

**The Development Of An Operational System For
Detecting Unemployment Insurance Payment Errors
Through Random Audits:
The Results Of Five Statewide Pilot Tests**

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**THE DEVELOPMENT OF AN OPERATIONAL SYSTEM FOR
DETECTING UI PAYMENT ERRORS THROUGH RANDOM AUDITS:
THE RESULTS OF FIVE STATEWIDE PILOT TESTS**

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EXECUTIVE SUMMARY

The Random Audit program pilot tests were conducted from April, 1981 through March, 1982 in Illinois, Kansas, Louisiana, New Jersey and Washington. This summary provides a very brief overview of some major study highlights. A more complete summary is provided as the final section of the report.

The major purpose of the pilot tests was to identify and resolve the problems associated with implementing the Random Audit concept as an operational program on a statewide basis. Fortunately, the participating states and their project staffs greatly exceeded any expectations that realistically could have been established in terms of meeting the challenges required for the development of a large-scale operational program. The success achieved by these pioneering pilot states is indicated by the fact that the operational program that evolved from this study is about to be expanded to include a total of 35 UI jurisdictions.

In the pilot tests, comprehensive investigations of weekly probability samples of UI payments provided the basis for estimating the payment errors that occurred statewide. The standard investigative methodology provided for an extremely intensive verification to determine whether claimants actually satisfied all benefit eligibility criteria for the weeks of unemployment randomly selected for investigation.

A number of limitations importantly affect the interpretation of the empirical results obtained from the Random Audit program. Some of the most important of these limitations include the following:

- (1) The study results are based on samples selected from statewide populations and should be interpreted as estimates (subject to some sampling error) of the "true" population values.
- (2) Operational constraints/problems and other study limitations suggest that these estimates probably understate actual overpayments in each state. Moreover, the difficulty of detecting overpayments due to unreported earnings probably resulted in a larger understatement of fraud than of total overpayments.

- (3) The design decision to exclude from the study population weeks that were claimed but not paid undoubtedly resulted in an understatement of underpayment errors in each state.
- (4) Interstate comparison of payment error rates very easily could result in misleading interpretations. For example, high payment error rates could be caused by the complexity of a state's laws/policies rather than by poor quality in the administration of those laws/policies.
- (5) The empirical results presented below cannot be generalized to provide payment error estimates (and measures of their reliability) for any populations other than those sampled in this study.

Some major empirical findings for the five pilot test states include the following:

- (1) The percent of weeks paid statewide that had either an overpayment or an underpayment of any amount varied between 12 and 52 percent (see line 1 of the Summary Table at the end of this Executive Summary). However, a number of these weeks involved monetary determination errors that amounted to only a small percentage of the key-week payment.
- (2) Overpayments, as a percent of UI benefits paid statewide, varied from 7.3 to 24.3 percent (see line 2 of the Summary Table).
- (3) It is estimated that the total dollar amount of overpayments was \$392 million or 14.2 percent of the \$2,754 million total of UI benefits paid in the five states combined.
- (4) Fraud overpayments, as a percent of statewide UI benefit payments, ranged from only 0.2 percent to a high of 2.7 percent (see line 3 of the Summary Table).
- (5) Overpayments due solely to claimant error accounted for between two-thirds and nine-tenths of the dollars overpaid in these five states (see the Summary Table, lines 2 and 4).
- (6) Work search that was determined to be inadequate on the basis of written law/policy in each state was by far the most important single issue responsible for the overpayments detected (see the Summary Table, line 5). In fact, work-search overpayments accounted for from about one-half to four-fifths of the dollars overpaid in these states (see the Summary Table, lines 2 and 5).

- (7) Extremely intensive in-person efforts to verify the job-search contacts listed by sampled claimants revealed that it was very difficult to definitely verify whether such contacts actually represented valid attempts to actively seek work (see item 6 of the Summary Table). Given the resource-intensive nature of the Random Audit program investigations, these findings raise serious questions about the ability of the UI system to monitor/enforce the work-search requirement.
- (8) Underpayments, as a percent of UI benefit payments, did not exceed 1 percent in any of the five states.

Can we really enforce work-search requirements?

The Random Audit program pilot tests were not designed to provide specific diagnostic information for the formulation of any corrective action plans that may be required. Hence, the preparation of such plans is not discussed in this report. Nonetheless, it should be noted that several states already have taken steps to reduce payment errors by revising forms and/or operational procedures. The pilot test states also have formulated plans for implementing other corrective actions designed to reduce payment errors.

SUMMARY TABLE
SUMMARY OF PRINCIPAL EMPIRICAL RESULTS: FIVE RANDOM AUDIT
PILOT TEST STATES: 1981.2 - 1982.1

Category	Point Estimates of Annual Population Values				
	Illinois	Kansas	Louisiana	New Jersey	Washington
1. Percent of Weeks With Overpayment or Underpayment of any Amount	19.1%	15.0%	12.2%	52.1%	31.7%
2. Dollar Rate of Overpayments	11.9%	12.9%	7.3%	24.3%	9.3%
3. Dollar Rate of Fraud Overpayments	1.2%	0.2%	2.7%	1.9%	2.1%
4. Dollar Rate of Overpayments Due Solely to Claimant Error	7.7%	11.6%	6.5%	19.2%	6.4%
5. Dollar Rate of Overpayments Due to Failure to Actively Seek Work	5.7%	10.3%	3.6%	17.3%	4.6%
6. Percent of Work-Search Contacts Investigated That Were:					
A. Verified as Proper	35.5%	50.2%	68.7%	31.9%	28.0%
B. Verified as Improper	10.7%	21.9%	3.1%	19.7%	13.3%
C. Unverifiable	53.8%	27.8%	28.2%	48.4%	58.7%
D. Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

ORIGINS AND OBJECTIVES OF THE RANDOM AUDIT PROGRAM

Although comprehensive audits of a sample of payments have been routinely conducted in certain other social payment programs for several years,¹ the selection of a probability sample of unemployment insurance (UI) payments for an in-depth audit was first attempted in 1979-80 in an experimental project funded by the National Commission on Unemployment Compensation (NCUC).² The complete findings of the NCUC Overpayments Study were submitted about one year after the expiration of the NCUC (September 30, 1980) to the Unemployment Insurance Service (UIS) of the U.S. Department of Labor.³ Although the results of the NCUC Overpayments Study could not be generalized to the UI system as a whole, the findings strongly suggested that a potentially troublesome overpayments problem might exist within the UI program. Moreover, the study results also indicated that the statistics on detected overpayments routinely reported by state UI agencies to the UIS were not accurately depicting the actual magnitude of UI overpayments. As a result, the UIS immediately initiated plans to obtain additional evidence about overpayments in the UI program.⁴ The pilot tests described in this report represent the results of the joint efforts of the UIS and five volunteer states to develop an operational system for accurately estimating the payment errors in statewide UI programs.

Planning for the pilot tests began in August, 1980. Five states-- Illinois, Kansas, Louisiana, New Jersey and Washington--volunteered to conduct the pilot test programs. The projects in these states were operated in a pilot test mode through March, 1982, at which time, a fully operational Random Audit system was implemented. Although the focus of the report is on the five original pilot test states, the report also may serve as a source of background information for the operational Random Audit programs that are now or soon will be functioning. It is anticipated that subsequent reports generated from these operational programs normally will focus primarily on providing a continuing flow of statistical information, and will not emphasize the background information on the Random Audit program that constitutes a major portion of this report.

The major purpose of the Random Audit program pilot tests was to identify and resolve the technical and logistical problems associated with implementing the random audit concept as an operational, statewide program. It was expected that many difficulties would arise in the process of refining the methodology, procedures and forms that would be suitable for statewide operational programs. Accordingly, it was important that the project states be willing to participate in a pioneering effort that was likely to involve numerous changes during the course of the pilot test. It also was important to have personnel assigned to this project who were willing to "learn by doing" because it was likely to be necessary to refine and further develop many of the investigative techniques originally implemented. Fortunately, the participating states and their project staffs greatly exceeded expectations in terms of their willingness to be flexible in searching for the "best" investigative techniques, staffing plans, training procedures, report forms, data collection/transmission/updating procedures, case management/tracking techniques and the many other details that accompany the development of a large-scale operational program. The success of the pilot test states in meeting and resolving the many challenges required to make the Random Audit concept an operational one is indicated by the fact that ten additional states were added to the program on an operational basis even before the completion of the pilot test period. Moreover, training sessions for an additional twenty states now are scheduled for December, 1982 and January, 1983. Thus, the major objective of the pilot test--the development of an operational system--clearly was accomplished.

Even though this report does not emphasize the specific problems/resolutions involved in refining the Random Audit methodology and procedures, some indication of these changes provides a useful perspective on the evolution of the operational system. For example, individual project supervisors arranged for different amounts and types of training; this variation was useful in determining the types of training that appeared to be more or less effective for Random Audit program personnel. Some states centralized all investigators in a single location, whereas other states "outstationed" one or more investigators in various regions of the state; this permitted an assessment of the logistical advantages of each approach in investigating

sampled cases drawn from throughout the state. Some variations were permitted in the sequence and/or substance of certain investigative procedures; in some states Random Audit investigators attempted to verify claimant work search contacts before the claimant was interviewed, whereas work contacts were verified in other states only after the personal interview with the claimant. Initially, weeks paid under the Federal-State EB program were included in the population of UI payments from which the weekly samples of payments were drawn, but later such payments were excluded from the study. The techniques that the Project Supervisors used to "track" the cases that had been assigned for investigation varied among the states, and this variation helped identify tracking approaches of exceptional merit for use by other states. All of the variations described above, as well as many others, were extremely useful in refining the details of the operational system that now is in place. Documentation of some of the above problems and others encountered and resolved during the pilot test period is provided in the various memoranda and bulletins referenced in Appendix A of this report.

The Random Audit concept that was pilot tested and that now provides the basis for the nationwide operational system was designed to provide the following payment error estimates for each participating UI jurisdiction:⁵

- (1) the percentage (amount) of UI dollars paid statewide that was fraudulently overpaid;
- (2) the percentage (amount) of UI dollars paid statewide that was overpaid, whether for fraudulent or non-fraudulent reasons;
- (3) the dollar amount of underpayments, and underpayments as a percent of the amount of UI dollars paid statewide;
- (4) the percentage of weeks of unemployment paid statewide that was overpaid, whether for fraudulent or non-fraudulent reasons;
- (5) the percentage of weeks of unemployment paid statewide that was underpaid; and
- (6) the percentage of weeks of unemployment paid statewide that was not correctly paid because of either an overpayment or an underpayment. = 4 + 5

Although the payment error measures listed above were emphasized in developing the Random Audit program, payment error rates for specific error types and causes also are provided. Payment error types were developed to indicate for each payment error found: (1) whether it was fraudulent or nonfraudulent; and (2) the investigator's judgment as to the appropriate division of responsibility for the payment error among the claimant, employers and the UI agency. A detailed listing of payment error causes was developed to identify the specific provisions of the state's employment security law or policy that were violated in the payment errors detected.

Because the study design provided for selecting a sample that could be used to conduct analyses of a variety of issues that would be relevant for each participating state, another objective of the pilot tests was to compile a comprehensive data base that could be used for such analyses. The items included in this data base are reported in Appendix B. Although much of the emphasis in developing this data base was placed on issues related to the prevention or detection of payment errors, the data base also includes a number of items that could be of interest for other purposes.

As the objectives of the Random Audit program pilot tests are delineated, it also is very important to recognize the many limitations imposed on the study by time and resource constraints, as well as by other factors. Because several of these limitations result from the experimental design and operational features of the Random Audit program, a full discussion of these limitations is deferred until after the details of project design and operation have been presented.

