Benefit Accuracy Measurement State Data Summary Improper Payment Information Act Year 2016

The Benefit Accuracy Measurement (BAM) program is designed to determine the accuracy of paid and denied claims in three major Unemployment Insurance (UI) programs: State UI, Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Servicemembers (UCX). State Workforce Agencies (SWAs) select weekly random samples of 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) year 2016, 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;
- Assess improvements in program accuracy and integrity; and,
- Encourage more efficient administration of the UI program.

The basis for determining payment and denial accuracy are federal and state law, administrative code 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 2015 through June 2016) 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 52 SWA's (the 50 states, Puerto Rico, and the District of Columbia) data and for individual SWA in linked documents. The 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: http://www.dol.gov/general/maps and the associated data page http://www.dol.gov/general/maps/data.

IPIA and subsequent amendments in the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 require agencies to examine the risk of erroneous payments in all programs and activities they administer. An improper payment is defined as any payment that was made to an ineligible recipient, duplicate payments, and payments that are for the incorrect amount -- both overpayments and underpayments, including inappropriate denials of payment or service. Agencies are required to review all programs and activities they administer and identify those that may be susceptible to significant erroneous payments. IPERIA defines "significant improper payments" as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and $10,000,000 of all program or activity payments made during the year reported or (2) $100,000,000 (regardless of the improper payment percentage of total program outlays). The UI program meets both of these criteria. Additionally, IPERA codifies the requirement for valid statistical estimates of improper payments such as those generated by the BAM program, and compels actions to reduce improper payments. SWAs make all UI payment decisions. Therefore, the Department requires SWAs to review their BAM improper payment data and report their planned activities to prevent, detect, reduce, and recover improper payments in an UI Integrity Action Plan.[1]

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 2016 "Comparison of State Unemployment Laws," https://workforcesecurity.doleta.gov/unemploy/comparison2016.asp).

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

The Department reports the overpayment and the underpayment rate to the Office of Management and Budget (OMB) as part of its IPIA[2] reporting. The IPIA performance year 2016 (IPIA 2016) includes the period July 2015 through June 2016 (Batch Range 201527 through 201626). It is extremely important that the BAM programs in all SWAs accurately measure the level of improper payments in their states so that performance against the state and national targets can be properly evaluated. It is critical to assessing improvements in program accuracy and integrity and encouraging more efficient administration of the UI program.

UI benefit payments included in BAM for the IPIA 2016 performance year decreased to $30.89 billion compared with $31.46 billion during the IPIA 2015 performance year. IPIA 2016 BAM paid claims results are based on the 24,192 valid sample cases[3.] This represents a completion rate of 100 percent. BAM investigators completed claimant interviews in 21,629 or 89.41 percent of the cases. The remaining audits were completed based on information obtained from agency records, the claimants' former employers, and third-party sources, such as labor unions and private employment agencies. As this linked document shows (IPIA_2016_Method_Claimant_Information_Obtained.xlsx in sheet titled "Paid Claims error % x response"), investigators are able to identify payment accuracy issues where interviews are not completed. This limits nonresponse bias.

For the Fiscal Year (FY) 2013 IPIA/IPERA reporting period, the Department was approved to use a methodology for calculating the UI improper payment rate, which subtracted UI overpayment recoveries for the computation of the estimated improper payment rate. However, the enactment of IPERIA in January 2013 required agencies to include all identified improper payments in the reported estimate and explicitly precluded the netting out of recoveries. Therefore, the Department revised its methodology in 2014, with OMB's approval, to no longer net out recoveries for the computation of the improper payment rate. The new methodology also excludes improper payments that are determined to be "technically proper" under state UI law.[4]

The Department announced the revised improper payment rate computation methodology in UIPL 09-13 Change 1 (January 27, 2015). The new definition and calculation of the improper payment rate became effective for SWAs with IPIA 2015. Corrective action and integrity plans for FY 2017 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

---

[2] U. S. Department of the Treasury PaymentAccuracy.gov Web Page: http://www.paymentaccuracy.gov
[3] States sampled 24,227 payments and deleted 35 payments as being out of the scope of the review, BAM investigators completed 24,192 of the remaining 24,192 valid cases.
[4] UIPL 09-13 Change 1

reflect state law, administrative code or rules, and policy. National results reflect 52 SWA findings.

The Analytical Measures (Rates):

1. Overpayment Rate - The overpayment rate is the current measure (UIPL 9-13 Change 1) of payments determined to be overpaid. The rate includes fraud, nonfraud recoverable, and nonfraud nonrecoverable overpayments. It excludes payments that are technically proper due to finality or other rules. All causes and responsible parties are included in this rate.

2. Underpayment Rate - This rate includes payments that the BAM investigation determines were underpaid. All causes and responsible parties are included in this rate. It includes errors where additional payment is made. It excludes those errors that are technically proper due to finality rules or technically proper due to rules other than finality.

3. Improper Payment Rate – This rate includes UI benefits overpaid plus UI benefits underpaid divided by the total amount of UI benefits paid. Overpayments, underpayments, and total UI benefits paid are estimated from the results of the BAM survey of paid UI claims in the state UI, UCFE, and UCX programs. Overpayments and underpayments 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. 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 implementation fraud administrative penalty determinations; in some states a fraud determination becomes effective with the date of the fraudulent act while in other states the administrative penalty takes effect with the determination date. Since fraud determination criteria and thresholds vary throughout the SWAs, the individual state rates reflect these differences. The rate includes all causes and responsible parties.

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; for example, the document linked here contains 15 worksheets showing the information discussed above): IPIA_2016_Integrity_Rates_All_States.xlsx

I. Paid Claims Accuracy

Federal regulation (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 denials or underpayments. Where applicable, a state law must conform to Federal Law. 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.
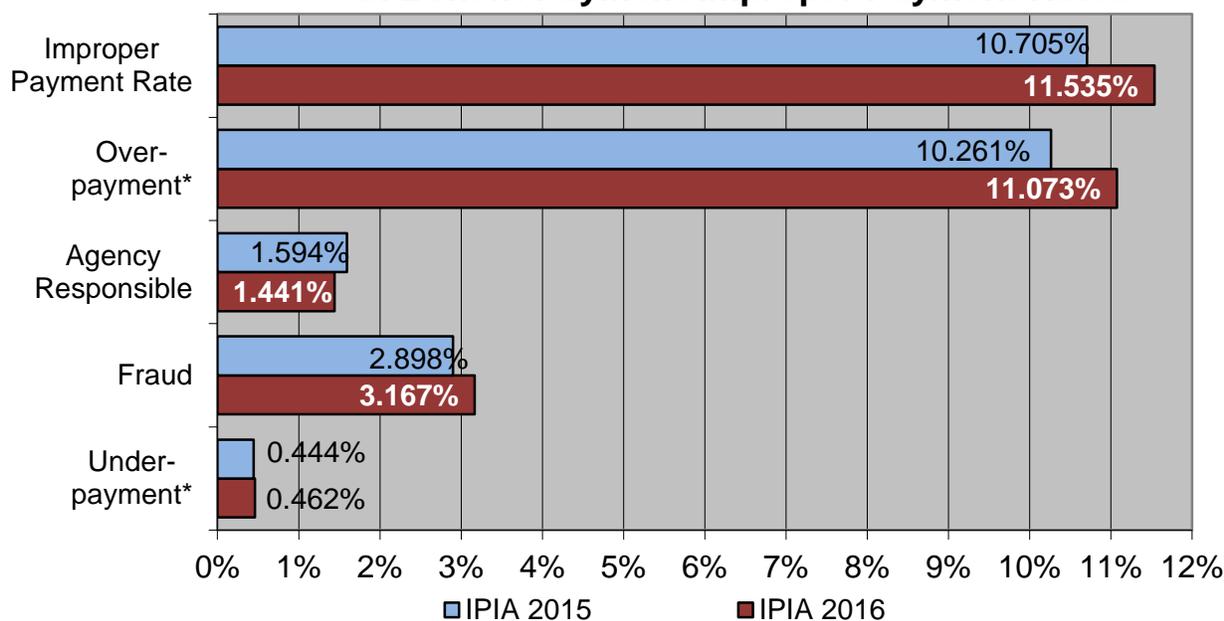
For each paid UI week investigated, referred to as the Key Week (KW), BAM investigators record whether the payment was proper or improper and, if technically proper or improper, the type of erroneous payment. Payment errors on the key week are weighted and used to generate improper payment estimates. The coding of BAM audit findings is consistent with the laws, rules and written policies of each SWA[5]. 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_2016_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.

