIA 2017 is adjusted to 6.69 percent, compared with 6.69 percent in IPIA 2016. Nationally, the BAM program estimates that approximately 105,734 of the 1,580,478 employment separation denials subject to audit were incorrectly determined, resulting in improperly denied benefits.

## **Nonseparation Denials**

Nonseparation issues include the claimant's ability to work, 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 disqualifications and issues that result in a single or a specific number of weeks of ineligibility. Disqualified claimants have no right to benefits until they requalify, 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 2017, SWAs made payments for 91.85 million weeks. SWAs completed 3.37 million nonseparation determinations and concluded that 2.84 million of those investigations should result in denial of benefits.

For the 2.66 million nonseparation denials included in the DCA population, BAM estimates an improper denial rate of 11.82 percent and when redeterminations and appeals reversals are taken into account, the adjusted improper denials rate is 8.90 percent.

## **Overpayments and Proper Denials**

The BAM program determined that small percentages of the monetary denials (0.07 percent) separation denials (0.15 percent) and nonseparation denials (0.72 percent) 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 Supplemental Security Income) for weeks of claimed 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.

In all three types of denials, the BAM program 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).

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

[IPIA 2017 Denied Claims Accuracy & Error Rates.xlsx](#)

## **Agency Action for Improper Denials**

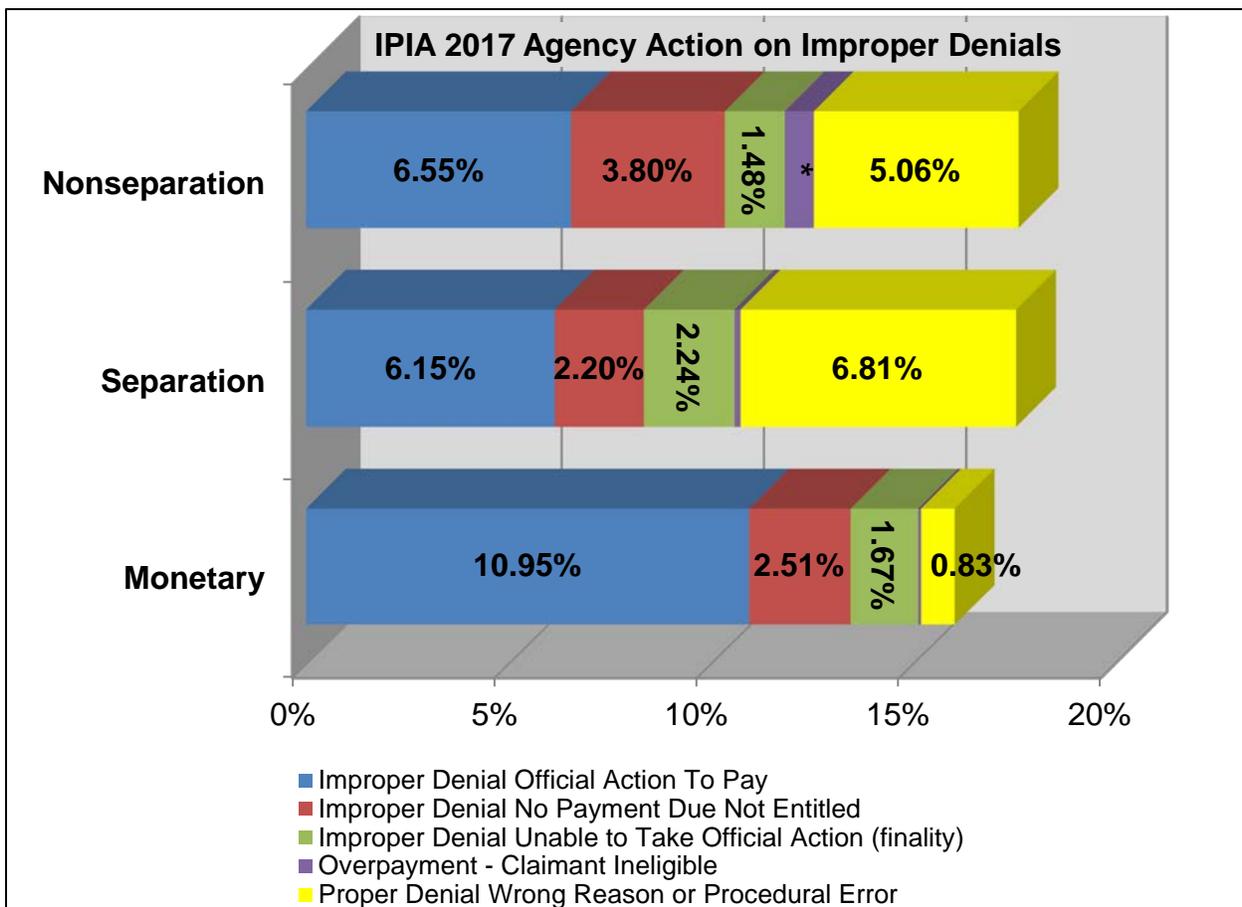
Not every improper denial results in the agency issuing a payment to the claimant (i.e., increasing the claimant's weekly benefit amount, maximum benefit amount, or dependents' allowance), for example, in some states, determination finality applies. In 68 percent of the improper monetary denial cases reviewed as part of the BAM review,