EXPERIMENTAL DESIGN OF RANDOM AUDIT PROGRAM

The experimental design of the Random Audit program provided for the selection of weekly samples large enough to provide estimates of the above payment error measures that would be sufficiently precise/reliable to accommodate the needs of state and federal UI program administrators. During each week of the sampling period, a computer-based file of payments and offsets⁶ was constructed and utilized to select a statistically valid⁷ sample for investigation. Appropriate statistical tests were conducted to determine if the samples selected were representative of the populations of payments from which they were drawn. Once this determination had been made, the payment errors detected in the sampled cases were analyzed to formulate probability-based statements about the estimated payment error amounts and rates in the statewide populations of UI payments. Each of these aspects of experimental design is discussed below, and additional details on these issues are provided in Appendix C of this report.

Study Population and Weekly Samples

In order for a payment (offset) for a specific week of unemployment⁸ to be included in the weekly population file, the payment had to meet all of the following criteria:

- (1) Only payments for regular program claims were included (i.e., only payments made under the auspices of the state's regular UI program, the UCFE program for federal employees, the UCX program for ex-servicemen or some combination thereof were included). Accordingly, any payments made under special programs (e.g., Trade Adjustment Assistance) were excluded.
- (2) Starting with the "payment week" that began on June 28, 1981 and thereafter, only payments made for claims filed under each state's normal duration-of-benefits provisions were included. From March 1, 1981 through June 27, 1981, payments made under the Federal-State EB program also were included in the population of payments for this project.⁹

- (3) Only payments that were "original" payments--the first payments ever made--for weeks of unemployment other than waiting weeks were included. Any "supplemental" payments and any payments for waiting weeks were excluded from the population for this study.
- (4) Only payments to intrastate claimants were included. Accordingly, all payments for either interstate-agent or interstate-liable claims were excluded.

On the basis of the above criteria, the great majority of all payments made in each state were included in the population for this study.

Each week the population file in each state that met the criteria detailed above was accessed to select the weekly sample. This file was sorted by amount paid/offset so that the selection of a systematic sample assured that payment amounts throughout the entire range of payments in each state would be represented in the samples actually selected. Because the weekly samples for a state were selected so that each payment in the population had an equal probability of being sampled, the results of investigating these sampled cases--denoted as "key weeks" in this study--could be used to form estimates (and measures of their reliability) of payment error rates in the statewide populations from which the samples were drawn.

Confidence Level for Reported Results

Although the selection of a probability sample does not guarantee that the sample actually selected will be representative of the population from which it was drawn, it does make it possible to use probability theory to quantify the risk inherent in describing a population on the basis of sample information. This is done by using the sample information to construct a confidence interval that has a preselected likelihood of containing the unknown value of some population parameter of interest. For example, the interpretation of an 80% confidence interval constructed around a sample proportion is that the likelihood is 80% that the interval includes the "true" value of the population proportion.¹⁰

In cases where it is not possible to determine the extent to which a sample is representative of the population from which it was drawn, it is appropriate to preselect very high likelihood levels (e.g., 95 percent or 99

percent) for constructing confidence intervals. Preselecting a very high likelihood level in such a case ensures that the interval will include the value of the population parameter unless the sample is very unusual or nonrepresentative (e.g., a sample with a probability of occurrence of less than .05 or .01). On the other hand, if some information is known about the population, it is possible to assess the extent to which the sample is representative of the population with respect to the known information, and it may not be necessary to preselect extremely high likelihood levels for constructing confidence intervals. Selecting a lower likelihood level is appropriate in these latter cases because, if it can be shown that a given sample is representative of a population with respect to a large number of known characteristics, it may be assumed that the sample also is representative of the population with respect to other unknown characteristics of interest for the study.

In the Random Audit pilot tests, the known characteristics for the population included sex, age, ethnic status and the amount of the payment/offset for the key week. The decision was made to accept a sample as representative of the population with respect to these characteristics if the probability of obtaining the observed set of sample values for these characteristics was at least 20 percent. Moreover, if the probability of obtaining the observed set of sample values for the above characteristics was at least 20 percent, it also was assumed that 80% confidence intervals constructed around the sample estimates for the unknown population values of interest for this study--primarily the various measures of the population payment error amounts and rates--actually would include the "true" population values for these unknown characteristics. For the five pilot test states, each sample had a probability of at least 20 percent of being selected. Hence, 80% (rather than 95% or 99%) confidence intervals were constructed for all estimates of the population values presented in this report.

ORGANIZATION OF STATE RANDOM AUDIT UNITS

The National Office of the Unemployment Insurance Service was responsible for the design, implementation, operation, funding, evaluation and management oversight of the Random Audit program pilot tests. The project guidelines--the specific details of project design and operation, as well as the instructions for the collection, recording and reporting of project data--were distributed to the pilot test states in three series of bulletins/memoranda. The title of each bulletin and memorandum in these series is listed in Appendix A of this report. The major responsibility for conducting the Random Audit program activities within these guidelines was, however, assumed by the pilot test states themselves.

Information related to the specific responsibilities and tasks of the UIS, outside contractors and the participating state UI agencies is presented in some detail in Appendix D. The remainder of this section focuses directly on only the most important issues related to the organization of the Random Audit units in the pilot test states.

Selection/Authority of Project Staff

It was recognized that it would be difficult for a participating state UI agency to select highly qualified individuals for special assignment to the Random Audit unit, given the importance of maintaining quality in normal operations. Nonetheless, the same commitment to program quality that prompted the state UI Directors to volunteer for participation in the Random Audit program also prompted them generally to select highly qualified individuals to staff the project.

The project guidelines specified that the Project Supervisor and the Field Investigators assigned to each Random Audit unit had to be authorized to take whatever official actions they deemed appropriate (within the guidelines of that state's law/policy) on any payment errors found without first obtaining authorization from others within the state agency. The independence of the Random Audit unit to undertake such actions on each and every key-week payment error detected was an important component of the overall experimental design of the project because each sampled case repre-

sented a large number of cases in the statewide population of UI payments; hence, the final disposition of each sampled case importantly affected the estimates of the dollar amounts and rates of payment errors in the statewide population of UI payments. If the Random Audit unit in each state had lacked the authority to directly initiate appropriate actions, the study results easily could have been distorted because other units might not have taken appropriate action on some payment errors detected.

Organizational Location of Random Audit Unit

The organizational specifications for the project provided that the Random Audit unit should be independent from those units within the state UI agency with direct responsibility for UI operations. In part, these specifications were based on the following two considerations: (1) it is common practice in private industry for the "quality control" unit to be independent from the "production" unit; and (2) there is a useful analogy between the payment of UI benefits (production) and the responsibilities of the Random Audit units ("quality" control or "quality" evaluation). The specific recommendation of the UIS for the organizational location of state Random Audit units now has been formalized in a General Administrative Letter that includes the following provisions:¹¹

- (1) The Random Audit unit must be organized as a separate unit within the state UI agency, and not integrated on an administrative basis with other units (e.g., benefit payments control or internal security units).
- (2) The Random Audit unit must be supervised full-time by someone other than the UI Chief of Benefits, UI Chief of Tax, the Chief of Data Processing, or any individual having direct responsibility for payment certification or processing operations;
- (3) The Random Audit Project Supervisor must report to an administrative level that does not have direct responsibility for UI operations. Further, this supervisor must report to an administrative level within the State Employment Security Agency organization that has authority at least equal to, and preferably beyond, that of direct UI operations administration.

The practical effect of the above organizational guidelines for the pilot test states was that each Project Supervisor reported directly to the state's UI Director.

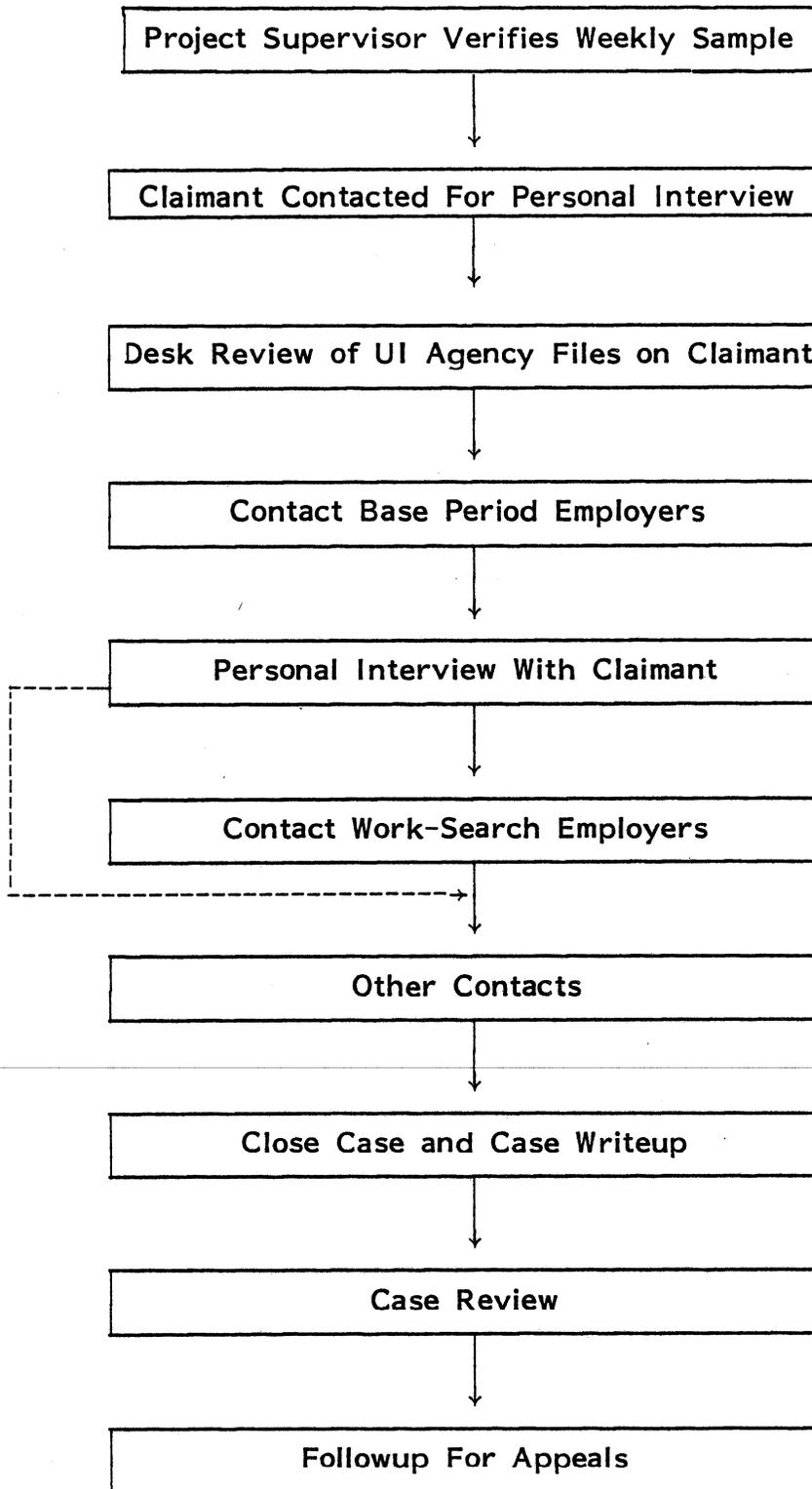
INVESTIGATIVE METHODOLOGY OF RANDOM AUDIT PROGRAM

The fundamental methodological premise from which the Random Audit investigations proceeded was that the payment received by the claimant for the key week was correct, given the UI eligibility provisions of the state's written employment security law and policy. This premise was based on the fact that the claim for the key-week payment already had been screened through the routine processing channels of the state UI agency and had been approved for payment. Hence, at the time a sampled case was assigned for investigation, it was presumed to have been a correct payment.

This orientation implied that the initial approach to a case was one of routinely verifying the claimant's eligibility for the benefits received for the key week. During the course of the investigation, however, evidence inconsistent with the initial presumption could be uncovered. When such evidence raised the possibility that the key-week payment was incorrect, it was the responsibility of the Field Investigator to pursue the investigation: (1) until substantive evidence had been obtained to document fully the existence of a payment error; or (2) until it was determined that the payment actually was proper; or (3) until it did not appear possible to firmly document any suspected payment errors. It should be emphasized that the "borderline" cases that comprised the third category were coded as proper payments for the purposes of the Random Audit study. This approach was adopted because of the initial presumption that all selected payments were properly paid, and because it appeared preferable to treat "borderline" cases as proper payments so as to understate (rather than overstate) payment errors.