---

[5] Comparison of State Unemployment Laws,
https://workforcesecurity.doleta.gov/unemploy/comparison2016.asp

UI Benefit Payment Improper Payment Rates

Category	IPIA 2015	IPIA 2016
Improper Payment Rate	10.705%	11.535%
Over-payment*	10.261%	11.073%
Agency Responsible	1.594%	1.441%
Fraud	2.898%	3.167%
Under-payment*	0.444%	0.462%

■ IPIA 2015   ■ IPIA 2016

* Excludes technically proper payments

The chart above summarizes five paid claim accuracy (PCA) rates, which are used for communicating overpayment estimates.
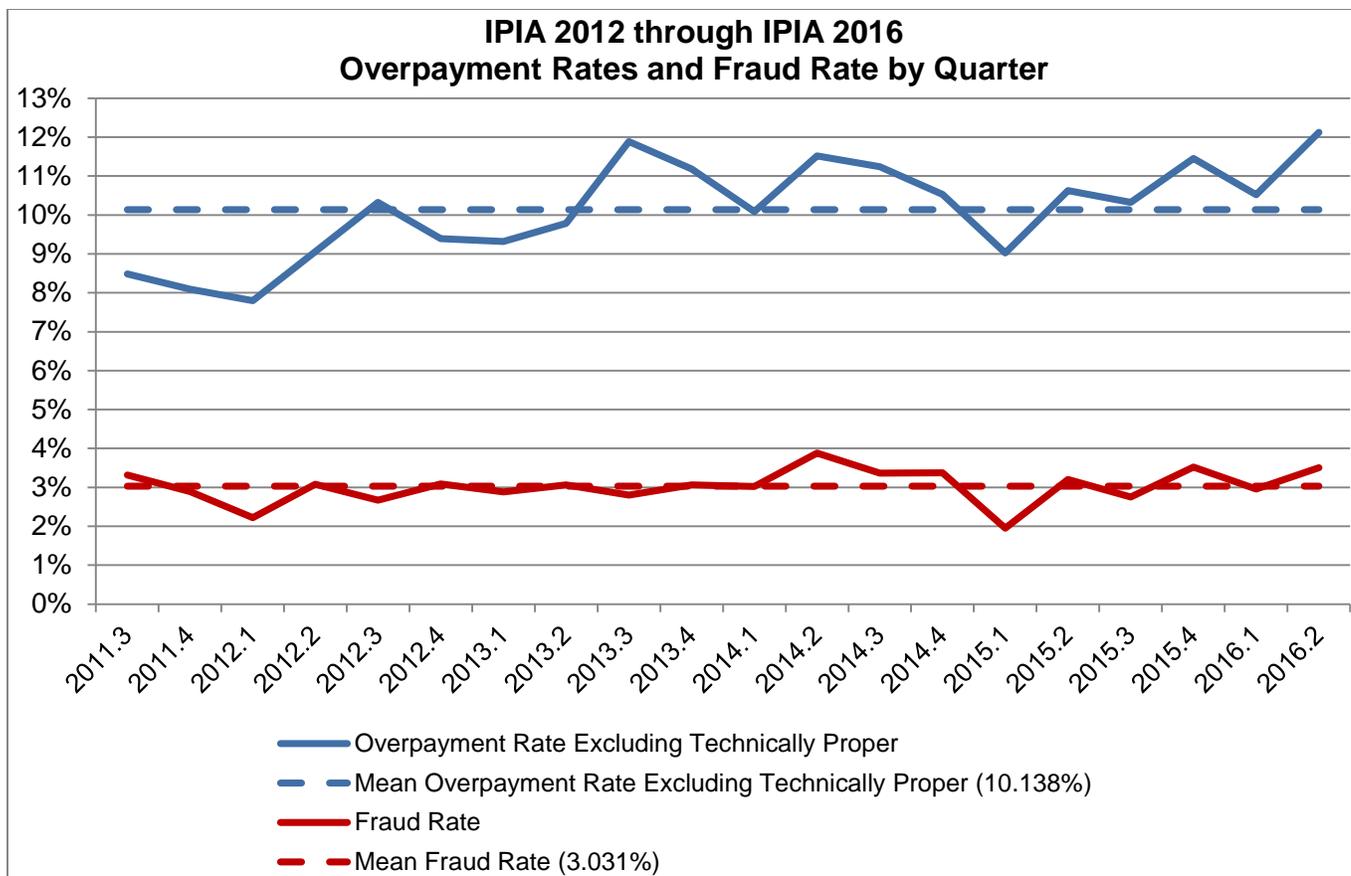
For a detailed listing of these rates for each state, click on the following link (the spreadsheet may have several pages):
IPIA_2015_-_IPIA_2016_Integrity_Rate_Changes.xlsx

Overpayment Time Series

The following chart displays the overpayment and fraud rates by calendar quarter. For the period IPIA 2012 to IPIA 2016, the average revised overpayment rate which excludes technically proper payment was 10.138 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 demonstrates that SWAs should be cautious in making performance assumptions and judging corrective actions effectiveness based on one single calendar quarter of data.

IPIA 2012 through IPIA 2016
Overpayment Rates and Fraud Rate by Quarter

Legend:
- Overpayment Rate Excluding Technically Proper
- Mean Overpayment Rate Excluding Technically Proper (10.138%)
- Fraud Rate
- Mean Fraud Rate (3.031%)

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_12_IPIA_16_Overpayment_Rate_by_Quarter_&_State.xlsx

Overpayment by Cause and Integrity Rate

The UI initial qualification and continuing eligibility requirements are complex. Benefit payments are limited to weekly and maximum benefit amounts. Benefits are restricted to a specific time period (benefit year). Claimant turnover is high with finite benefit duration and opportunities to return to employment. Eligibility is determined on a week by week basis. Payments or payment eligibility decisions are made by State government agencies using state specific Information Technology (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.

All states require that a claimant must have earned a specified amount of wages or

must have worked a certain number of weeks or calendar quarters in covered employment, or must have met some combination of the wage and employment requirements within his/her base period, to qualify for benefits. The purpose of such qualifying requirements is to restrict benefits to covered workers who are genuinely attached to the labor force. (see Significant Provisions of State UI Laws)

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

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

To determine improper payments and their causes, the BAM program - as a statistical survey - uses standardized questionnaires to gather information. The surveys include claimant, employer, and third party interviews and are designed to identify potential eligibility or payment issues. When a potential eligibility or payment issue is identified that could affect the key week accuracy, the investigator must pursue and resolve the issue. The BAM investigator applies all facets of state law, administrative code and official policy to the case findings to determine whether a key week payment is proper or improper. Although the legal basis for determining whether a payment is proper or improper may be different from state to state, the causes of errors are common across the nation.

The BAM program relies on a standardized coding system to categorize improper payments[6] into major categories. The table below displays common UI improper payment terminology.

Error Cause Codes	Cause Group Description
100 - 119; 150 -159	Benefit Year Earnings
120 -149	Deductible Income
200 - 259	Base Period Wage Issues
300 - 329	Separation Issues
400 - 419	Able & Available Issues

---

[6] https://wdr.doleta.gov/directives/attach/ETHandbook_395_Ch5_acc.pdf, Chapter V, pp. V-5 through V-7

Error Cause Codes	Cause Group Description
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_2016_Methodology_and_Program_Description Integrity Rate definitions for inclusion or exclusion from various rates).

UIPL No. 21-11[7] 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 2016 Overpayments (OP) by Cause and Integrity Rate Percent of the Estimated Dollars Overpaid			
Cause	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Work Search	37.515%	4.706%	5.570%
Benefit Year Earnings	30.308%	59.782%	17.879%
Separation Issues	12.711%	19.548%	29.041%
Able & Available	6.752%	8.116%	6.411%
Other Eligibility	2.997%	4.633%	5.870%
Base Period Wage Iss.	2.979%	0.219%	5.877%
ES Registration	2.361%	0.068%	12.199%
Other Issues	2.086%	2.018%	8.472%
Severance./Vacation/SSI/Pension	1.984%	0.893%	7.778%
Dependent Allowance	0.308%	0.017%	0.905%
Total $ Overpaid by Rate	$3,420,732,355	$978,270,564	$445,270,302

An analysis of the top three causes nationally is outlined below. For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): IPIA_2016_Integrity_Rates_by_Cause.xlsx

---

[7] https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3050

Work Search Issues

Cause Work Search Issues	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Estimated Amount by Cause	$1,283,278,088	$46,035,083	$24,800,223
Estimated $ Overpaid by Rate	$3,420,732,355	$978,270,564	$445,270,302
Percent of Total $ Overpaid	37.515%	4.706%	5.570%

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." [8] 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." However, because Federal UC law does not specifically define "actively seeking work," states have discretion in establishing requirements; therefore, state to state comparisons are problematic.

As displayed in the IPIA 2016 Overpayment Cause By Integrity Rate table, work search issues are the leading cause for overpayments, but they are not a significant cause of the fraud overpayments. Additionally, work search overpayments do not represent a significant portion of those improper payments for which the agency had full or partial responsibility.

Over 35 percent of UI improper payments are the result of work search errors and 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. Random audits can detect work search improper payments, but not prevent them, and preventing improper payments is the only way to reduce the improper payment rate. 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, but has had minimal impact.

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

---

[8] https://www.ssa.gov/OP_Home/ssact/title03/0303.htm#ftn16

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.

BAM data indicates that in 80.308 percent of weeks compensated subject to BAM sampling, claimants were required to conduct an active search for work. In 18.915 percent of the cases, the investigator found that claimants were attached to an employer or that the person met a Federal work search exemption. In the final 0.069 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	26	66,227	0.069%
Required to actively seek work (in addition to union contact if applicable)	19,463	76,533,582	80.308%
An agency directive (written or verbal) temporarily suspended the claimant's normal work search for the Key Week	114	674,596	0.708%
Union deferral (seeking work only through union)	1,328	5,492,244	5.763%
Job attached deferral (temporary lay-off, recall, partial, industry attached)	2,902	11,388,188	11.950%
Other deferral (disability, Jury service, school etc.)	359	1,145,683	1.202%
Total	24,192	95,300,519	100.00%

States vary with regards to their work search standards. In many states, claimants must make a minimum number of employer contacts each week. Within a state there may be differences in the number of contacts required based on local labor market characteristics, while in other states the number of contacts is standard throughout the SWA. 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 or record of weekly work search contacts and provide the record for verification purposes. In other states the claimant must provide testimony about their work search actions when questioned. A few states allow a claimant to simply attest 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); greater leniency by an SWA in the circumstances under which it considers claimants' lack of compliance in work search or reporting as constituting an improper payment; varying SWA standards for verification of claimant provided contacts/activities; differences in how BAM audits are conducted; or the SWA BAM investigators' failure to consistently apply state laws in evaluating its cases.

The Department estimates that the verification of each work search (contact and/or activity) provided by the claimant takes ten minutes to complete. During this report period, states compensated 98,067,797 weeks and work search was required in approximately 78,897,715 of those weeks. Verification for work search compliance eligibility includes the state investigator obtaining evidentiary facts of claimant's work search actions (i.e. requiring the individual to provide detailed information about their work search), ensuring that the activity or action occurred in the week claimed, determining whether the type of work search action is acceptable under state policy, and contacting employer(s) listed as contacts. Work search verification is very workload intensive. Nationally, states would require approximately 852 full time staff to verify and enforce claimant compliance in just five percent of the weeks in which work search is mandated. This represents a twelve percent increase in Federal Fiscal Year 2017 staffing levels for those staff involved in the continued claim process and adjudication of issues. Only a few states have been able to free up resources to conduct random work search audits beyond those required by BAM.