the agencies or BAM took action to ensure that benefits were paid for just. Additionally, in the other types of denials reviewed, 35 percent and 37 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 rules apply to 10.5 percent of the monetary denials, 12.8 percent of the separation denials, and 8.4 percent of the nonseparation denials.

BAM investigators record 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.



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

[IPIA 2017 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, which influences the distribution. Generally, the improper denial cause is directly related to the sample type. For example, monetary denials are related to the base period wages.

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

[IPIA 2017 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 19.62 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 25.70 percent of the erroneous monetary denials, and agency error accounted for approximately 17.73 percent of the improper monetary denials. States often hold claimants responsible for improper monetary denials because the state sends a notice to the claimant showing the information used. That monetary determination notice instructs the claimant to notify the state if the information used is incorrect. The remainder of the improper monetary denials had shared responsibility between these parties and others.

The SWAs were solely responsible for 39.55 percent of the incorrect separation denials and 35.99 percent of the improper nonseparation denials. Employers and the SWAs were jointly responsible for just over 13.84 percent of the erroneous separation denials. Claimants were solely responsible for approximately 35.43 percent of the erroneous nonseparation denials.

Responsibility For Improper Denials -- IPIA 2017									
Denial Sample Type	Improper Denial Rate	Estimated Number Improper Denied	Percent of the Improper Denial Rate						
			Claimant Only	Agency Only	Employer Only	Employer & Agency	Employer & Claimant	Claimant & Agency	All Others
Monetary	15.11%	132,092	25.70%	17.73%	19.62%	5.83%	15.34%	9.55%	6.23%
Separation	10.59%	167,373	12.34%	39.55%	4.14%	13.84%	7.01%	13.19%	9.95%
Nonseparation	11.82%	314,691	35.43%	35.99%	1.35%	3.14%	7.05%	11.94%	5.11%

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

[IPIA 2017 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 22.21 percent of the erroneous monetary denials. However, 46.64 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 s/he had out-of-state wage credits. For some states with ABP provisions, the state operational procedures may not have been modified to obtain the most recent completed quarter's wage information.

For improper nonmonetary denials, the agency identified the issue but took the incorrect action for 51.34 percent of the improper separation determinations and 33.25 percent of the erroneous nonseparation determinations.

Prior Agency Action For Improper Denials -- IPIA 2017  
July 1, 2016 through June 30, 2017 (Batch Range 201627 - 201726)

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%	21.21%	4.82%	17.25%	9.83%	0.05%	0.16%	0.04%
Separation	20.85%	12.64%	51.34%	9.47%	5.67%	0.00%	0.03%	0.00%
Nonseparation	35.51%	16.98%	33.25%	7.17%	6.36%	0.00%	0.73%	0.00%

Although the agency followed its procedures, the issue or information was undetectable for 20.85 percent of the improper separation determinations and slightly more than 35 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 or worksheets):

[IPIA 2017 Improper Denials by Prior Agency Action.xlsx](#)

<b>Separation Denial Issues</b>
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A 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 slightly more likely to be in error (10.64 percent) than denials issued for discharge (10.54 percent). Separation denials that were based on "Other" issues were incorrect at a slightly higher rate (10.93 percent). The following table displays sample and population classification of these separation denial determinations and improper denial rates by type.