An overview of the investigative procedures employed in the Random Audit pilot tests is provided in Chart 1, and a summary discussion of the various aspects of these procedures is provided below. Not all of the investigations proceeded in precisely the sequence(s) illustrated. However, virtually every completed investigation included all or most of the steps described below. The entire process outlined in Chart 1 was a very intensive one that was designed to verify, to the maximum extent possible, whether claimants were properly or improperly paid for the key weeks sampled. A detailed outline of the verification procedure has been included as Appendix E.

CHART 1
BASIC INVESTIGATIVE PROCEDURES



Project Supervisor Verifies Weekly Sample

Although not formally a part of the investigative procedure, the processing of the sampled cases for each week began with a review by the Project Supervisor of the sample selected to identify any apparent problems in the sampling program. If, as almost always was the case, this review indicated no problems with the sample selected for a week, the cases for that week were assigned for field investigation.

Claimant Contacted for Personal Interview

The claimant was interviewed as soon as possible after the key-week payment was selected for investigation. Experience obtained from the NCUC study indicated that delays in conducting personal interviews resulted in substantial recall problems for claimants. For this reason, efforts were made in most of the pilot test states to schedule the personal interview as soon as possible after the case was assigned for investigation or to arrange an interview with the claimant at his/her next scheduled in-person reporting date, if such a date already had been established. In the event that a claimant failed to appear for the interview, arrangements were made for another interview time. If the claimant had returned to work and could not be interviewed during normal working hours, arrangements were made for an interview at the convenience of the claimant. In a very few instances, it was not possible to interview the claimant; fortunately, in some of these cases the claimant was willing to complete the interview form and return it by mail to the Field Investigator. Notwithstanding these efforts to complete all interviews, a very small number of cases had to be closed without a completed interview form.

Desk Review of UI Agency Files on Claimant

All information available from the UI agency's files related to the payment for the key week was reviewed soon after the case was selected. Computer-based files typically were available from which information on base period employers and qualifying wage credits could be obtained. Whenever possible, information also was obtained from either computer files or manual records to determine: (1) the reasons for the claimant's separation from

employment for the spell of unemployment that included the key week, and for previous spells of unemployment in the claimant's current benefit year; (2) whether any nonmonetary determinations that had been issued prior to the key week could have affected the claimant's eligibility for UI benefits for the key week; (3) whether the pattern of claims filing during the current benefit year might suggest benefit eligibility problems; (4) whether any return-to-work dates suggested the possibility of any unreported earnings during weeks of compensated unemployment; (5) whether the signatures on certifications filed by the claimant appeared to match check endorsement signatures; (6) whether information was available about local labor market conditions or other factors relevant to the claimant's search for work during the key week; (7) whether available information might suggest a job refusal; and (8) whether there was any written documentation of any "official" suspensions or modifications of written agency policy on eligibility requirements that could have affected the claimant's eligibility for key-week benefits.

Contact Base Period Employers

In-person contacts with base period employers were conducted whenever possible. Generally, most or all of a claimant's in-state and border-state base period employers were visited personally by the Field Investigator assigned to the case. The principal reason for contacting base period employers was to verify the wage credits upon which the claimant's original monetary determination for UI benefits was based.¹² However, base period employers sometimes also could provide information about the reason for the claimant's separation from employment or information about reemployment opportunities that might have been offered to and/or refused by the claimant.

Personal Interview With Claimant

One of the most important sources of information about the claimant's eligibility for benefits was the personal interview with the claimant. A uniform and detailed questionnaire was developed for use in all pilot test states; see Appendix F for a copy of this questionnaire. Although the questionnaire was designed to obtain information on a variety of topics related to the claimant's interaction with the UI program, the most significant questions

were those related directly to the claimant's eligibility for key-week benefits. In many cases, an important part of this information related to the claimant's specific job-seeking efforts during the key week. Where relevant, the claimant was encouraged to provide as much detail as possible about the name and location of each firm contacted, the individual contacted by the claimant, the time and place of the job contact, whether an application form was taken or completed, etc. This detailed information enabled the Field Investigators to more efficiently conduct the verification of these work-search contacts at a later stage of the review process.

Contact Work-Search Employers

Whenever possible, contacts with work-search employers were made in person, and signed statements related to the claimant's application for or inquiries about employment possibilities were obtained from employers. The Field Investigators were encouraged to be very persistent in their efforts to verify work-search contacts; because claimants might have provided wrong phone numbers or addresses for work-search contacts, every reasonable effort was made to locate and verify such contacts. In the event that a claimant was excused from the state's active search-for-work requirement because of a temporary layoff, union membership or other reasons, it was necessary to verify whether the claimant had been appropriately excused from the requirement and whether the claimant met any other conditions that might accompany his/her special circumstances.¹³ For example, this might require a contact with the union hiring hall to determine if the claimant had been properly registered and could have been referred to a job during the key week.

Other Contacts

Depending on the circumstances of each individual case, investigative activities other than contacts with work-search and base-period employers also were conducted. The purpose of these other contacts was to fully verify any items (other than those discussed above) that materially could affect the claimant's eligibility for key-week benefits. For example, Field Investigators sometimes contacted the Job Service to determine if the claimant

was registered and could have been (or was) referred to employment during the key week, or to determine if any job refusals might have occurred as a result of such referrals prior to or during the key week. Other aspects of the investigation included efforts to determine if the claimant was available for work during the key week and if the claimant was able to work during that period.

Close Case and Case Writeup

Once all relevant evidence had been obtained and evaluated, a judgment was made by the Field Investigator as to whether the payment for the key week was a correct payment. In the event that the evidence appeared to be sufficient to challenge the initial presumption that the payment was correct, the Field Investigator was required to reinterview the claimant to confront him/her with the evidence that had been accumulated. During this reinterview, the claimant was given an opportunity to rebut any of the evidence presented, and to provide any additional information relevant to determining if he/she was eligible for the payment received for the key week. Further efforts to verify the claimant's eligibility for benefits then were undertaken, if required, prior to deciding whether the key week was correctly paid. Then, a written report was prepared for the case, a Summary of Investigation Form was completed, and all appropriate documentation was placed in the case file. The complete case file then was submitted to the Project Supervisor for review.

Case Review

Comprehensive case-review procedures were established as an integral part of the Random Audit program because the investigative outcomes for the sampled cases provided the basis for estimating errors in statewide populations of UI payments. Because only a small proportion of these statewide payments was selected for intensive review, each sampled case "represented" a much larger number of payments in the statewide population. As a result, errors in classifying even a few of the sampled cases (as correct vs. incorrect payments) could impact importantly on the estimates of statewide UI payment errors. For these reasons, a comprehensive review process was

developed to ensure that each case was thoroughly investigated, properly documented, and appropriately classified as a correct or incorrect payment. These review procedures are summarized below.

Review by Project Supervisor. The first review of a sampled case was performed by the Project Supervisor after the case was completed by the Field Investigator. This review included an assessment of: the documentation obtained; the investigative efforts undertaken; and the logic employed in evaluating the evidence to determine if the key week was properly paid. In the event that a case file was found to be unacceptable or incomplete, as judged by any of these criteria, appropriate steps were taken to properly complete the case. Once the Project Supervisor was satisfied that all of the case file evaluation criteria had been met, the sequence of events in the review process depended importantly on whether the key-week payment had been classified as proper or improper. Cases coded as proper payments were closed and filed as completed cases. If it was determined that the case involved an underpayment, or an overpayment due to an error in the monetary determination, appropriate action was taken on the case (if possible) by the Random Audit team without soliciting further review by a local UI office manager.¹⁴

Review by Local Office Manager. The review of overpayments due to nonmonetary issues by the manager of the local office where the key-week claim had been filed provided additional input that might affect the classification of such cases as correct or incorrect payments. To facilitate the review of these cases, the Project Supervisor provided to the local office manager a copy of the Summary of Investigation report, together with any additional information deemed relevant to this review. A reasonable period of time was allowed for the local office manager to review these materials and to express in writing agreement or disagreement with the judgement of the Random Audit team that a key-week payment error had occurred. These views of the local office managers were not intended to be binding on the decisions ultimately made by the Project Supervisors, but rather were to be used by the Project Supervisors in forming their final judgments about such cases.¹⁵

Review by Federal Monitors. All completed cases, whether classified as proper or improper payments, were subject to an additional review by one or more Federal Monitors. A major goal of this review was to ensure that the judgmental decisions reached within a particular state were consistent, fair and based upon a reasonable interpretation of the state's written law/policy. This review was designed to increase the objectivity of the Random Audit program results by providing for a relatively neutral "outside" review of the decisions reached by state personnel. The Federal Monitors also carefully checked the completeness of case file documentation and the accuracy with which project data were coded.

Followup for Appeals

Further case followup sometimes occurred if official actions were taken because of key-week payment errors. If the error involved an overpayment, the claimant was informed at the time of the reinterview of his/her appeal rights. In the event of an underpayment for the key week, it was possible that an employer might appeal the UI agency's action to increase the payment to the claimant for the key week. If an appeal was filed by either the claimant or an employer, arrangements were made, whenever possible, to have the Field Investigator who processed the case present at the first-level appeals hearing. If new evidence was presented at the hearing, it was the responsibility of the Field Investigator to undertake any further verification that might then be appropriate. On the basis of this information, the Field Investigator (and ultimately the Project Supervisor) had to form a final judgment about whether the payment for the key week was proper or improper. Also, the system developed for coding project data made it possible for the Random Audit team to record whether it agreed or disagreed with any appeals reversals that affected decisions made about the correctness of key-week payments.

CLASSIFICATION OF INVESTIGATIVE RESULTS

In order to correctly classify the investigative results for each sampled case, a very detailed set of definitions was developed. These detailed definitions are summarized below, but it should be emphasized that the summary provided is an extremely condensed one that is much less complete than the exact definitions and classification criteria that were actually utilized for the project.¹⁶

Overview of Key-Week Payment Status Codes

The system developed to record the results for each sampled case includes three different measures of payment errors, two measures of correct payments and a residual category. The reasons for adopting the system utilized in the study are discussed briefly below. This general overview is followed by a more specific discussion of the six key-week payment status categories that comprise the classification system.

One important issue involved in developing the classification system was how many payment error categories to utilize. It was determined that three payment error categories would provide enough information to meet the needs of both the participating states and the UIS. Because historically there has been substantial concern about fraud in the UI program, one payment error category was defined to include only fraud overpayments. Because there also was substantial interest in measuring all payment errors--and not just fraud overpayments--two additional payment error categories were developed. One of these was defined to include all overpayment and underpayment errors for which "official" actions were taken; in effect, the errors in this category were "sanctioned" by the formal UI system through official actions. The remaining category includes cases that the state UI agency was either unwilling or unable to sanction through official actions, in addition to all cases for which official actions were taken; this category thus includes all overpayment and underpayment errors detected by the Random Audit team, even if all such payment errors were not sanctioned by official actions. It was this difference between sanctioned and unsanctioned payment errors that led to the use of these two additional categories for classifying payment errors.

Once any cases with payment errors had been classified, virtually all remaining cases were classified into one of two correct payment categories. The first of these categories was defined to include those cases determined to be correct by both the Random Audit team and the formal UI system. The second category was defined to include those cases that were determined to be correct payments by the Random Audit team, even though the formal UI system indicated its disagreement by undertaking some official action related to the original key-week payment. It also was necessary to define a residual category to classify any unusual cases that could not be placed into the payment error or correct payment categories outlined above. Taken together, these six categories comprise the mutually exclusive and collectively exhaustive classification system developed for this study, and each of these categories is discussed in more detail below.