The BAM program captures seven data elements to assist the state investigators in determining claimant work search compliance. Claimants are asked about their work search efforts in question 42 on the claimant questionnaire (ET Handbook No. 395, 5th Edition, Appendix B). The numeric requirement for work search actions each week varies from state to state and in some states, the numeric requirement varies within the state (Comparison of State Laws Page 5-29 (Table 5-15 Work Search Requirements)). BAM staff must investigate a sufficient number of contacts, applications, and/or work search activities to establish whether the claimant has met the state's work search requirement. Investigators may choose to (but are not required to) investigate additional work search contacts if they have reason to believe potential eligibility issues (for example, refusal of work, availability, etc.) could be identified.

In evaluating payment or denial accuracy the BAM program requires investigators to review a sufficient number of work search actions to determine whether the claimant has complied with the state numeric weekly requirement. 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 actions 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 action was 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 actions were not made at all by claimant or were made but are unacceptable within the framework of state's written law or policy. Work search actions classified as acceptable or unverifiable count towards meeting the state's numeric requirement. The BAM work search improper payment estimates are based on verification activities representing 19,463 key weeks with an average of 2.22 work search verifications per week totaling 43,299 actions reviewed. Overall, 92.35 percent of the claimant's work search actions meet state requirements. This includes those contacts and/or work search activities which are classified as acceptable or unverifiable.

Total number of Key Week employer contacts, employment applications, and/or work search activities investigated reviewed for eligibility determination purposes	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
43,299	44.992%	47.361%	7.647%

A claimant may have an unacceptable work search action; however, the person is not found ineligible because the individual has additional actions to meet the state numeric requirements.

The table below shows that 6.61 percent or 1,287 of the 19,463 claimants were held ineligible for benefits due to a failure to meet state work search requirements. However, in 3,520 key weeks reviewed or 18.09 percent of the 19,463 weeks where work search was required, investigators recorded that zero work search employer contacts and/or employment applications and/or work search activities were investigated.

Count of cases work search required (g1) =1	Percent of cases requiring active work search	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	Count of work search required cases with no contacts or activities investigated (g12)=0	Percent of work search required cases with no contacts or activities investigated (g12)=0	Total Count of Work Search in-eligibility	Percent of work search required cases with Key Week work search ineligibility
19,463	80.45%	15,943	81.91%	3,520	18.09%	1,287	6.61%

The 3,520 key weeks with zero work search actions include 1,199 instances where the claimant did not respond to the BAM investigation and no work search actions were available to investigate. States treat such failures differently. Furthermore, work search

documentation requirements vary from state to state. Some states hold the claimant ineligible for the week because the claimant failed to provide required work search documentation while other states do not.

Count of 19,463 cases with work search required having a claimant response	Percent of 19,463 work search required cases with a claimant response	Count of cases work search ineligibility when claimant responds and work search required	Percent of 17,307 work search required completed cases having a claimant response and work search ineligibility	Count of 19,463 cases with work search required having no claimant response and no contacts investigated	Count of 1,199 work search required cases having no claimant response and no contacts activities investigated with work search ineligibility	Percent of 1,199 work search required cases with no claimant response and no contacts investigated with a work search ineligibility
17,307	88.92%	923	5.33%	1,199	381	31.78%

Additionally, state continued claim processes vary. The table below represents the situation in some of the states where the 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.

Number of work search required cases where the claimant failed to respond to the investigation	Count of work search non response cases with contacts and/or activities investigated	Percent of the 2,156 work search required cases having no claimant response, however contacts investigated	Count of work search ineligibilities in the 957 cases where no claimant response but information available for investigation Claimant reported actions unacceptable	Percent of 957 instances where the claimant failed to respond, however the state had information and found the claimant ineligible
2,156	957	44.39%	90	9.40%

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 132 work search ineligibilities out of the 4,729 cases where the person was initially exempt from work search requirements.

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_2016_Work_Search_Verification_Outcomes.xlsx

Benefit Year Earnings Issues

Cause Benefit Year Earnings	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Estimated Amount by Cause	$1,036,749,705	$584,831,084	$79,608,778
Estimated $ Overpaid by Rate	$3,420,732,355	$978,270,564	$445,270,302
Percent of Total $ Overpaid	30.308%	59.782%	17.879%

As displayed in the IPIA 2016 Overpayment Cause By Integrity Rate table, unreported or misreported benefit year earnings are the second leading cause of UI overpayments. They account for almost three-fifths (59.78 percent) of UI fraud overpayments and slightly less than a third (30.308 percent) of the overpayments included in the Overpayment Rate. However, benefit year earning errors represent a smaller portion (17.88 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 benefit year earnings (weekly benefit amount reduced as a result of wages, commissions, bonuses, tips or gratuities, odd jobs or self-employment income) and through Short-Time Compensation programs (commonly known as Workshare).[9] Because UI benefits only replace a portion of the claimant's previous base period wages, states have devised various earnings disregard and benefit reduction provisions.[10] Ultimately, these payment adjustments require accurate reporting of these benefit year earnings. Generally, claimants are required to report this income when earned (not when paid) and claimants are required to report gross earnings (not net earnings). This benefit year earnings reporting procedure is part of the continued claimstaking process (See claim filing methods by state IPIA_2016_Claim_Filing_Methods.xlsx).

States reported that they compensated 98,067,797 weeks during the IPIA 2016 year. In some instances the claimant may have had earnings; however, those earnings did not exceed the state's disregard threshold. Therefore, no reduction in benefits was made. In other instances, the claimant may have had earnings to such an extent that under state law the person was considered not unemployed. Therefore, no benefits were due.

---

[9]Short-Time Compensation (STC) provides partial UC benefits to individuals whose usual hours of work are reduced to avert the layoff of workers in the affected unit. STC is a program that allows an employer to request approval from the UC agency of a plan that provides the payment of STC benefits to those workers whose hours are reduced.
[10] Comparison of State Laws Table 3-8; pp. 3-17 to 3-19;

Of these 98,067,797 weeks, states reported that they reduced the amount of benefits paid in 8,076,838 weeks or 8.2 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 <u>after</u> 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, 2015 through June 30, 2016 Benefit Year Earnings Analysis		
24,192		Completed Cases
2,204	9.11%	Total Cases completed initially reported benefit year earnings (BYE)
310	14.07%	Of the 2,204 cases with earnings 310 had BYE over-reported
	$41.85	Average amount BYE over-reported in the key week
	$14.50	Median amount BYE over-reported in the key week
1,160	52.63%	Of the 2,204 cases 1,160 had BYE amounts accurately reported
	$192.33	Average amount of BYE accurately reported in the key week
	$159.50	Median amount of BYE accurately reported in the key week
734	33.30%	Of the 2,204 cases with earnings, 734 had BYE under reported
	$103.84	Average amount BYE of under-reported in the key week
	$34.00	Median amount BYE of under-reported in the key week
21,988	90.89%	Number of the 24,192 cases had no BYE initially reported
853	3.88%	Percent completed cases not initially reporting BYE actually had BYE
	$458.09	Average unreported or concealed BYE amount in the key week
	$326.00	Median unreported or concealed BYE amount in the key week

In IPIA 2016, the BAM program reviewed 24,192 key weeks. From these 24,192 paid weeks, 2,204 or 9.11 percent of the weeks investigated had benefit year earnings reported at the time of payment. However, in 457 of those 2,204 weeks or 20.74 percent of those weeks with earnings there was no reduction in the amount paid due to benefit year earnings.

From these 24,192 paid weeks, 21,988 or 90.89 percent of the weeks selected had no benefit year earnings reported at the time of payment. Slightly more than 52.63 percent (1,160 weeks) of the 2,204 key weeks with benefit year earnings initially reported actually had the earnings reported accurately. However, 734 weeks, representing 33.30 percent of the weeks with earnings initially reported, had under reported earnings

(claimant earned more than reported), and 310 weeks (14.07 percent) of the weeks had over reported earnings (claimant earned less than reported).

Additionally, investigators found 853 weeks or 3.88 percent of the 21,988 weeks with no benefit year earnings initially reported actually had earnings income, which should have been reported. The vast majority of these identified 853 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.