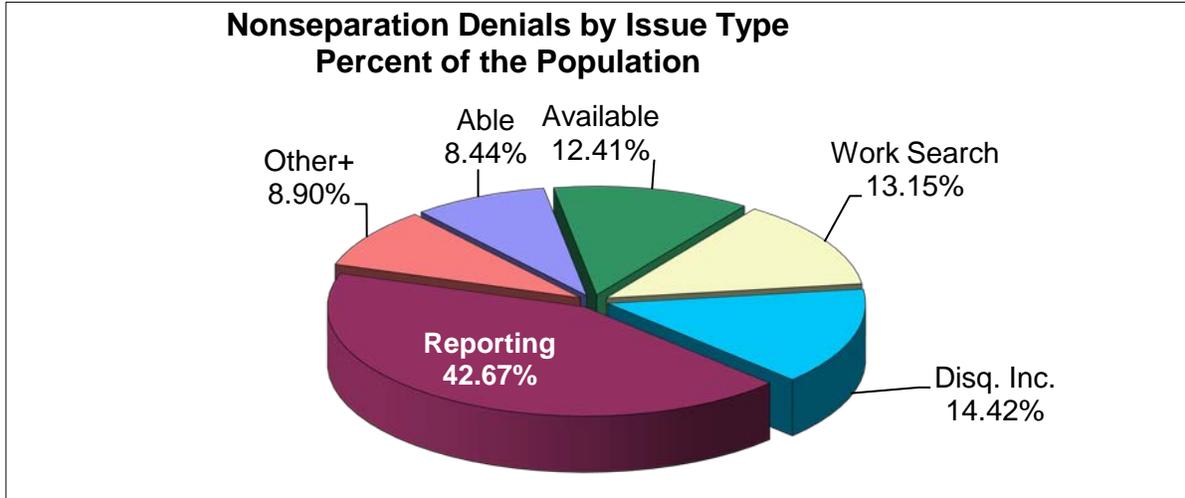
Separation Type	Sample Cases	Population of separation type denial	Percentage of Type in Population	Improper Denials
Voluntary Quit	4,209	795,534	50.34%	10.64%
Discharge	3,864	775,032	49.04%	10.54%
Other	73	9,911	0.63%	10.93%
Total	8,146	1,580,478	100.00%	
Total % Improper Denials for all Separation Type				10.59%

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

[IPIA 2017 Denied Claims Accuracy Separation Determinations.xlsx](#)

## Nonseparation Denial Issues

The largest category of nonseparation denials in IPIA 2017 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 disqualifying income issues and work search denials. The remaining nonseparation denials are distributed among several issues, such as being available for work, other issues, and being able to work. The “Other” nonseparation denial category includes issues such as refusal of suitable work, alien, athlete, school, and seasonality.

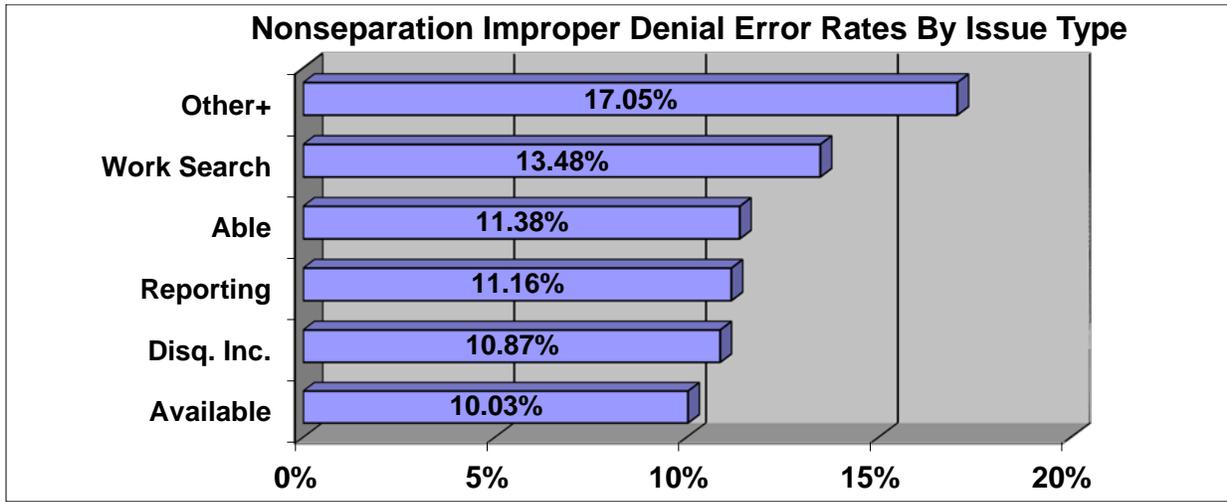
The following table displays sample and population classification of these nonseparation denial determinations and improper denial rates by type.