Group A (Fraud) Overpayments.¹⁷ Group A payment errors were classified solely on the basis of whether an issue was detected that prompted "official" UI agency actions (including those of the Random Audit team) to establish fraud overpayments or voided offsets¹⁸ against the key week. Group A (Fraud) overpayments include only weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on the fraud overpayments detected for the key week.¹⁹ That is, Group A (Fraud) overpayments represent dollars of UI benefits that, in the judgment of both the UI agency and the Random Audit team, were fraudulently paid for the key week.

Group B (Formal Actions) Payment Errors. Group B (Formal Actions) payment errors were defined to include all overpayment and underpayment errors for which "official" actions were taken because the original key-week payment was either too large or too small. Specifically, these Group B (Formal Actions) overpayments and underpayments include only key weeks for which at least one of the following "official" actions was taken: (1) establishing a recoverable or nonrecoverable overpayment; (2) issuing a supplemental check; or (3) changing the claimant's WBA, MBA or remaining MBA balance. Thus, Group B (Formal Actions) payment errors include all Group A (Fraud) overpayments, plus any additional nonfraud errors that

resulted in the "official" actions listed above. Whereas the Group A (Fraud) category includes only overpayments, the Group B (Formal Actions) category includes both overpayments and underpayments. It should be noted that Group B (Formal Actions) overpayments (underpayments) include only weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud/nonfraud overpayments (nonfraud underpayments) detected for the key week.²⁰ That is, Group B (Formal Actions) overpayments (underpayments) represent dollars of UI benefits that, in the judgment of both the UI agency and the Random Audit team, were overpaid (underpaid) for the key week.

Group C (Formal/Prohibited Actions) Payment Errors. The third payment error category (Group C) was defined to include all overpayment and underpayment errors detected for the key weeks investigated by the Random Audit team, even if "official" actions were not taken for all such errors. Group C (Formal/Prohibited Actions) payment errors include all Group B payment errors, plus some additional errors associated with issues for which "official" actions were taken and reversed or for which "official" UI agency actions could not be taken. Group C (Formal/Prohibited Actions) overpayments or underpayments thus include: (1) weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official key-week actions listed above for Group B; and (2) additional payment errors, as determined by the Random Audit team, for which official actions were prohibited because of finality or other rules in the state's written law/policy. An example of how cases might fall into the second category is provided by considering finality rules that often are included in a state's written employment security law/policy. Such rules typically prescribe that nonmonetary determinations become "final" after some minimum length of time, unless new and compelling evidence is introduced. If it were discovered during the course of an investigation that a clearly erroneous nonmonetary determination had been issued at an earlier date, such finality rules might prohibit any additional action on the issue (because no new information was found). Under these circumstances, the payment "error" would not be

included in the Group B (Formal Actions) measure because no "official" action could be taken, but such an error would be included as part of the Group C (Formal/Prohibited Actions) measure.²¹

Comparison of Payment Error Measures. Given the discussion of the three payment error categories provided above, the specific rationale for developing these three categories (particularly Groups B and C) now can be more clearly explained. Obviously, the purpose of Group A (Fraud) overpayments is simply to measure the extent of fraud detected by the Random Audit team in each state. Group B (Formal Actions) payment errors include both fraud and nonfraud overpayments, as well as all nonfraud underpayments, that were "sanctioned" by the formal UI system through official actions taken for the key week. Group C (Formal/Prohibited Actions) payment errors include all Group B payment errors plus any additional errors that the UI agency was either not willing or not able to sanction through official actions. The main purpose of the Group C (Formal/Prohibited Actions) category is to provide a check on whether all (or at least most) errors detected by the Random Audit teams actually resulted in official UI agency actions. However, Group B (Formal Actions) payment errors are emphasized in the empirical results presented in this report, since such errors included only dollar amounts that were "sanctioned" by official UI agency actions.

Group D Correct Payments. The Group D correct payments category includes those few cases that the Random Audit team determined were correct payments even though the state UI agency indicated its disagreement with this determination by taking some "official" actions that either increased or decreased the payment for the key week. However, nearly all correct payments found in the study fell into the Group E correct payments category described below.

Group E Correct Payments. The Group E correct payments category includes those cases that satisfy the following criteria: (1) the Random Audit team determined that the original payment for the key week was the correct amount (or at least the Random Audit team could not document that the payment amount was incorrect); and (2) the state UI agency ratified the view of the Random Audit team, typically by taking no official actions after the

original key-week payment was made.²² Separate codes were available within this category to identify cases for which a "formal warning" was issued, even though the payment for the key week was determined to be the correct amount.²³

Residual Payment Category. Cases that could not be classified into any of the three payment error categories or into one of the two correct payment categories above were grouped into a residual category. These cases involved instances in which: (1) a check was written (and included on the population file) but never given or sent to the claimant;²⁴ (2) the investigation of the sampled case had not been completed at the time the data for the cases sampled during a given quarter had to be submitted to the Arizona agency for processing; or (3) the investigation had been completed, yet the case could not be classified either as a payment error or as a correct payment.²⁵ With the exception of (2) above, the number of cases classified into the residual payments category was extremely small during the entire year-long Random Audit program pilot test period.

Type/Cause Categories for Payment Errors

In addition to classifying each sampled payment into one of the correct or incorrect categories or into the residual category described in the previous section, the "type" and "cause" of each incorrect payment also was determined. A detailed listing of these type/cause categories is provided in Appendix G, and an overview of them is provided below.

Payment error types were assigned to indicate: (1) whether the payment error was due to fraud; and (2) whether the responsibility for the payment error was that of the claimant alone, the UI agency alone, employers alone or some combination of these three parties.

A large set of payment error cause categories was developed to identify the specific provisions of a state's law/policy that accounted for each payment error. The following major cause categories were utilized for overpayments: (1) unreported earnings for the key week; (2) errors in reporting/recording earnings for the key week; (3) errors in reporting/recording earnings for the base period; (4) separation issues; (5) eligibility issues; (6) incorrect dependents allowances; and (7) all other causes. Fewer categories were

required to classify the underpayments detected in the study. In fact, the major cause categories utilized for underpayments included only the following four of the above categories: (1) errors in reporting/recording earnings for the key week; (2) errors in reporting/recording earnings for the base period; (3) incorrect dependents allowances; and (4) all other causes. Within each of the major cause categories just listed for both overpayments and underpayments, more specific causes also were identified.

LIMITATIONS OF THE STUDY

Because the empirical findings presented in this report can be meaningfully interpreted only within the context of certain limitations, it is important that they be discussed prior to presenting the empirical results. These limitations relate to the following: (1) sampling error; (2) reproducibility problems; (3) operational constraints; (4) claims vs. payments; (5) generalization of results; (6) multiple payment errors for individual payments; (7) disaggregation of results; (8) developing corrective actions; (9) interstate comparisons; and (10) impact on benefit payments of reducing overpayments. Each of these is discussed in some detail below.

Sampling Error

Sampling error occurs in the Random Audit program because the estimates of the population error rates are based on the results of investigating a sample of UI payments. If all UI payments in the population had been reviewed, no sampling error would be present in the study, but that approach was not taken because it would have been prohibitively expensive. Because appropriate sample-selection procedures were utilized, however, probability theory may be used to quantify the risk associated with accepting the estimates of the population error rates developed from the sample information. This was accomplished in this study by constructing 80% confidence intervals for the estimated payment error rates. Strictly speaking, the likelihood is .8 that these intervals include the actual population error rates.²⁶ However, because of the results of tests conducted to determine whether the samples selected for this study were representative of their populations, it almost certainly would be the case that the 80% confidence intervals reported below would contain the (unknown) population error rate values, if none of the other factors discussed below had affected the accuracy of the study estimates.

Reproducibility Problems

Another source of possible error relates to the reproducibility of the Random Audit study results. The theorems underlying the probability-based

calculations assume that each sampled case was processed in a uniform and consistent manner. For example, it is assumed that the classification of each payment as correct or incorrect would not be changed if the sampled cases had been assigned to different Random Audit program Field investigators. Obviously, there is no way to guarantee uniformity and consistency, given the complexity involved in investigating and evaluating each sampled case. Since this issue was recognized as a potentially important one, a number of actions were taken to ensure uniformity in the investigative process. The training provided for the Project Supervisors and Field Investigators emphasized the importance of uniformly processing each sampled case. Detailed written instructions were provided for all phases of project activities, and this certainly increased the likelihood of obtaining reproducible results. A common interview form was utilized for the claimant interview, and uniform guidelines were developed for coding and processing all project data. Reviews of project case files by the Project Supervisors and by the Federal Monitors also encouraged and facilitated a uniform application of employment security law and policy. Despite the above safeguards, all cases undoubtedly were not uniformly processed during the entire pilot test period. With the exceptions noted immediately below for Illinois and Kansas, however, there appears to be no basis for concluding that this potential problem created a consistent bias that resulted in either an overstatement or understatement of UI payment errors in the pilot test states. Nonetheless, the reproducibility issue (where relevant) does introduce some added variability in the sample estimates that is not accounted for in the confidence intervals constructed for this study.

A careful review of certain operational problems that arose in both Illinois and Kansas strongly suggests that the "reproducibility" assumption was not satisfied for some portion of the pilot test period in these two states. Incomplete and sporadic investigative efforts occurred for some cases in each of these states during the first three calendar quarters of the study period. Also, turnover in the project staffs--including changes in the Project Supervisors--occurred in both states during 1981. Federal Monitor reviews of the completed case files from both states indicated that comprehensive investigations did not occur and/or well-documented case files did not exist for all

1981 cases in each of these states. These problems, of course, served to highlight the need for additional case control and management procedures that subsequently could be implemented as additional states were included in the Random Audit program; viewed in the context of a pilot-test program, the occurrence of such problems was not unexpected. Nonetheless, it is quite likely that these operational problems resulted in underestimates of the payment errors reported for both Illinois and Kansas. Although it is not possible to quantify precisely the magnitude of these underestimates, it is quite likely that the underestimation problem is much more serious for Illinois than for Kansas; this conclusion is based on the fact that the problem in Illinois potentially involves about three-fourths of all sampled cases, whereas the problem in Kansas potentially involves only about one-fifth of all sampled cases. Moreover, the potential underestimation in absolute terms in each state undoubtedly is much greater for overpayments than for underpayments, simply because (as will be shown below) underpayments represent a much smaller percentage of total payments than overpayments in the other three states where no reproducibility problems were evident.

Operational Constraints

Certain characteristics of UI laws/policies and the operational procedures of the Random Audit project also would limit the accuracy of the payment error estimates reported for these states, even if the sampling error and reproducibility problems discussed above could be completely ignored. As will be evident from the following discussion, most of these problems are more likely to affect the estimates of overpayment than underpayment errors.

Constraints on Verifying Benefit Eligibility. A basic feature of the UI program is that UI benefits are paid with at least a one week lag. Since it is neither operationally feasible nor desirable to monitor the behavior of potential claimants, the verification of claimant eligibility for benefits must rely on ex post efforts. The ability of claimants and others to recall relevant facts or events that occurred during the key week fades with time. Additional restrictions result from the provisions of employment security laws and policies that properly limit the extent to which an individual claimant's

activities can be investigated to determine if the claimant was eligible for the UI benefits received for the key week. These constraints imply that, all other things equal, the overpayment errors estimated in the Random Audit program likely do not include all overpayments that actually occurred. Unfortunately, the magnitude of the understatement of overpayment errors that results from these factors cannot be quantified. It also is possible that, to a lesser extent, these features of the UI program could lead to an understatement of underpayment errors.

Postaudit Excluded. A comprehensive postaudit to detect instances in which claimants had worked (in UI-covered employment) while receiving benefits for the key week was not included in the Random Audit program, primarily because of the delay that would have been required to include postaudit results.²⁷ If such a postaudit had been conducted, it is very likely that some additional overpayments, particularly overpayments due to unreported earnings, would have been detected. To the extent that instances of unreported earnings are more likely than most other violations of employment security law/policy to be established as fraud overpayments, the omission of a postaudit probably resulted in a much larger understatement of fraud than of total overpayment rates. It is also possible, although less likely, that a comprehensive postaudit would have resulted in the detection of some additional underpayments; this could happen, for example, if some sampled claimants had reported more earnings for the key week than should have been reported.