Erroneous reporting of claimant earnings affect the accuracy of adjustments to the claimant's WBA. Claimants' accurate reporting of benefit year earnings and timely earning verification with employers are essential in preventing, identifying, and reducing these types of improper payments.
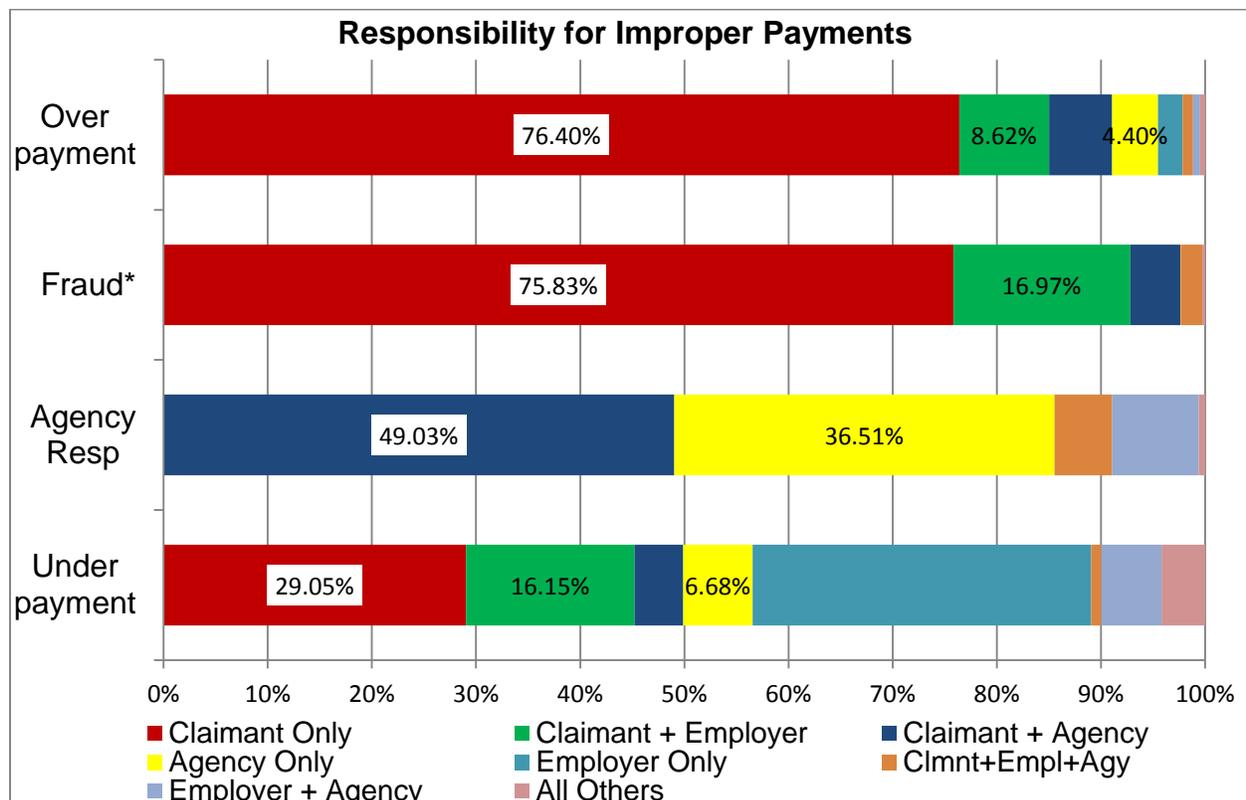
Separation Issues

Cause Separation Issues	Overpayment Rate	Fraud Rate	Agency Responsible Rate
Estimated Amount by Cause	$434,811,700	$191,227,553	$129,312,392
Estimated $ Overpaid by Rate	$3,420,732,355	$978,270,564	$445,270,302
Percent of Total $ Overpaid	12.711%	19.548%	29.041%

As displayed in the IPIA 2016 Overpayment Cause By Integrity Rate table, issues involving the claimant's reasons for separating from work (separation issues) are the third leading cause of UI overpayments. They account for 12.711 percent of the overpayment rate and 19.55 percent of the fraud overpayments. Separation issues are the leading cause (29.04 percent) of the amount overpaid for which the agency had full or partial responsibility.

Overpayments attributable to separation issues involve inaccurate claimant separation information resulting in improper payments to claimants who are ultimately determined to be ineligible for UI due to disqualifying job separations, such as quitting a job without good cause or being discharged for misconduct under the state UI law. Such disqualifying acts may occur prior to the initial claim for benefits or at any point during the benefit year. The SWAs have the crucial responsibility of identifying and pursuing separation issues, conducting fair and impartial fact finding hearings, and determining whether the employment separation is disqualifying. Separation fact finding hearings involve input from both employers and claimants and the facts may be disputed. The Benefits Timeliness and Quality (BTQ) guide sheets 1 and 2 in the ET Handbook No. 301, 5th Edition, show the complexities of fact finding and the central role SWAs play in determining eligibility. However, the process demands employers and claimants provide complete and timely facts to separation adjudicators so the state can appropriately apply the law.

Overpayment Responsibility by Integrity Rate

The BAM program identifies the party or parties responsible for all payment errors. As with cause, the distribution of overpayment responsibility varies considerably by integrity rate. A fundamental aspect of payment "when due," for purposes of Section 303(a)(1), SSA, is that UC is due to claimants who are eligible under state and federal law. Eligibility for UC is determined on a week-by-week basis. During a continued claim series, a claimant must certify continuing eligibility for each week. If information provided by the claimant or others establishes eligibility, the state agency manifests its determination of eligibility for that week by issuing compensation to the claimant. Once initial eligibility is established, the SWA must make continued payments unless a question concerning continued eligibility for benefits for a given week arises. Thus, the SWA makes continued benefit payments based on the presumption of eligibility and the claimant's ongoing certification that requirements have been met. However, when a question arises, the SWA is required to conduct an investigation to establish evidentiary facts and make a subsequent determination of eligibility or ineligibility.[11] Such a determination may affect past, present or future benefit payments.

Responsibility for Improper Payments

	Claimant Only	Claimant + Employer	Claimant + Agency	Agency Only
Over payment	76.40%	8.62%		4.40%
Fraud*	75.83%	16.97%		
Agency Resp			49.03%	36.51%
Under payment	29.05%	16.15%		6.68%

Legend:
- ■ Claimant Only
- ■ Claimant + Employer
- ■ Claimant + Agency
- ■ Agency Only
- ■ Employer Only
- ■ Clmnt+Empl+Agy
- ■ Employer + Agency
- ■ All Others

The overpayment rate is the broadest measure of overpayments. Since claimants control much of the information used to determine weekly eligibility, it is not surprising

---

[11] 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

that claimants alone were responsible for almost 76 percent of the dollars overpaid included in the overpayment rate. Errors resulting in overpayments that were attributed exclusively to the SWA accounted for 4.4 percent of the amount overpaid. The claimant and agency were jointly responsible for an additional 6.1 percent of the dollars overpaid, and the claimant and employer were jointly responsible for an additional 8.6 percent of the dollars overpaid.

Claimants alone were responsible for 75.8 percent of the fraud overpayments. Claimants along with employers were responsible for almost 17 percent of fraud overpayments. Nearly all of the remainder of the fraud includes claimant and agency responsibility.

The agency rate is defined by responsible party. It only includes improper payments in which the agency had contributory responsibility. The SWA was solely responsible for almost 49 percent of the amount overpaid included in the agency rate. Agencies shared responsibility with claimants, employers, or third parties for the remainder.

For a detailed listing of these rates for each state, click on the following links (note: spreadsheets may have several pages):
IPIA_2016_Integrity_Rates_by_Responsibility.xlsx
IPIA_2016_Overpayment_Rate_Cause_and_Responsibility.xlsx

Claimant Action Prior to Sample Selection for Overpayments

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

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

Continuing eligibility for UI is determined on a week-by-week basis. During a continued claim series, a claimant must certify 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. Prior claimant action provides insight into this coding. The data further emphasizes the importance of verifying separation and earnings information with employers and conducting these verification actions.

For a detailed listing of this rate, click on the following link (note: the spreadsheet may have several pages): IPIA_2016_Cause_x_Prior_Claimant_Action.xlsx

Agency Action Prior to Sample Selection for Overpayments

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

At the time the SWA made payment, BAM found most overpayments were not detectable through normal agency procedures. Just over 86 percent of the overpayments determined to be due to fraud were not detectable through normal agency procedures at the time the payment was made. BAM found that special agency actions (e.g., crossmatching with the National Directory of New Hires or taking additional steps to secure employer information) were required to prevent or detect these overpayments. The remaining fraud overpayments were distributed among the other prior agency action categories.

For overpayments included in the overpayment rate, more than 84 percent of the 3.42 billion dollars of UI benefits overpaid was not detectable through normal agency procedures. The agency had sufficient information but did not resolve the issue for 5.1 percent of the amount overpaid, and the agency identified the overpayment issue but took the incorrect action in about 3.3 percent of dollars overpaid. The agency failed to follow its own procedures, which precluded the ability to prevent the overpayment, in 2.86 percent of the overpayment rate dollars overpaid. At the time BAM selected the sample, the agency had resolved or was in the process of resolving improper payments

constituting 3.1 percent of the amount overpaid. Additionally, the agency identified 1.17 percent of these overpayments using crossmatches.

For the Agency Responsible Rate, BAM determined SWAs were responsible for $445.3 million because they had full or partial responsibility for the overpayment. Of these, the agency had sufficient information to identify the overpayment issue but did not resolve the issue for 41 percent of the amount overpaid; the agency 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 22 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_2016_Integrity_Rates_Cause_x_Prior_Agency_Action.xlsx

Employer Action Prior to Sample Selection for Overpayments

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

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

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

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

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

IPIA 2016 Integrity Rates - Dollars Overpaid by Prior Employer Action

Employer action as of the time that the payment was selected for audit	Overpayment Rate	Fraud Rate Overpayments	Agency Rate Overpayments
Not An Employer Issue	$1,661,958,010	$174,944,457	$147,262,306
Agency Did Not Request	$723,778,559	$382,121,631	$54,107,380
Adequate and Timely Information	$579,549,919	$231,847,350	$179,079,832
Did Not Respond to request	$175,788,545	$89,406,655	$26,526,161
Inadequate information	$141,653,684	$19,473,670	$17,674,828
Did Not Report New Hire	$94,153,004	$68,328,493	$14,384,914
Not Timely information	$37,788,969	$11,592,438	$5,694,370
Inadequate and Untimely	$5,461,914	$608,125	$540,512
Estimated dollars overpaid where a different employer action may have produced a different outcome	$454,846,116	$189,409,381	$64,820,785
Percent of Total Dollars overpaid where a different employer action may have produced a different outcome	13.30%	19.36%	14.56%
Total Estimated Overpaid	$3,420,132,604	$978,322,819	$445,270,303

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 13.30 percent of the overpayments included in the overpayment rate, 19.36 percent to the fraud rate dollars overpaid, and 14.56 percent of the overpayments included in the agency responsible rate.

For example, over $190.6 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 $101.1 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.