Nonseparation Denial Type	Sample Cases	Population of Denials	Percentage of Denial in Population	Percent Improper Denials
Reporting	3,097	1,136,040	42.67%	11.16%
Disq. Inc.	1,423	383,837	14.42%	10.87%
Work Search	1,037	350,089	13.15%	13.48%
Available	977	330,529	12.41%	10.03%
Other+	815	236,865	8.90%	17.05%
Able	793	224,613	8.44%	11.38%
N/A	3	389	0.01%	0.00%
Total	8,145	2,662,362	100.00%	
% Improper				11.82%

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

Failure to report denials represent the largest population of nonseparation denials and had an improper denial rate of 11.16 percent. Determinations that denied eligibility because the claimant had disqualifying or deductible income represented the second largest portion of nonseparation denials. Determinations involving other issues (refusal

of suitable work, alien, athlete, school, seasonality) had one of the smallest portions of determinations but had the highest improper denial rate (17.05 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 or worksheets):

[IPIA 2017 Denied Claims Accuracy Nonseparation Determinations.xlsx](#)

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

### Integrity Rates\*

- [IPIA 2017 Integrity Rates all states.xlsx](#)
- [IPIA 2016 - IPIA 2017 Integrity Rate Changes.xlsx](#)

### Integrity Rates - Cause / Responsibility\*

- [IPIA 2017 Integrity Rates x Cause.xlsx](#)
- [IPIA 13 IPIA 17 Overpayment Rate by Quarter & State.xlsx](#)
- [IPIA 2017 Work Search Verification Outcomes.xlsx](#)
- [IPIA 2017 Integrity Rates by Responsibility.xlsx](#)
- [IPIA 2017 Overpayment Rate Cause and Responsibility.xlsx](#)

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

- [IPIA 2017 Integrity Rates Cause x Prior Agency Action.xlsx](#)
- [IPIA 2017 Cause x Prior Claimant Action.xlsx](#)
- [IPIA 2017 Integrity Rates Cause x Prior Employer Action.xlsx](#)
- [IPIA 2017 Integrity Rates by Point of Detection.xlsx](#)
- [IPIA 2017 Claim Filing Methods.xlsx](#)

### Underpayments and Denied Claim Accuracy\*

- [IPIA 2017 Base Period Wages Report.xlsx](#)
- [IPIA 2017 Denied Claims Accuracy & Error Rates.xlsx](#)
- [IPIA 2017 Agency Action on Improper Denials By Denial Type.xlsx](#)
- [IPIA 2017 Improper Denials by Cause.xlsx](#)
- [IPIA 2017 Improper Denials by Prior Agency Action.xlsx](#)
- [IPIA 2017 Denied Claims Accuracy Separation Determinations.xlsx](#)
- [IPIA 2017 Denied Claims Accuracy Nonseparation Determinations.xlsx](#)
- [IPIA 2076 Improper Denials by Responsibility.xlsx](#)

### BAM Methodology

- [IPIA 2017 Methodology and Program Description.pdf](#)
- [IPIA 2017 Method Claimant Information Obtained.xlsx](#)
- [IPIA 2017 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 2017](#)
- [Significant Provisions of State UI Laws](#)

\* Note: the spreadsheets may have several pages or worksheets

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