Cash Economy. Even the utilization of a comprehensive postaudit would have been largely ineffective in detecting "cash economy" transactions in which UI claimants are paid "off the books" for their work during the key week. These cash-economy transactions could not affect the Random Audit program estimates of UI underpayments. However, it almost certainly is the case that some undetected instances of unreported earnings in the cash economy resulted in an underestimation of overpayment errors. For the same reasons just discussed above, this limitation probably resulted in a much larger underestimation of fraud than of total overpayment rates.

Documenting Payment Errors. Each review of any case selected in the Random Audit program began from the fundamental premise that the payment for the key week was a proper payment. In order to record a payment error, it was necessary to obtain documented evidence sufficient to establish, beyond a reasonable doubt, that the original payment for the key week was not correct. To obtain the required documentation for UI underpayments typically was fairly routine, because most underpayments in the population of UI payments sampled were the result of easily documented errors in reporting/recording base period wages. In contrast, the large number of complex considerations that surround the claimant's nonmonetary eligibility for benefits (especially those related to the claimant's availability for and ability to work and his/her job-search activities during the key week) often-times could not be documented so easily. Hence, it is quite likely that overpayment errors are somewhat understated in the Random Audit study, simply because compelling documentation of some actual violations of the nonmonetary eligibility criteria could not be obtained.

Updating Case Files. The updating procedure utilized for the study could result in either an understatement or an overstatement of payment errors, although the magnitude of the problem quite likely is fairly small. The specific issue involved is that each sampled case could be updated only one time after the information was first submitted for the case. This update for the cases selected in any given calendar quarter occurred about four to five months after the close of the calendar quarter in which the cases were sampled. After this one opportunity to update a sampled case file, no further changes were made for that case in the data base constructed for the project. It is possible, of course, that changes might have occurred after this update opportunity that would have affected the classification of particular key-week payments as either correct or incorrect. One example of how this update procedure might result in an overstatement of payment errors is provided below, followed by one example of how the procedure might result in an understatement of payment errors.

Perhaps the best example of how the update procedure might create an overstatement of payment errors is related to the possibility of an established overpayment that is appealed and ultimately reversed. If the

reversal were to occur after this update opportunity, however, the data base would not be corrected. In the latter instance, the error rate calculations reported would (incorrectly) include such a case as an established overpayment. It is possible that long periods for appeals also could result in some overstatement of underpayments, but it seems very likely that this issue is more important for overpayments than for underpayments. Information obtained from the Project Supervisors in each of the five pilot test states indicates that, at the time this report was prepared, no changes due to appeals had occurred after the data reported for 1981.2, 1981.3 and 1981.4 had been revised. Thus, the potential problem discussed in this paragraph appears to be a relatively minor one.

The update procedure also might create some understatement of the payment errors that actually occurred. For example, a particular key week might be coded as a correct payment at the time the update opportunity for the case occurred. Thereafter, additional information (perhaps for base period wages or for unreported key-week earnings from a postaudit) might be obtained that would result in either an overpayment or an underpayment for the key week. However, this new information would have no effect on the error rates reported since no further updating of the data base would occur for such a case.

The overall impact of the updating procedure in terms of creating some tendency toward either an overstatement or an understatement of reported error rates can not be precisely determined. However, as explained above, it is very doubtful that the potential problem for overstating payment errors is more than a minor one. In contrast, the potential for understating payment errors--particularly if the possibility of unreported earnings that would be found through a postaudit is considered--certainly appears to be much more likely. Also, it probably is the case that the potential impact is somewhat greater for overpayments than for underpayments.

Preliminary Data and Incomplete Cases for 1982.1. Given the time framework for the preparation of this report, it was not possible to utilize revised data for the first quarter of 1982; the annual estimates reported are based on only preliminary data for 1982.1. In general terms, this means that the considerations just discussed in the prior section probably are more

important for all five states for the 1982.1 data than for the data for the other three calendar quarters. However, there also is a more specific limitation that applies to both New Jersey and Washington, since the investigations had not been completed for a small percentage (2.0% and 1.3%, respectively) of the total cases (for the four-quarter pilot test period) in these states. For all error rate calculations presented in this report, these incomplete cases were treated as proper payments. Therefore, the error rates reported for New Jersey and Washington would tend to understate the "true" population error rates in these two states if any payment errors subsequently were found for these incomplete cases.

Overall Impact of Operational Constraints on Error Rates. On balance, the operational constraints discussed in this section strongly suggest that the study results tend to understate the payment errors that actually occurred. It also is important to note once again that this tendency to understate payment errors undoubtedly is much more important for overpayments than for underpayments. Unfortunately, it is not possible to quantify the magnitude of the understatement of the error rates, if any, that exists in the empirical results included in this report. Nonetheless, that possibility should be considered in interpreting and evaluating the results subsequently presented.

Claims vs. Payments

A quite different type of limitation from those discussed above is due to the fact that the study populations consist only of UI payments/offsets actually made. Clearly, no overpayments were excluded by the design decision to restrict the relevant population to UI payments, because no overpayment is possible without a payment (or offset) first being made for a week of unemployment. In contrast, the exclusion of weeks claimed but not paid probably impacted importantly on the underpayment estimates, since an important source of UI underpayments could be the erroneous denial of benefits claimed (and such underpayments could not have been detected in the Random Audit program since only weeks paid were sampled). The decision to exclude weeks claimed but not paid was made because an entirely different methodology would have been required to include such weeks in the study populations.

Generalization of Results

The empirical findings of the Random Audit program pilot tests can be appropriately generalized only to the specific study populations of statewide UI payments made in the five pilot test states during the year-long pilot test period. The experimental design and the statistical procedures used in the study provide no conceptual basis for generalizing these results to other time periods within a given state or to other UI jurisdictions. In short, there is no statistical basis for generalizing the empirical results of the pilot tests to any populations other than the specific statewide populations of UI payments from which the actual weekly samples were drawn.

Multiple Payment Errors for Individual Payments

The coding system developed for the Random Audit study allows for recording only a single payment error type and cause within each payment error category for each sampled payment week. In some cases, however, multiple payment errors were found for these individual payment weeks. In each such case, the total dollar amount of the payment error recorded is equal to the net dollar amount of all payment errors detected for the case, but payment error type and cause codes recorded are based on the error that accounted for largest portion of the total dollar error found. As a result, it is possible that certain types (or causes) of payment errors could occur frequently and yet not be identified as "important" simply because they often were accompanied by larger payment errors of different types (or causes). The main example of this possibility is that adjustments in the WBA typically resulted in fairly small payment errors for the sampled weeks with such changes. As a result, a case with multiple payment errors that included an incorrect WBA typically had some other payment error type/cause identified in the empirical results presented below, since the WBA error by itself typically did not account for the largest portion of the total net payment error for such a case. A good example of such a case would be one in which a claimant did not actively seek work during the key week and also was overpaid by some fraction of the original key-week payment due to an incorrect WBA; because failure to actively seek work would (in this example) result in an overpayment of the entire original payment, it would be coded

as the error in this example since it would be larger than the monetary overpayment that would have been recorded had the claimant actively sought work (and met all other eligibility criteria) for the key week. Although only a few cases with multiple payment errors were detected during the year-long pilot test, the treatment of multiple payment errors described above is relevant in interpreting the empirical results for payment error types and causes reported below.

Disaggregation of Results

The primary purpose of the Random Audit program was to develop and pilot test an operational system designed to produce reasonably precise estimates of payment errors in the statewide populations of UI payments made quarterly. Hence, the experimental design of the study called for the selection of weekly samples of just sufficient size to permit the development of such estimates. An important implication of this decision, however, was that the number of sampled cases selected each week to accomplish this primary objective would not necessarily be large enough to provide the basis for formulating reasonably precise estimates, on a quarterly basis, of certain types or causes of payment errors. Furthermore, the quarterly data would not necessarily support the estimation of disaggregated payment error rates for specific UI local offices, districts or regions of the state, or for certain types of claims or claimants (e.g., UCFE vs. UCX claims or rural vs. urban claims). An obvious and uncontrollable factor in this regard is the number of payment errors actually detected in any quarterly sample, and the similarity or diversity of the payment errors found in a particular state during a particular quarter. If the number of payment errors detected in a quarterly sample were quite small, disaggregation of the few payment errors found into many different type or cause categories, geographic locations or claim-type groups would not prove to be a useful exercise. Moreover, even if a large number of payment errors were detected, estimation of payment error rates for disaggregated subgroups of the total sample would be meaningful only if some concentrations of payment errors occurred by type, cause, geographic location, claim-type or other factors.

Developing Corrective Actions

The Random Audit pilot tests were not designed to support a statistical diagnosis of detected payment errors for the purpose of developing any detailed corrective action plans that might be required in a particular state. In place of such a statistical diagnosis, some of the pilot test states did conduct a detailed review of the individual sampled case files to obtain some clues as to appropriate corrective actions that could be undertaken. It also is possible that such in-depth reviews of the sampled case files in other instances might not directly suggest corrective action plans, but might suggest the types of information that should be obtained to determine how to structure such plans. The acquisition of such additional data was beyond the scope of the Random Audit pilot tests, although any participating state UI agency could have gathered such information. For these reasons, any diagnostic efforts undertaken by the pilot test states or any resulting corrective actions are not emphasized in this report.

Another diagnostic limitation of the Random Audit pilot tests is related to interpretations that may be placed on quarter-to-quarter variations in the estimated payment error rates. The weekly samples were large enough to permit reasonably precise estimates of population error rates on a quarterly basis, but the sample sizes were not large enough to necessarily facilitate a meaningful comparison of the quarter-to-quarter changes in the estimated values of such population error rates. Hence, within the pilot test period, there was virtually no emphasis on the interpretation of quarter-to-quarter changes in the estimated population error rates.

Interstate Comparisons

Another important limitation of the study is related to the fact that most direct comparisons of the estimated values for a given payment error measure across different states would very likely be extremely misleading. A major reason is that employment security laws/policies, procedures and administrative structures differ importantly from one state to another, and these differences are profoundly important in interpreting the empirical results of the Random Audit program pilot tests.²⁸ Identical behavior by identical claimants could lead to the establishment of an overpayment in one

state, and yet be quite acceptable within the provisions of law and policy in another state. As another example, an overpayment that was prosecuted as fraud in one state might well be considered a nonfraud overpayment (or perhaps even a nonrecoverable overpayment) in some other state. Some state policies prohibit retroactive UI agency actions on availability issues, and the interpretation of the active-search-for-work requirement is far from uniform across the states. Some states have information on wages paid in covered employment routinely reported to the UI agency each quarter, while other states must obtain this information by special request from employers at the time a claim for benefits is filed, and these differences can importantly impact on the frequency and magnitude of the errors made in a claimant's initial monetary determination. However, all of the above points are only examples of large differences in the laws, policies and procedures associated with the UI programs in different states. The fundamental point is that individual state UI programs differ in many significant ways, and that these differences affect the number and types of payment errors detected in the Random Audit program. An obvious implication of this fundamental point is that high payment error rates do not necessarily imply inefficient or low-quality administration of a UI program. High payment error rates might occur, for example, because a given state has employment security laws that are extremely difficult to administer within the constraint of available resources. In such a state, the responsibility for high payment error rates might actually be that of the legislators who formulated the state's employment security laws, and not that of the individuals responsible for administering such laws. Hence it is possible that a UI agency in a state with a high payment error rate might be making greater efforts to efficiently administer its UI program than a UI agency in a state with a low payment error rate.