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

For a detailed listing of these rates for each state, click on the following links (note: spreadsheets may have several pages):
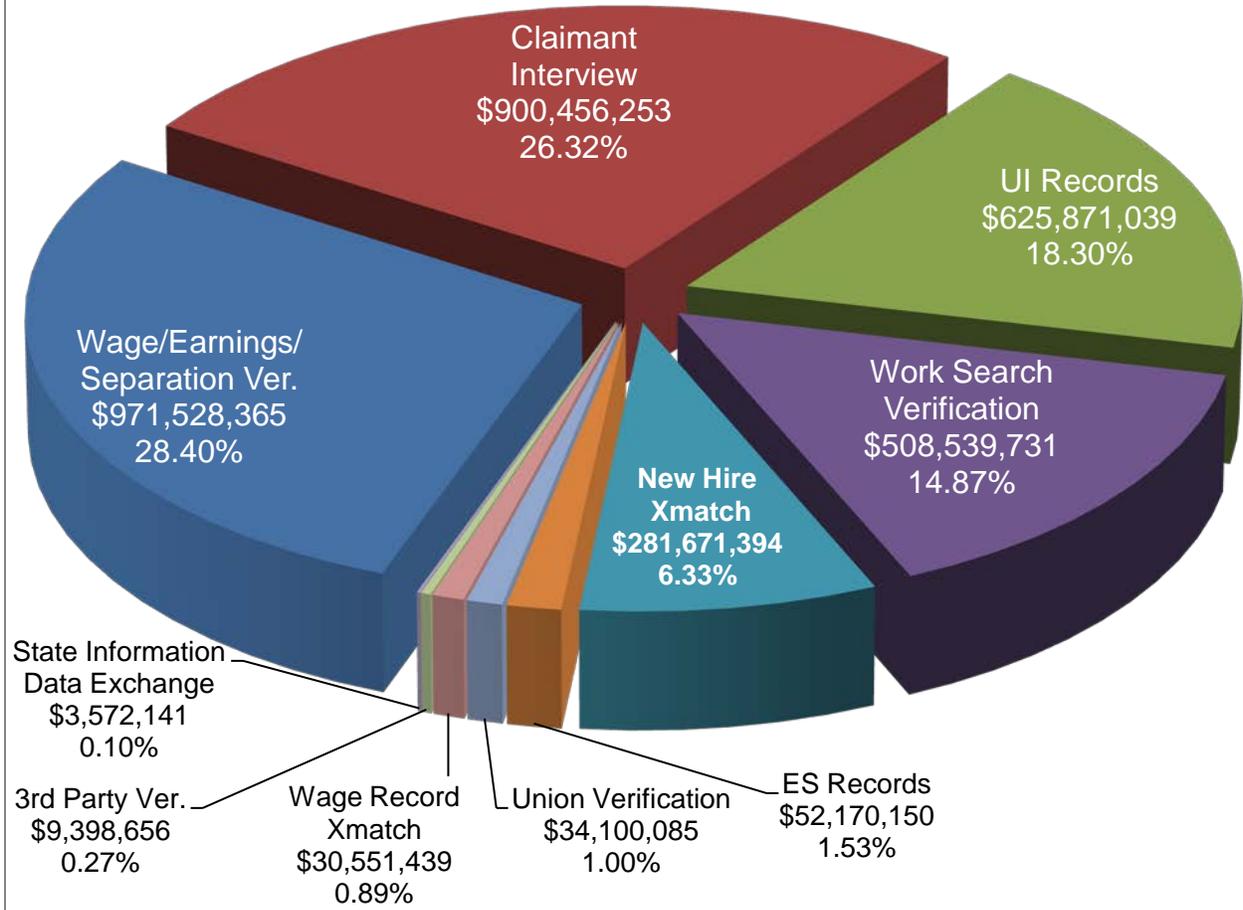IPIA_2016_Integrity_Rates_Cause_x_Prior_Employer_Action.xlsx

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, 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.

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 while UI operations make reasonable attempts. 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 2016 Point of Detection data are displayed in the following chart.

IPIA 2016 Overpayment Rate Overpayments by BAM Point of Detection Estimated Amount and Percent of Total Overpayments
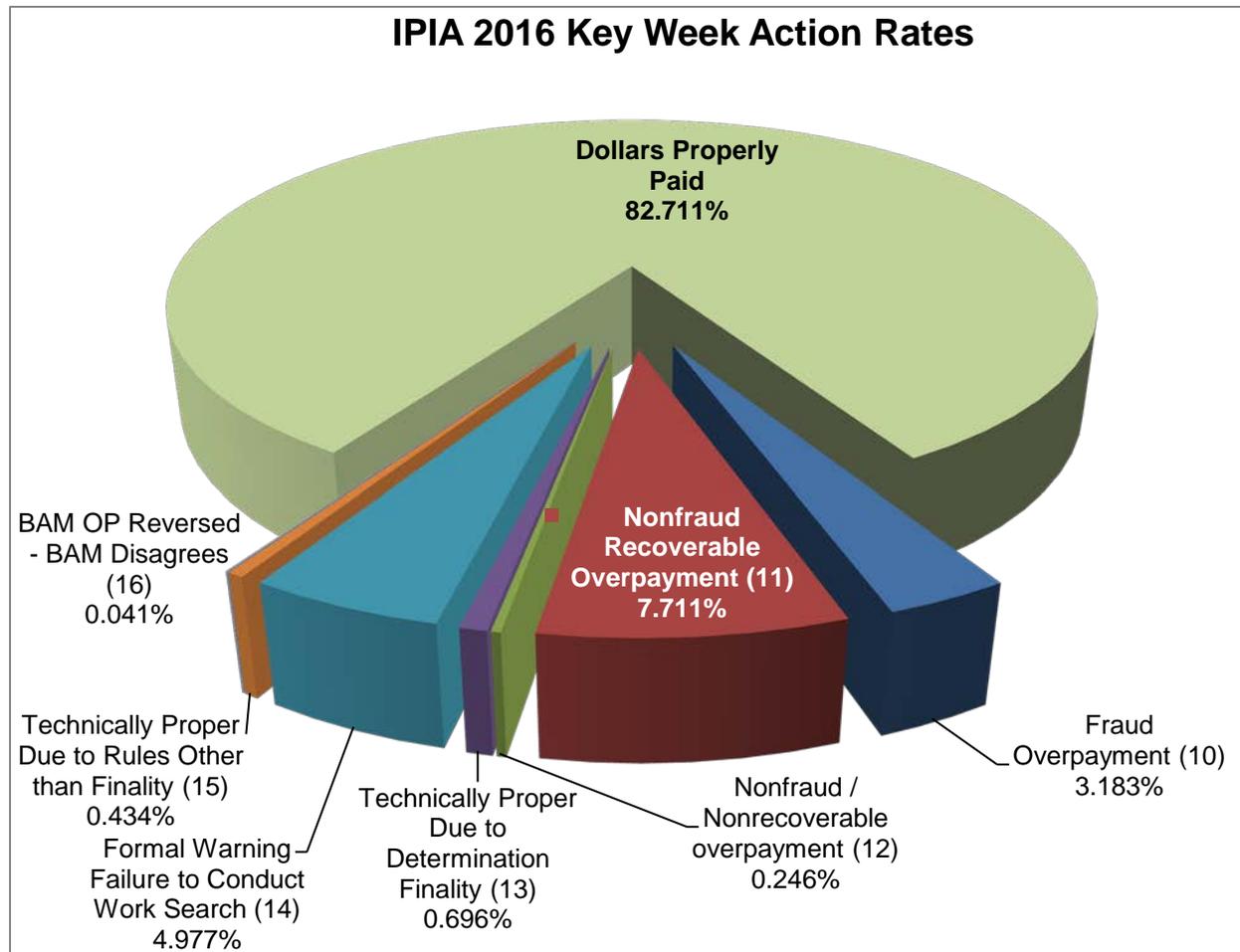
Claimant Interview
$900,456,253
26.32%

UI Records
$625,871,039
18.30%

Wage/Earnings/Separation Ver.
$971,528,365
28.40%

Work Search Verification
$508,539,731
14.87%

New Hire Xmatch
$281,671,394
6.33%

State Information Data Exchange
$3,572,141
0.10%

3rd Party Ver.
$9,398,656
0.27%

Wage Record Xmatch
$30,551,439
0.89%

Union Verification
$34,100,085
1.00%

ES Records
$52,170,150
1.53%

For a detailed listing of these rates for each state, click on the following links (note: spreadsheets may have several pages):
IPIA_2016_Integrity_Rates_by_Point_of_Detection.xlsx

Key Week Action Rates

For each paid UI week investigated, referred to as the Key Week (KW), BAM investigators note whether the payment was proper or improper and, if improper or technically proper, the type of erroneous payment. The coding of BAM audit findings must be consistent with the laws, rules and written policies of the SWA. The Department uses these KW action codes to develop the payment integrity rates discussed throughout this paid claim accuracy analysis. These integrity rates are defined in IPIA_2016_Methodology_and_Program_Description.

Differences in state laws are highlighted by the KW action rates. For example, work search requirements differ significantly in that some states require a formal warning before holding a claimant ineligible. Another example involves states with legal provisions, making determinations final or unchangeable after a given period. States may also differ in the way they interpret and apply seemingly identical work search and other UI eligibility requirements. SWA administrators and policy makers may use KW action error overpayment rates in setting policy priorities or identifying procedural constraints that affect claimstaking or limit overpayment establishment. Aggregate IPIA 2016 data for all states are displayed in the chart below.