Impact on Benefit Payments of "Tighter" Administration

A possible result of an operational system that routinely provides accurate payment error estimates is that some states will determine that corrective action plans are required to reduce unacceptably high payment error rates. Presumably, one focus of such plans would be to "tighten"

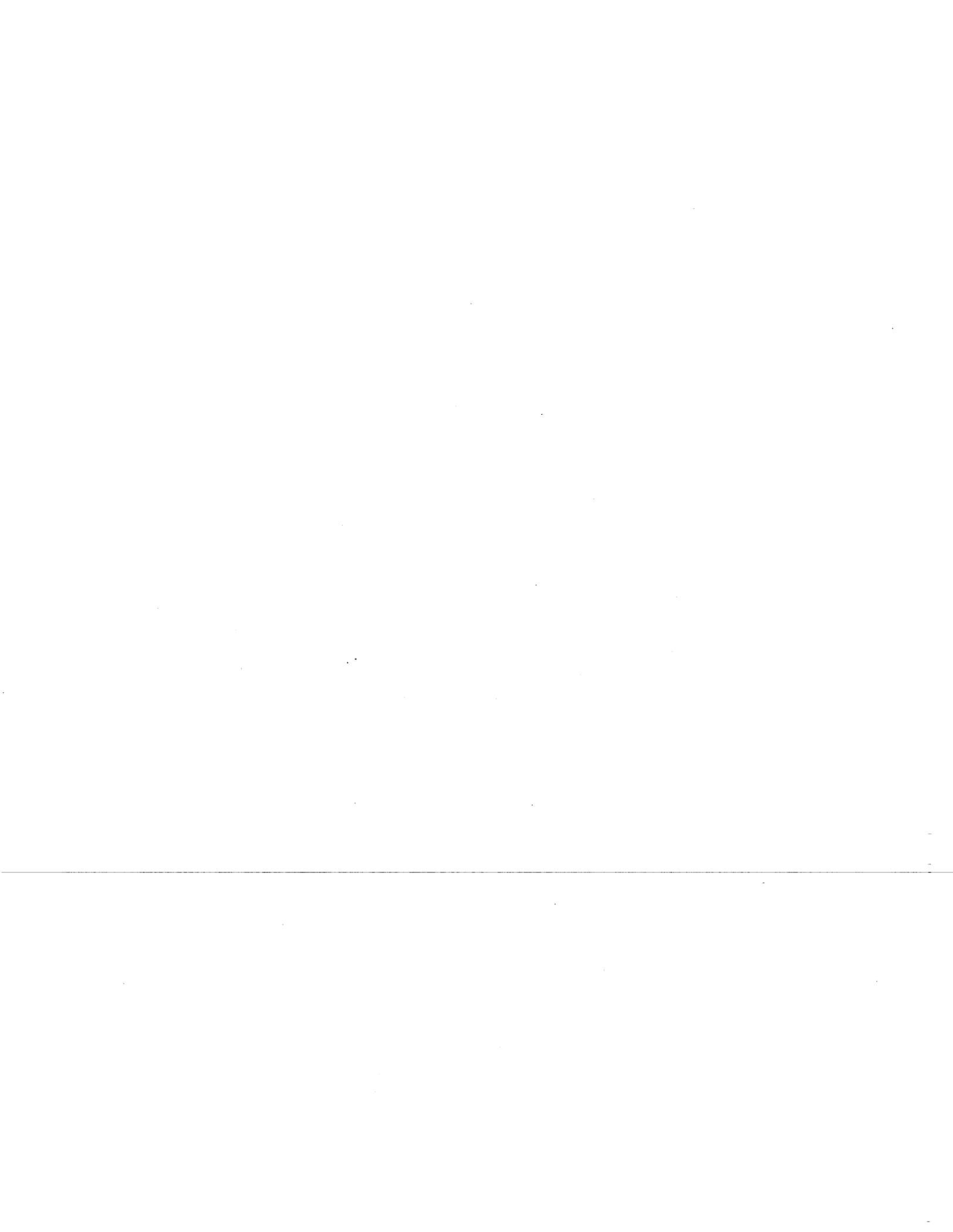
the administration of existing eligibility rules so as to reduce overpayments. A potentially important question that arises in this context, especially given the trust fund insolvency that currently exists in a number of states, is what the impact on benefit payments would be from such "tightening" of the payments system.²⁹ In addressing this question, a useful distinction can be made between the impact that tighter administration of existing rules would have in reducing benefit payments because of reduced overpayments, and the more direct impact of reducing benefit payments by reducing claims filing. The latter effect is addressed first, followed by a discussion of the relationship between reduced overpayments and reduced benefit payments.

Tighter administration of any given set of eligibility rules presumably would directly reduce benefit payments to some extent, other things equal. This would be the case because: (1) fewer ineligible claimants would file for benefits; (2) fewer eligible claimants would file for unemployment insurance because the higher costs of meeting the tighter eligibility criteria would exceed the benefits; and (3) some claimants presumably would be encouraged to return to work more quickly by tighter administration. However, to the extent that there were few ineligible filers or that eligible claimants merely modified their behavior to meet the test of tighter administration without reducing the weeks they claimed, the net (direct) impact on benefit payments would be very slight.

The second effect of tighter administration of any given set of eligibility rules presumably would be to reduce the overpayments that result from the payments system, since improved administration would reduce the extent to which ineligible filers who still file would be paid, other things equal. This reduction in overpayments probably also would tend to reduce total benefit payments to some extent beyond the reduction already discussed above. However, certain features of the UI system make it impossible to conclude that this reduction in overpayments would have a dollar-for-dollar impact in reducing total benefit payments; this is illustrated by the following example for a state with estimated UI overpayments of \$15 million per year. In this example it might be argued (erroneously) that the introduction of corrective action plans that had the effect of reducing overpayments from \$15 million to \$5 million each year, other things equal, also would have the

effect of reducing payments by \$10 million each year. The direct link assumed in this example between reducing overpayments and reducing total benefit payments fails to reflect the fact that, after a claimant initially is held monetarily eligible for UI support, entitlement to benefits is determined on a weekly (or perhaps biweekly) basis. Hence, if a monetarily eligible claimant were overpaid for a given week (e.g., due to the failure to actively seek work), such an overpayment normally would not disqualify the claimant from benefits in a subsequent week of unemployment in that same benefit year.³⁰ As a result, the effect of establishing an overpayment for a single week may simply be to delay the payment of benefits until some later week in the same benefit year. In the event that such a claimant exhausted his/her MBA entitlement, the establishment of an overpayment against a given week in a benefit year clearly would not affect the total amount of benefits ultimately paid during his/her UI benefit year (unless the amounts of established overpayments were deducted from the claimant's MBA entitlement). In any case, it certainly is not possible to conclude that reducing overpayments has a dollar-for-dollar impact in reducing total benefit payments.

The above discussion should make it clear that the relationships among tighter administration of any given set of eligibility rules, reduced overpayments and reduced benefit payments are extremely complex. Nevertheless, tighter administration and reduced payment errors generally would be desirable goals to ensure that, to the extent "feasible," UI benefits are paid only to eligible claimants. "Feasibility" in this context, however, should be evaluated in terms of the specific costs and benefits associated with specific corrective action plans. Obviously, it would not be desirable to tighten administration if the costs of such changes exceeded the benefits of those changes.



EMPIRICAL RESULTS

The empirical results for the five pilot test states are presented in this section of the report. After discussing the results of tests conducted to determine the representativeness of the samples analyzed in each state, the estimates of UI payment error rates in the statewide populations of UI payments made during the year-long pilot test period are presented.

Sample vs. Population Characteristics

Selected characteristics of the sample and population for each of the pilot test states are presented in Table 1. Tests conducted on the basis of these characteristics to determine the representativeness of the samples selected indicated that the sex, age, minority status and amount paid/offset distributions for each sample and its corresponding population are very similar. The largest (absolute) difference between a sample proportion and its corresponding population proportion was recorded for the sex distribution in New Jersey, where males were somewhat underrepresented and females correspondingly overrepresented in the sample. Presumably, the most critical set of comparisons for a study of payment errors would be for the amounts paid/offset and the sample vs. population proportions for these distributions are very nearly the same within each of the pilot test states. Because no statistically significant differences were found between the sample and population proportions for any of these known characteristics of the population, it can be assumed that the samples analyzed also are representative of their corresponding populations for the unknown characteristics of interest (i.e., payment error rates) for this study.³¹

Overview of Payment Error Estimates

Estimates of UI payment error rates are presented below. As emphasized previously, meaningful interpretations of the differences in these results among the five states would require detailed information about a multitude of complex factors that influence the payment of UI benefits in each state. In most cases, the development of such interpretations is beyond the scope of the present study. As a result, very little attention is given to actually

TABLE 1
PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND POPULATION CHARACTERISTICS
FOR FIVE PILOT TEST STATES: 1981.2 - 1982.1

Characteristic ^a	Illinois ^b		Kansas		Louisiana		New Jersey ^c		Washington ^b	
	Sample	Population	Sample	Population	Sample	Population	Sample	Population	Sample	Population
Sex:										
Male	64.9%	68.1%	61.8%	63.8%	66.1%	66.3%	50.1%	55.6%	68.6%	68.4%
Female	35.1%	31.9%	38.2%	36.2%	32.5%	33.3%	49.9%	44.4%	31.4%	31.5%
Missing	0.0%	0.0%	0.0%	0.0%	1.4%	0.5%	0.0%	0.0%	0.0%	0.0%
Age:										
Less than 25 yrs	18.2%	20.2%	26.9%	25.1%	20.6%	20.0%	22.7%	23.0%	17.3%	19.2%
25-44 years	57.2%	54.3%	50.7%	54.0%	55.3%	53.7%	51.1%	48.0%	57.0%	58.4%
45-64 years	23.6%	23.7%	21.3%	20.2%	21.0%	22.9%	23.8%	26.1%	25.2%	20.8%
65 years & up	1.0%	1.8%	1.1%	0.8%	3.1%	3.1%	2.4%	2.8%	0.4%	1.7%
Missing	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Minority Status:										
White	71.0%	69.9%	83.3%	81.8%	58.7%	57.3%	72.3%	67.5%	84.4%	83.1%
Spanish, Black/ Other Nonwhite	29.0%	30.1%	12.4%	14.3%	41.0%	42.0%	27.7%	32.5%	7.0%	9.6%
Missing	0.0%	0.0%	4.3%	3.9%	0.3%	0.6%	0.0%	0.0%	8.5%	7.2%
Amount Paid/Offset:										
Less than \$50	3.7%	3.8%	5.4%	5.8%	7.1%	7.1%	5.8%	6.4%	8.6%	7.8%
\$ 50 - \$ 99	21.1%	21.9%	24.4%	25.4%	29.1%	29.2%	28.3%	27.2%	25.5%	26.8%
\$100 - \$124	11.7%	12.7%	15.5%	15.9%	13.2%	12.9%	25.2%	24.7%	12.8%	13.3%
\$125 - \$149	27.4%	26.4%	54.7%	52.8%	11.7%	11.7%	40.7%	41.7%	13.0%	11.4%
\$150 & up	36.0%	35.2%	0.0%	0.0%	38.8%	39.1%	0.0%	0.0%	40.0%	40.6%
Missing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

See Appendix I for the footnotes for this table.

"explaining" the interstate differences found for a given payment error measure. It also should be emphasized that the findings can be appropriately interpreted only in light of the limitations of the study discussed earlier in the report.

Because the three payment error measures used in the Random Audit program were discussed in some detail earlier in the report, only a brief summary of each measure is provided below:

Group A (Fraud) Overpayments: This measure includes only detected fraud overpayments that were "sanctioned" by the "formal" UI system through official actions taken for the key week. That is, Group A (Fraud) overpayments represent dollars of UI benefits paid that, in the judgment of both the Random Audit team and the "formal" UI system, were fraudulently overpaid.

Group B (Formal Actions) Overpayments (Underpayments): This measure includes only those fraud and nonfraud overpayments (nonfraud underpayments) that were "sanctioned" by the "formal" UI system through official actions taken for the key week. That is, Group B (Formal Actions) overpayments (underpayments) represent dollars of UI benefits that, in the judgment of both the Random Audit team and the "formal" UI system, were overpaid (underpaid).

Group C (Formal/Prohibited Actions) Overpayments (Underpayments): This measure includes all key weeks with original payments that were determined by the Random Audit team to be too large (too small), even if official actions were not or could not be taken by the "formal" UI system to "sanction" the views of the Random Audit team.

The text discussion below emphasizes the Group B (Formal Actions) measure of payment errors, although a complete set of empirical results for each state is provided in Appendix H. As will be evident in the subsequent discussion, the basis for this emphasis is that Group A (Fraud) overpayments account for only a small proportion of all payment errors detected and that only small differences were found between the Group B (Formal Actions) and the Group C (Formal/Prohibited Actions) measures.

The various aspects of the Group B (Formal Actions) payment error measures discussed below include the following:

Case Error Rate: The estimated percent of weeks paid statewide with either a Group B overpayment or underpayment of any amount.

Week Overpayment (Underpayment) Rate: The estimated percent of weeks paid statewide with a Group B overpayment (underpayment) of any amount.

Dollar Overpayment (Underpayment) Rate: The estimated percent of dollars paid statewide that was overpaid (underpaid) according to the Group B definition.

Dollar Overpayment + Formal Warning Rate: The estimated percent of dollars paid statewide that was either overpaid according to the Group B definition or that was paid for a week for which a "formal warning" was issued.

Dollar Overpayment Rate by Type (Cause): The estimated percent of dollars paid statewide that was overpaid according to the Group B definition and that was due to a specific type (cause).

One additional feature of the empirical results presented below requires some explanation. Corresponding to each "point estimate" of a population UI payment error rate is an "error factor" that appears in parentheses. The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) each error factor to (from) its corresponding point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of an 80% confidence interval normally is that the likelihood is 80 percent that the interval includes the "true" population value; for example, if the point estimate of a given population payment error measure were 10 percent with an error factor of 3 percent, the likelihood normally would be 80 percent that the interval from 7 percent to 13 percent includes the true population value. However, because the results of the tests reported in the prior section indicated that the sample selected in each state was representative of its respective population, it almost certainly would be the case that the 80% confidence intervals reported below actually would contain the population error rate values, if it were not for the other study limitations discussed in the prior section. Although only the point estimates are discussed in the text, the error factors and corresponding confidence intervals should be considered throughout the following discussion of empirical results.

Group B (Formal Actions) Case Error Rates and Week Overpayment (Underpayment) Rates

The Group B (Formal Actions) case error rates, together with week overpayment and week underpayment rates, are presented in Table 2. The case error rates range from a low of 12.2 percent in Louisiana to a high of 52.1 percent in New Jersey. The case error rate for Washington also was quite high (31.7%), whereas the case error rates estimated for Illinois (19.1%) and Kansas (15.0%) were more similar to the rate estimated for Louisiana. These findings indicate that, for the year-long period in these five pilot test states, the minimum rate at which some payment error occurred was one in every eight cases, and the maximum rate actually exceeded one in every two cases.

The results reported in Table 2 also indicate that overpayment errors tended to be much more common than underpayment errors in each of the pilot test states. In each of the pilot test states, over three-fifths of the weeks with Group B (Formal Actions) payment errors were weeks with overpayments, and overpayments accounted for over four-fifths of all weeks with Group B errors in three of the states. These findings, of course, were not totally unexpected because, as noted earlier in the report, all underpayments that resulted from an erroneous denial of benefits claimed were excluded from the population of payments for the Random Audit program. Also, overpaid weeks tended to exceed underpaid weeks simply because of the nature of the nonmonetary criteria that govern the eligibility for UI benefits in most states: issues related to the nature of the claimant's separation from previous employers, availability for work, ability to work and active job search are much more likely to result in overpayments than underpayments. Nonetheless, in two states--Washington and New Jersey--weeks with underpayments still accounted for more than one-fourth of all weeks with Group B (Formal Actions) payment errors.

Dollar Rates vs. Week Rates of Group B (Formal Actions) Payment Errors

The dollar rates of Group B (Formal Actions) overpayments and underpayments are presented in Table 3. These findings indicate that the percent

TABLE 2
ESTIMATED PERCENTAGE OF WEEKS WITH GROUP B (FORMAL ACTIONS) OVERPAYMENTS
OR UNDERPAYMENTS FOR FIVE PILOT TEST STATES: 1981.2 - 1982.1^a

State	Case Error Rate: % of Weeks With Group B (Formal Actions) Overpayment or Underpayment	Overpayments: % of Weeks With Group B (Formal Actions) Overpayment	Underpayments: % of Weeks With Group B (Formal Actions) Underpayment
Illinois ^b	19.1% (3.6%)	16.0% (3.2%)	3.1% (2.5%)
Kansas ^b	15.0% (2.6%)	14.1% (2.5%)	0.9% (0.8%)
Louisiana	12.2% (2.1%)	10.5% (2.0%)	1.7% (0.9%)
New Jersey ^c	52.1% (3.4%)	38.2% (3.3%)	13.9% (2.4%)
Washington ^c	31.7% (3.2%)	20.0% (2.7%)	11.7% (2.2%)

An error factor is shown in parentheses below each point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of such an interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix.

See Appendix I for the footnotes for this table.

TABLE 3
ESTIMATED RATES OF GROUP B (FORMAL ACTIONS) OVERPAYMENTS
AND UNDERPAYMENTS FOR DOLLARS AND WEEKS FOR FIVE PILOT TEST STATES:
1981.2 - 1982.1^a

State	Group B (Formal Actions) Overpayments		Group B (Formal Actions) Underpayments	
	% of Dollars	% of Weeks	% of Dollars	% of Weeks
Illinois ^b	11.9% (2.1%)	16.0% (3.2%)	0.8% (0.7%)	3.1% (2.5%)
Kansas ^b	12.9% (2.5%)	14.1% (2.5%)	0.1% (0.1%)	0.9% (0.8%)
Louisiana	7.3% (1.7%)	10.5% (2.0%)	0.1% (0.1%)	1.7% (0.9%)
New Jersey ^c	24.3% (3.0%)	38.2% (3.3%)	1.0% (0.2%)	13.9% (2.4%)
Washington ^c	9.3% (1.8%)	20.0% (2.7%)	1.0% (0.3%)	11.7% (2.2%)

An error factor is shown in parentheses below each point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of such an interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix.

See Appendix I for the footnotes for this table.

of dollars paid statewide that were overpaid ranged from a high of 24.3 percent in New Jersey to a low of 7.3 percent in Louisiana. The estimates for the remaining states are: 12.9 percent for Kansas, 11.9 percent for Illinois and 9.3 percent for Washington. Given the dollars paid statewide from 1981.2 through 1982.1 for each state, these estimates of the dollar rates correspond to the following estimated dollars of Group B (Formal Actions) overpayments in these states:

<u>State</u>	<u>Total Dollars of UI Benefits Paid</u>	<u>Estimated Dollars of Overpayments</u>
Illinois	\$1,329.3 million	\$158.5 million
Kansas	\$ 108.3 million	\$ 14.0 million
Louisiana	\$ 229.3 million	\$ 16.7 million
New Jersey	\$ 674.0 million	\$163.8 million
Washington	\$ 413.0 million	\$ 38.6 million
Total	\$2,753.9 million	\$391.6 million

Obviously, the ranking of these states by the estimated dollars of Group B (Formal Actions) overpayments does not correspond to the ranking of these states by the dollar rate of Group B (Formal Actions) overpayments, because of the very large interstate differences shown above in the dollars of UI benefits paid. Whether considered by dollar rates or dollar amounts, the findings are suggestive of an overpayment problem of considerable importance in at least several of these states.³²

The unimportance of underpayments relative to overpayments is clearly evident in the data presented in Table 3 as well. These estimates indicate that the dollar rate of Group B (Formal Actions) underpayments never exceeded 1 percent in any state and, in fact, was estimated to be only one-tenth of 1 percent in two of the pilot test states. These findings show that, at least among the five pilot test states, underpayments amounted to only a small percent of the total UI dollars paid statewide.

The information presented in Table 3 also indicates that payment errors smaller than the key-week payment were common in these states. This conclusion is based on the comparison--made separately for overpayments and underpayments--of the "percent of weeks" and the "percent of dollars" columns presented in Table 3. In Washington, for example, 20 percent of the weeks paid had a Group B (Formal Actions) overpayment of some amount, but only 9.3 percent of the dollars paid to the statewide population

involved a Group B (Formal Actions) overpayment. Similarly, in New Jersey 38.2 percent of the weeks paid had an overpayment of some amount, but such overpayments accounted for only 24.3 percent of the dollars paid to the statewide population. Relatively less evidence of only partial key-week overpayments is shown by similar comparisons for the remaining three states, but nonetheless there is an indication in each state of some partial key-week overpayments.

The evidence presented in Table 3 also strongly suggests that many of the Group B (Formal Actions) underpayments detected in each pilot test state were for amounts much smaller than the original key-week payment. For example, in Washington underpayments were detected for 11.7 percent of the weeks paid, but these underpayments amounted to only 1.0 percent of the total dollars paid statewide. Similarly, in New Jersey underpayments accounted for 13.9 percent of the weeks paid but for only 1.0 percent of the total dollars paid statewide. As noted above, however, only "partial" underpayments could have been detected in the Random Audit program because the study population consisted only of weeks claimed for which at least some original payment had been made.

A major reason for the frequency with which payment errors of small dollar amounts occurred is evident from the information obtained about the frequency and mean dollar amount of errors in the WBA, MBA or base period wages that were detected in the process of verifying monetary determinations (see Table 4). The information in Table 4 provides the basis for the following summary of the estimated frequency of such errors in these states:

<u>Estimated Percent of Weeks Paid With Errors In:</u>			
<u>State</u>	<u>WBA</u>	<u>MBA</u>	<u>Base Period Wages</u>
Illinois ³³	9.4%	10.2%	29.0%
Kansas	1.9%	2.6%	4.6%
Louisiana	5.2%	6.8%	19.4%
New Jersey	36.1%	45.4%	71.9%
Washington	21.6%	29.5%	31.8%

The estimated percent of weeks with WBA errors ranged from lows of 1.9 percent in Kansas and 5.2 percent in Louisiana to highs of 21.6 percent in Washington and 36.1 percent in New Jersey. As shown in Table 4, these

TABLE 4
ESTIMATED FREQUENCY AND MEAN DOLLAR AMOUNT OF CHANGES IN THE
WBA, MBA OR BASE PERIOD WAGES FOR FIVE PILOT TEST STATES:
1981.2 - 1982.1^a

State	WBA Changes				MBA Changes				Base Period Wage Changes			
	Increases		Decreases		Increases		Decreases		Increases		Decreases	
	% of Weeks	Mean \$Amt	% of Weeks	Mean \$Amt	% of Weeks	Mean \$Amt	% of Weeks	Mean \$Amt	% of Weeks	Mean \$Amt	% of Weeks	Mean \$Amt
Illinois ^b	3.6% (1.3%)	\$9.14 (2.52)	5.8% (1.6%)	\$10.20 (4.10)	4.1% (1.4%)	\$433 (271)	6.1% (1.7%)	\$323 (100)	13.3% (2.4%)	\$1268 (312)	15.7% (2.5%)	\$977 (255)
Kansas	0.7% (0.7%)	\$2.26 (c)	1.2% (0.8%)	\$35.63 (c)	1.2% (0.7%)	\$192 (c)	1.4% (0.8%)	\$450 (c)	3.2% (1.3%)	\$596 (426)	1.4% (0.9%)	\$493 (c)
Louisiana	2.0% (0.9%)	\$7.91 (1.56)	3.2% (1.1%)	\$11.99 (2.84)	4.1% (1.3%)	\$272 (65)	2.7% (1.1%)	\$356 (122)	10.9% (2.1%)	\$1630 (331)	8.5% (1.8%)	\$710 (249)
New Jersey ^d	19.0% (2.6%)	\$7.28 (1.20)	17.1% (2.5%)	\$ 7.56 (1.84)	18.5% (2.5%)	\$271 (91)	26.9% (3.0%)	\$205 (46)	26.5% (2.9%)	\$1045 (281)	45.4% (3.3%)	\$784 (163)
Washington ^d	12.4% (2.2%)	\$7.29 (1.50)	9.2% (1.9%)	\$13.18 (4.96)	18.1% (2.6%)	\$252 (55)	11.4% (2.1)	\$384 (128)	20.2% (2.7%)	\$765 (160)	11.6% (2.1%)	\$985 (273)

An error factor is shown in parentheses below each point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of such an interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix.