IPIA 2016 Key Week Action Rates

Dollars Properly Paid
82.711%

Nonfraud Recoverable Overpayment (11)
7.711%

BAM OP Reversed - BAM Disagrees (16)
0.041%

Technically Proper Due to Rules Other than Finality (15)
0.434%

Formal Warning Failure to Conduct Work Search (14)
4.977%

Technically Proper Due to Determination Finality (13)
0.696%

Nonfraud / Nonrecoverable overpayment (12)
0.246%

Fraud Overpayment (10)
3.183%

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):
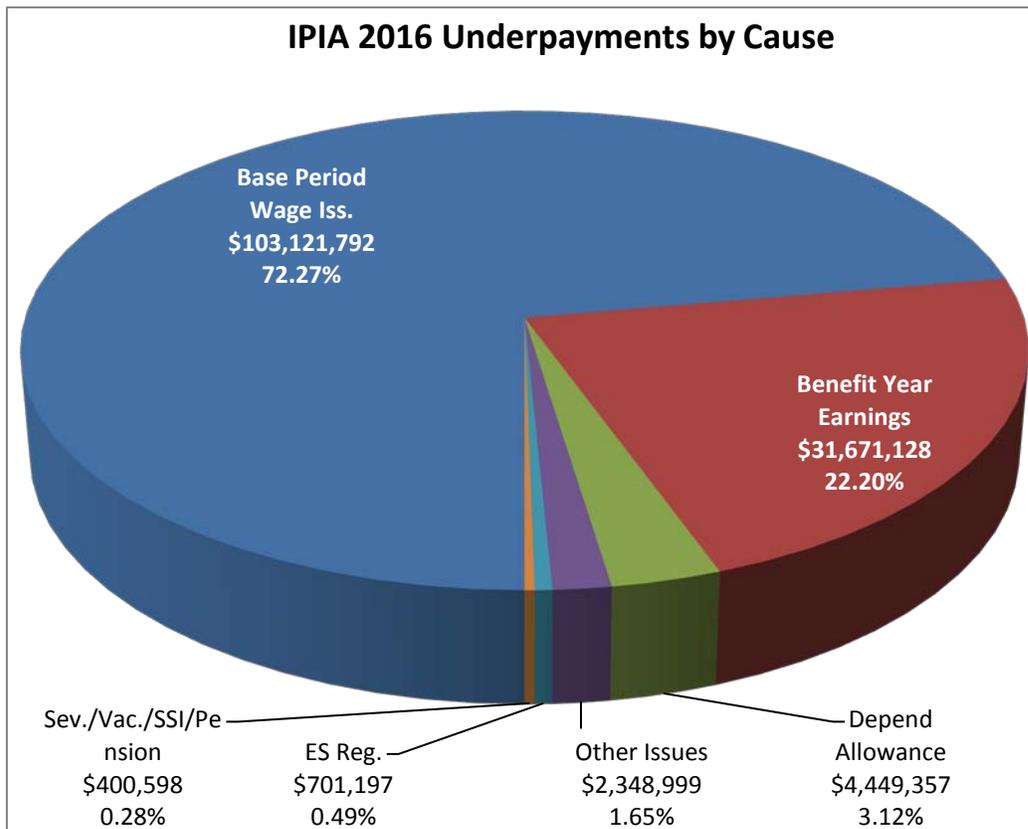IPIA_2016_Key_Week_Action_on_Payments.xlsx

II. Underpayments and Denied Claims Accuracy

Underpayment Rate

IPIA requires estimates of underpayment rates, in addition to overpayments. BAM estimates that $142.6 million was underpaid in IPIA 2016, compared with $140.0 million underpaid in IPIA 2015. IPIA 2016 data excludes technically proper underpayments. As a percentage of UI benefits paid, the IPIA 2016 national underpayment rate of 0.462 percent is slightly higher than the IPIA 2015 rate of 0.445 percent. State underpayments ranged from 0.00 percent in Georgia to 1.33 percent in New Jersey.

As with overpayments, the BAM program captures the cause of and responsibility for underpayments. Errors in reporting or recording base period wages accounted for 72.27 percent of the amount underpaid, and represented 0.33 percent of the amount of UI benefits paid. Employers report employees' wages to SWAs each calendar quarter.

IPIA 2016 Underpayments by Cause

Base Period Wage Iss. $103,121,792 72.27%				Benefit Year Earnings $31,671,128 22.20%
Sev./Vac./SSI/Pension $400,598 0.28%	ES Reg. $701,197 0.49%	Other Issues $2,348,999 1.65%	Depend Allowance $4,449,357 3.12%	

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.
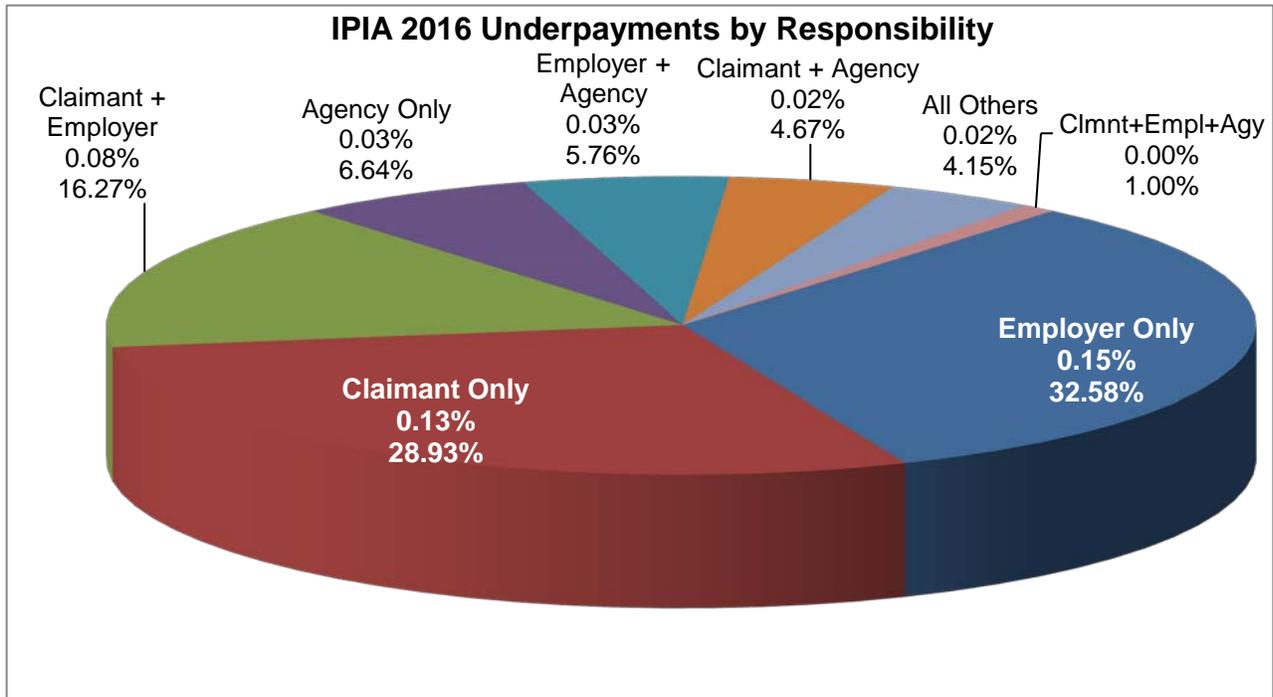
Accuracy Finding	Base Period Wages		Weekly Benefit Amount		Maximum Benefit Amount	
	% of Cases	Avg. Error	% of Cases	Avg. Error	% of Cases	Avg. Error
Correct	86.98%		95.28%		93.73%	
Understated	7.10%	($6,009.00)	2.45%	($34.77)	3.60%	($1,324.)
Overstated	5.91%	$3,252.57	2.27%	$42.22	2.68%	$1,000
Total	100.00%		100.00%		100.00%	

(See IPIA_2016_Base_Period_Wages_Report.xlsx for individual state findings)

Errors in reporting or recording benefit year earnings were the second leading cause of underpayments – 22.2 percent of all underpayments and 0.10 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, 2015 through June 30, 2016 Benefit Year Earnings Analysis		
24,192		Completed Cases
2,204	9.11%	Total Cases completed initially reported benefit year earnings (BYE)
310	14.07%	Of the 2,204 cases with earnings 310 had BYE over-reported
	$41.85	Average amount BYE over-reported in the key week
	$14.50	Median amount BYE over-reported in the key week

Also 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 32.49 percent of amount underpaid, which represented 0.15 percent of the amount of UI benefits paid. Claimants alone were responsible for an additional 29.07 percent of the amount underpaid, which represented 0.13 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.

IPIA 2016 Underpayments by Responsibility

Claimant + Employer
0.08%
16.27%

Agency Only
0.03%
6.64%

Employer + Agency
0.03%
5.76%

Claimant + Agency
0.02%
4.67%

All Others
0.02%
4.15%

Clmnt+Empl+Agy
0.00%
1.00%

Employer Only
0.15%
32.58%

Claimant Only
0.13%
28.93%

The underpayments estimated from BAM paid claims samples represent underpayments only for those claimants eligible for UC. Underpayments also result when claims for UI are erroneously denied.

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 (continued claim filing eligibility). 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 2016 US Denied Claims Accuracy Rates

Denial Type	BAM Population of Denials	Improper Denial Rate[*]	Adjusted Improper Denial Rate[**]	Over-Payment[****]	Proper Denial[***]
Monetary	971,078	14.79%	10.47%	0.03%	1.16%
Separation	1,645,648	10.54%	6.69%	0.05%	7.03%
Nonseparation	2,733,596	12.09%	9.26%	0.57%	4.81%

DCA Rate Table Notes:

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

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

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

*** 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 eligibility of claimants when they file a new initial claim or a transitional claim (to establish a new benefit year). In IPIA 2016, SWAs determined that 88.41 percent of the 9.84 million new initial and transitional claims were monetarily eligible.

BAM estimates that 14.79 percent of the 971,078 monetary denials included in the BAM DCA population were improper. This compares to an improper denial rate of 13.55 percent in IPIA 2015. These UI claims were denied because the agency had initially determined that the claimant had not earned sufficient wages in employment prior to being unemployed or failed to meet other requirements for monetary eligibility, such as sufficient earnings in a minimum number of weeks. The BAM DCA audit identified additional wage credits or an alternate or extended base period for these claimants that had not been included in the original monetary determination or identified other errors in the original determination.

For many of these improper monetary denials, the SWA had identified the additional wages and issued a redetermination establishing eligibility independent of the BAM investigation, or the initial denial was reversed on appeal. When the improper monetary denial rate is adjusted for these agency initiated redeterminations or appeals reversals, the improper denial rate for monetary determinations drops to 10.47 percent. This represents approximately 101,672 of the 971,078 claimants who were monetarily denied. This rate is lower than the adjusted improper denial rate of 10.14 percent in IPIA 2015.

One thing stands out in the monetary denial data. In states with alternative base period (ABP) provisions only 41.98 percent or 239,404 of the 570,328 claimants who were monetarily denied received a determination regarding their alternative base period eligibility. 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. Appendix A or B to the Code of Federal Regulations 20 CFR Parts 602, 614, 617, and 625, which is commonly known as the "Standard for Claim Determinations" provides a number of administrative actions to ensure payment when payment is due. This standard requires that the State must take the initiative to obtain the information necessary to make a determination, a record of facts considered must be maintained, and a monetary determination or redetermination notice must be issued.

Separation Denials

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

Separation issues normally are identified when a new initial claim or an additional claim is filed. In IPIA 2016, there were approximately 8.7 million monetarily eligible new initial claims and approximately 4.89 million additional claims. No separation determinations were conducted for nearly 74.3 percent of these claims, because the reason for separation was lack of work or reduction in workforce. SWAs completed almost 3.49 million separation investigations and found disqualifying circumstances in 1.73 million of these determinations that resulted in denial of benefits.

In IPIA 2016, BAM estimated that 10.54 percent of the 1.65 million separation denials included in the BAM DCA population were improper, compared with 9.87 percent estimated for IPIA 2015. When redeterminations and appeal reversals are taken into account, the improper denial rate for separations decreases to 6.69 percent, compared with 5.68 percent in IPIA 2015. Nationally, BAM estimates that approximately 110,094

of the 1,645,648 employment separation denials subject to audit were incorrectly denied benefits.

Nonseparation Denials

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

In IPIA 2016 claimants requested payment or "claimed" 115.09 million weeks of benefits. Approximately 10.98 percent of UI weeks claimed were not paid, and no nonseparation determinations were conducted. These unpaid weeks primarily involved claims where the claimant earnings from work exceeded SWA payment limits.[12] SWAs made payments for 99.45 million weeks. SWAs completed 3.59 million nonseparation determinations and concluded that 2.99 million of those investigations should result in denial of benefits.

For the 2.73 million nonseparation denials included in the DCA population, BAM estimates an improper denial rate of 12.09 percent and when redeterminations and appeals reversals are taken into account, the adjusted improper denials rate is 9.26 percent.

Overpayments and Proper Denials

BAM determined that small percentages of the separation (0.05 percent) and nonseparation (0.57 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

---

[12] A nonmonetary determination involving earnings may be issued only when there is a question on whether for a particular week: a) the claimant's activities constitutes "employment," or b) the claimant earns "wages" or receives "remuneration," resulting in ineligibility as "not unemployed," or only partially unemployed. Routine adjustments due earnings are not a countable determination for workload purposes. For example, during the continued claim certification the claimant reports that they earned an amount where state law disallows payment. In such a situation there is no question about the claimant being employed or the non-payment due to excessive earnings, therefore an adjustment is automatically made. (ET Handbook No. 401 ET 207 report instructions - Miscellaneous circumstances)

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 that s/he 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.

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

For a detailed listing of these denial rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2016_Denied_Claims_Accuracy_&_ Error Rates.xlsx

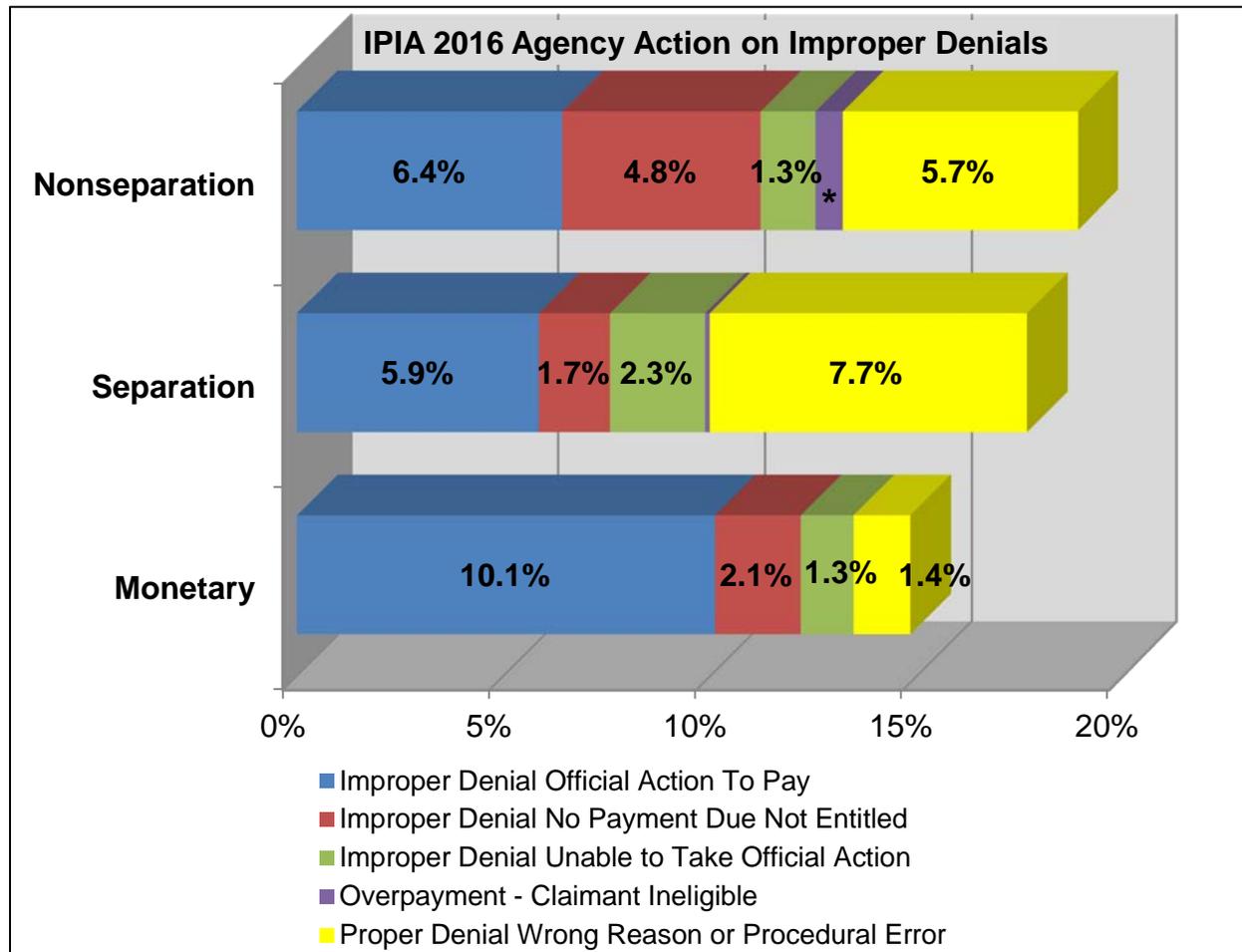## Agency Action for Improper Denials

Not every improper denial results in the agency issuing a payment to the claimant (i.e., increasing the claimant's weekly benefit amount, maximum benefit amount, or dependents' allowance). Agencies or BAM took action to ensure that benefits were paid for just over 68 percent of the improper monetary denial cases reviewed. Additionally, in the other types of denials reviewed, 55 percent and 53 percent of the claimants improperly denied for separation and nonseparation issues respectively, received benefits. In some cases, claimants are ineligible for payment due to other disqualifying issues. In other cases, the agency is precluded from taking action because of the time that has elapsed since the denial was issued (determination finality rules) or by other provisions of the law. Data shows that finality applies to 8.65 percent of the monetary denials, 21.82 percent of the separation denials, and 11.00 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.

IPIA 2016 Agency Action on Improper Denials

Nonseparation	6.4%	4.8%	1.3% *	5.7%	
Separation	5.9%	1.7%	2.3%	7.7%	
Monetary	10.1%	2.1%	1.3%	1.4%	

Scale: 0% 5% 10% 15% 20%

- ■ Improper Denial Official Action To Pay
- ■ Improper Denial No Payment Due Not Entitled
- ■ Improper Denial Unable to Take Official Action
- ■ Overpayment - Claimant Ineligible
- ■ Proper Denial Wrong Reason or Procedural Error

*Less than one percent

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2016_Agency_Action_on_Improper_Denials_By_Denial_Type.xlsx

Cause for Improper Denials

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

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): IPIA_2016_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 24.81 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 20.32 percent of the erroneous monetary denials, and agency error accounted for approximately 21.21 percent of the improper monetary denials.

The SWAs were solely responsible for 33.08 percent of the incorrect separation denials and 36.82 percent of the improper nonseparation denials. Employers and the SWAs were jointly responsible for just over 17.18 percent of the erroneous separation denials. Claimants were responsible for approximately 36.75 percent of the erroneous nonseparation denials.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): IPIA_2016_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 27.2 percent of the erroneous monetary denials. However, 37.81 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. 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 45.9 percent of the improper separation determinations and 34.6 percent of the erroneous nonseparation determinations.

Prior Agency Action For Improper Denials -- IPIA 2016
July 1, 2015 through June 30, 2016 (Batch Range 201527 - 201626)

Sample Type	Not Detect	Agency Resolved	Incorrect Action	Not Resolved	Procedure Not Followed	Detected by XMatch	Provided incorrect Info	Other SWA Error
Monetary	37.81%	27.16%	6.51%	16.50%	11.08%	0.26%	0.58%	0.10%
Separation	28.87%	8.64%	45.91%	10.63%	5.96%	0.00%	0.00%	0.00%
Nonseparation	37.25%	18.20%	34.64%	4.79%	3.98%	0.00%	0.76%	0.17%

Although the agency followed its procedures, the issue or information was undetectable for 28.87 percent of the improper separation determinations and slightly more than 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):
IPIA_2016_Improper_Denials_by_Prior_Agency_Action.xlsx

Separation Denial Issues

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 somewhat more likely to be in error

**Separation Denial Issues
Percent of the Population**

Voluntary Quit 50.84%

Discharge 48.35%

Other 0.81%

(11.52 percent) than denials issued for discharge (9.61 percent). Separation denials that were based on "Other" issues were incorrect at a much lower rate (4.94 percent)
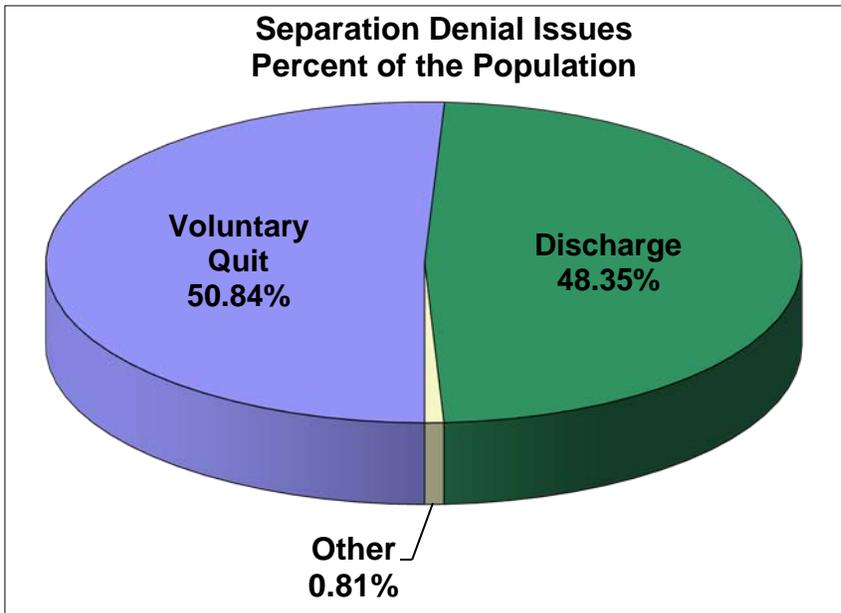
The following table displays sample and population classification of these separation denial determinations and improper denial rates by type.

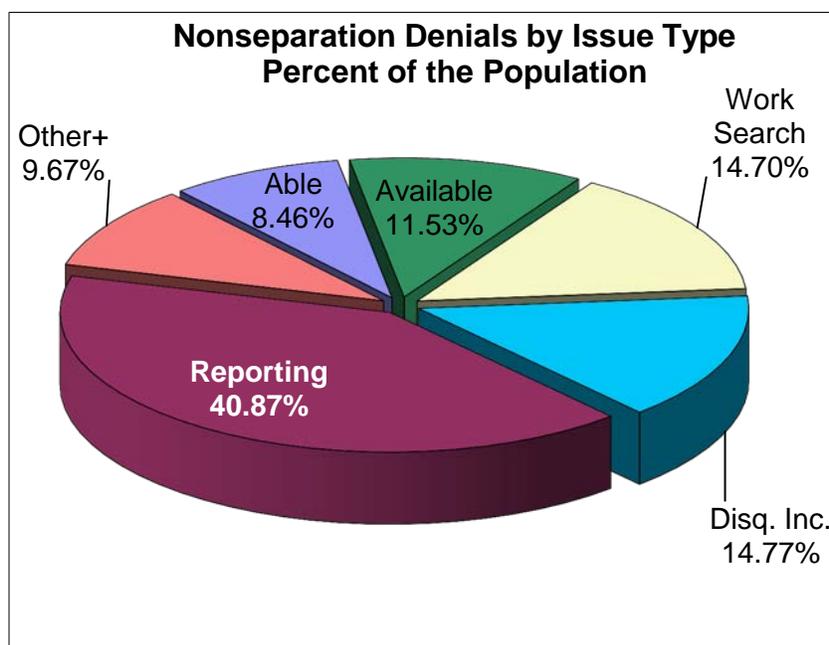| Separation Type	Sample Cases	Population of separation type denial	Percentage of Type in Population	Improper Denials
Voluntary Quit	4,151	836,656	50.84%	11.52%
Discharge	3,776	795,663	48.35%	9.61%
Other	83	13,328	0.81%	4.94%
Total	8,010	1,645,648	100.00%	
% Improper				10.54%

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2016_Denied_Claims_Accuracy_Separation_Determinations.xlsx

Nonseparation Denial Issues

The largest category of nonseparation denials in IPIA 2016 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.

Nonseparation Denials by Issue Type Percent of the Population

Other+ 9.67%
Able 8.46%
Available 11.53%
Work Search 14.70%
Reporting 40.87%
Disq. Inc. 14.77%

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	Estimated # improperly denied in population	Percent Improper Denials
Reporting	2,957	1,117,181	40.87%	128,141	11.47%
Disq. Inc.	1,546	403,696	14.77%	39,562	9.80%
Work Search	1,022	401,951	14.70%	61,981	15.42%
Available	997	315,145	11.53%	38,006	12.06%
Other+	803	264,353	9.67%	39,600	14.98%
Able	713	231,150	8.46%	23,231	10.05%
N/A	1	120	0.00%	0	0.00%
Total	8,039	2,733,596	100.00%	330,521	
% Improper					12.091%

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

Failure to report denials represent the largest population of nonseparation denials. Determinations that denied eligibility because the claimant failed to meet the state's work search requirements had the third largest portion of the denial population but had the highest error rate (15.42 percent). Denials based on the claimant's ability to work represented the smallest part of the denial population although the investigation found claimants were improperly denied 10.05 percent of the time. The following chart shows improper nonseparation denial error rates by the type of issue.
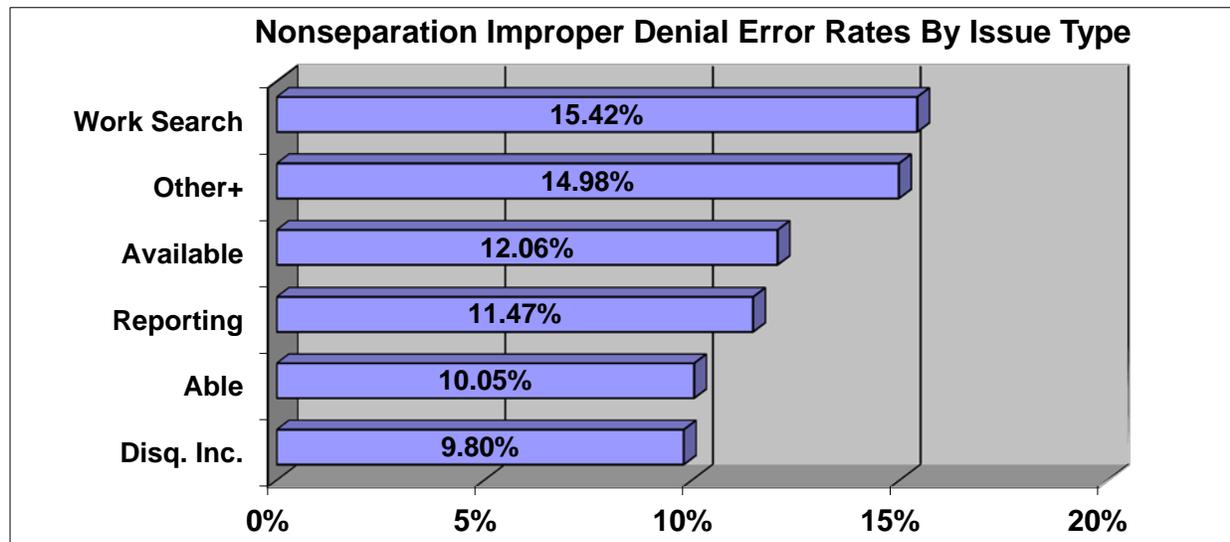
For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2016_Denied_Claims_Accuracy_Nonseparation_Determinations.xlsx

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

Integrity Rates*
- IPIA_2016_Integrity_Rates_all_states.xlsx
- IPIA_2015_-_IPIA_2016_Integrity_Rate_Changes.xlsx

Integrity Rates - Cause / Responsibility*
- IPIA_2016_Integrity_Rates_x_Cause.xlsx
- IPIA_12_IPIA_16_Overpayment_Rate_by_Quarter_&_State.xlsx
- IPIA_2016_Work_Search_Verification_Outcomes.xlsx
- IPIA_2016_Integrity_Rates_by_Responsibility.xlsx
- IPIA_2016_Overpayment_Rate_Cause_and_Responsibility.xlsx

Integrity Rates - Prior Action / Point of Detection*
- IPIA_2016_Integrity_Rates_Cause_x_Prior_Agency_Action.xlsx
- IPIA_2016_Cause_x_Prior_Claimant_Action.xlsx
- IPIA_2016_Integrity_Rates_Cause_x_Prior_Employer_Action.xlsx
- IPIA_2016_Integrity_Rates_by_Point_of_Detection.xlsx
- IPIA_2016_Claim_Filing_Methods.xlsx

Key Week Action Rates*
- IPIA_2016_Key_Week_Action_on_Payments.xlsx

Underpayments and Denied Claim Accuracy*
- IPIA_2016_Base_Period_Wages_Report.xlsx
- IPIA_2016_Denied_Claims_Accuracy_&_Error Rates.xlsx
- IPIA_2016_Agency_Action_on_Improper_Denials_By_Denial_Type.xlsx
- IPIA_2016_Improper_Denials_by_Cause.xlsx
- IPIA_2016_Improper_Denials_by_Prior_Agency_Action.xlsx
- IPIA_2016_Denied_Claims_Accuracy_Separation_Determinations.xlsx
- IPIA_2016_Denied_Claims_Accuracy_Nonseparation_Determinations.xlsx
- IPIA_2016_Improper_Denials_by_Responsibility.xlsx

BAM Methodology
- IPIA_2016_Methodology_and_Program_Description.pdf
- IPIA_2016_Method_Claimant_Information_Obtained.xlsx
- IPIA_2016_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_2016
- Significant_Provisions_of_State_UI_Laws

* Note: the spreadsheets may have several pages

Prepared by:
U. S. Department of Labor
Employment and Training Administration
Office of Unemployment Insurance
Division of Performance Management (April 2017)