See Appendix I for the footnotes for this table.

WBA errors typically were quite small, with an average error of less than \$14 in all but one case. Moreover, WBA errors tended to be fairly evenly divided between cases that required increases vs. decreases in the WBA amount.

Errors in the MBA were more frequent than errors in the WBA in all five states. These MBA errors ranged from lows of 2.6 percent of the weeks paid in Kansas and 6.8 percent of the weeks paid in Louisiana to highs of 29.5 percent in Washington and 45.4 percent in New Jersey. As would be expected, the average dollar amount of these MBA errors was much larger than the average dollar amount of the WBA errors found. The average changes required to correct these MBA errors ranged from a low of \$192 for MBA increases in Kansas to a high of \$450 for MBA decreases in Kansas. Generally, MBA changes in a state were fairly evenly divided between cases that required increases vs. decreases in the MBA. However, MBA decreases were somewhat more frequent than increases in New Jersey, whereas MBA increases were somewhat more common than decreases in Washington.

Erroneous base period wages were more common than either WBA or MBA errors in all states, especially in Illinois, Louisiana and New Jersey.³⁴ The estimated percents of weeks with erroneous base period wages ranged from 4.6 percent in Kansas to a high of 71.9 percent in New Jersey. As would be expected, the average dollar amounts of the errors found in base period wages were much larger than the average MBA errors found. The average dollar change required to correct these base period wage errors ranged from a low of \$493 for base period wage decreases in Kansas to a high of \$1,630 for base period wage increases in Louisiana. Base period wage changes also tended to be fairly evenly divided between increases vs. decreases in Illinois and Louisiana. However, decreases in base period wages were much more common than increases in New Jersey, whereas the opposite was the case in Kansas and Washington.

Although WBA, MBA and base period wage errors were frequently detected in several of the pilot test states, it is likely that quite different factors accounted for the bulk of these errors in each of these states. In Washington, for example, many of these errors were due to an inconsistency in written law/policy that requires employers to report wages when paid but

also specifies that a claimant's entitlement to benefits is based on wages when earned. In New Jersey, which is a request-report rather than a wage-report state, the problem evidently is explained almost entirely by the fact that employers often provide inaccurate wages to the UI agency for individual claimants. In both Louisiana and Illinois a wage-report system is used to obtain this information, and WBA or MBA errors were found much less frequently than in either New Jersey or Washington. However, base period wage errors were detected frequently in both Louisiana and Illinois, even though a wage-report system is used in each state.

**Dollar Rates of Group B (Formal Actions) Overpayments:
Comparisons With Other Measures**

The results presented in the prior section indicate that overpayment errors were much more important than underpayment errors in the pilot test states, and that attention should be focused on the percent of dollars (not weeks) overpaid because at least some (and in a few states many) overpayments involved relatively small dollar amounts. Hence, the dollar rates of Group B (Formal Actions) overpayments are emphasized in this and the remaining sections of this report.

A comparison of the dollar rates of Group B (Formal Actions) overpayments with three other measures is reported in Table 5. Because of the historical interest in and concern about fraud in the UI program, the first comparison focuses on the dollar rates of Group A (Fraud) vs. Group B (Formal Actions) overpayments. The results indicate that the dollar rate of fraud overpayments was fairly small, relative to the dollar rate of Group B (Formal Actions) overpayments in Kansas (0.2% vs. 12.9%), New Jersey (1.9% vs. 24.3%) and Illinois (1.2% vs. 11.9%). In contrast, the dollar rates of fraud overpayments tended to be somewhat more important, relative to Group B (Formal Actions) overpayments, in Washington (2.1% vs. 9.3%) and Louisiana (2.7% vs. 7.3%). As has been previously emphasized in this report, however, direct comparisons across the pilot test states are very difficult to meaningfully interpret. In this particular case, for example, important differences in law and policy exist among these five states as to what conditions constitute the basis for establishing a fraud overpayment; identical circumstances and/or claimant behavior could lead to the establishment of a fraud

TABLE 5
ESTIMATED DOLLAR RATES OF GROUP B (FORMAL ACTIONS) OVERPAYMENTS, GROUP A (FRAUD) OVERPAYMENTS, GROUP B (FORMAL ACTIONS) OVERPAYMENTS PLUS FORMAL WARNINGS, AND GROUP C (FORMAL/PROHIBITED ACTIONS) OVERPAYMENTS FOR FIVE PILOT TEST STATES: 1981.2 - 1982.1

State	Group B (Formal Actions) Overpayments as a % of Dollars Paid ^a	Group A (Fraud) Overpayments as a % of Dollars Paid ^b	Group B (Formal Actions) Overpayments Plus Formal Warnings as a % of \$ Paid ^c	Group C (Formal/Prohibited Actions) Overpayments as a % of Dollars Paid ^d
Illinois ^e	11.9% (2.1%)	1.2% (0.8%)	11.9% (2.1%)	12.4% (2.1%)
Kansas ^e	12.9% (2.5%)	0.2% (0.3%)	24.0% (3.5%)	13.3% (2.5%)
Louisiana	7.3% (1.7%)	2.7% (1.1%)	7.3% (1.7%)	8.9% (1.8%)
New Jersey ^f	24.3% (3.0%)	1.9% (0.8%)	27.9% (3.3%)	24.6% (3.0%)
Washington ^f	9.3% (1.8%)	2.1% (1.0%)	15.4% (2.5%)	12.0% (2.0%)

An error factor is shown in parentheses below each point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of such an interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix.

See Appendix I for the footnotes for this table.

overpayment in one state and the establishment of a nonfraud overpayment (or perhaps no UI agency action at all) in some other state.

The second set of comparisons that can be made with the information presented in Table 5 is for the differences between the dollar rates of Group B (Formal Actions) overpayments and these same dollar rates plus the dollar rates of formal warnings issued during the pilot test period. The rationale for this comparison is that some of the pilot test states have written provisions of law/policy that prohibit overpayments from being established under certain circumstances. For example, in some of the pilot test states, an overpayment for inadequate job search typically can not be established unless fraud is involved or unless the claimant previously had been formally instructed (usually in writing) as to what specific job search activities had to be conducted to maintain eligibility for UI benefits. As a result, detection of inadequate work-search efforts for the key week frequently resulted in the issuance of a formal warning, rather than the establishment of an overpayment, for the key week. Such cases were treated as correct payments in the Random Audit study because no overpayment was detected for the key week, given the written provisions of the state's law/policy. Addition of the dollar rate of these formal warnings for potentially disqualifying circumstances (e.g., the percent of dollars paid statewide that involved formal warnings) to the dollar rate of Group B (Formal Actions) overpayments for each state provides an indication of the extent to which the "formal warnings" provisions in some states likely affected the estimates of Group B (Formal Actions) overpayment rates in those states.³⁵

The findings presented in Table 5 indicate that there are no differences between these two measures in Illinois and Louisiana, and that only a relatively small difference between the two measures is recorded for New Jersey (27.9% vs. 24.3%). In the remaining two states, however, the rate that includes formal warnings is nearly double the rate that includes only Group B (Formal Actions) overpayments (24.0% vs. 12.9% in Kansas and 15.4% vs. 9.3% in Washington). By this broader measure that includes these formal warnings, the rates reported in Table 5 range from a high of 27.9 percent in New Jersey to a low of 7.3 percent in Louisiana.

The final comparison of interest in Table 5 is based on the estimates of Group C (Formal/Prohibited Actions) overpayments vs. Group B (Formal Actions) overpayments. The effect of accounting for prohibited actions overpayments increases the dollar rates of Group B (Formal Actions) overpayments by one-half percent or less in Illinois, Kansas and New Jersey. However, the dollar rates of Group C (Formal/Prohibited Actions) overpayments are somewhat larger than the dollar rates for Group B (Formal Actions) overpayments in both Louisiana (8.9% vs. 7.3%) and Washington (12.0% vs. 9.3%). These results indicate that, with the exception of Washington and to a lesser extent Louisiana, the overpayments detected by the Random Audit teams almost always resulted in official UI agency actions that were not subsequently reversed.³⁶

Group B (Formal Actions) Overpayment Types and Causes

The results discussed in the prior section indicate that most overpayments detected by the Random Audit teams were "sanctioned" through official UI agency actions, even though formal warnings were frequently issued in two of the pilot test states. As also previously noted, key-week payments for which formal warnings were issued were, in a technical and legal sense, correct payments in those states and were so considered in calculating the dollar rates of Group B (Formal Actions) overpayments. Accordingly, overpayment "types" and "causes" are reported in Table 6 only for Group B (Formal Actions) overpayments. The estimated dollar rate for a specific type of Group B (Formal Actions) overpayments is reported in Table 6 only if the rate amounted to 1 percent or more of statewide UI payments. For completeness, the rates for Group A (Fraud) overpayments are included (if 1 percent or more), even though these dollar rates were discussed in the prior section.

The findings reported in Table 6 indicate claimants shared at least some responsibility for most dollars of Group B (Formal Actions) overpayments detected. Moreover, claimants were judged by the Random Audit teams to be solely responsible for over three-fifths of all Group B (Formal Actions) overpaid dollars in each state, and this proportion was nearly nine-tenths in two of the states. Consistent with these results, the Random Audit

TABLE 6
ESTIMATED DOLLAR RATES OF GROUP B (FORMAL ACTIONS) OVERPAYMENTS BY TYPE
FOR FIVE PILOT TEST STATES: 1981.2 - 1982.1^a

State	Claimant Fraud		Claimant Nonfraud		Employer Nonfraud		UI Agency Nonfraud	
	Sole Respon.	Some Respon. ^b	Sole Respon.	Some Respon. ^b	Sole Respon.	Some Respon. ^b	Sole Respon.	Some Respon. ^b
Illinois ^c	1.2% (0.8%)	1.2% (0.8%)	6.5% (1.6%)	8.6% (1.8%)	---	1.4% (0.8%)	1.2% (0.7%)	3.3% (1.1%)
Kansas ^c	---	---	11.6% (2.3%)	11.7% (2.3%)	---	---	---	---
Louisiana	2.7% (1.1%)	2.7% (1.1%)	3.8% (1.2%)	4.5% (1.3%)	---	---	---	---
New Jersey ^d	1.9% (0.8%)	1.9% (0.8%)	17.3% (2.6%)	20.0% (2.7%)	---	---	---	3.7% (1.1%)
Washington ^d	2.1% (1.0%)	2.1% (1.0%)	4.3% (1.2%)	5.4% (1.4%)	---	---	1.8% (0.8%)	2.9% (1.1%)

The estimated dollar rate for a specific type of Group B (Formal Actions) overpayments is reported only if the rate is 1.0% or more. An error factor is shown in parentheses below each such point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of such an interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix.

See Appendix I for the footnotes for this table.

teams in these five states determined that employers and the state UI agencies generally had some responsibility for only a small portion of the dollars of Group B (Formal Actions) overpayments detected.

An estimated dollar rate for a specific cause of Group B (Formal Actions) overpayments is reported in Table 7 only if the rate amounted to 1 percent or more of statewide UI payments. Unreported earnings for the key week and errors in reporting/recording base period earnings represented a fairly small part of the total dollars overpaid in the pilot test states. In Kansas, Louisiana and Washington, such payment error causes did not amount to even 1 percent of statewide UI payments, and the estimated overpayment errors due to any one of these causes never exceeded 1.6 percent for Illinois and New Jersey. Nevertheless, it should be strongly emphasized that the estimated rates for unreported key-week earnings almost certainly understate the actual importance of unreported earnings as a source of UI overpayments. This is the case because, as discussed in the limitations section of this report: (1) earnings in the cash economy are extremely difficult to detect; and (2) a postaudit was not conducted in the pilot test states because of the long time delays that would have been involved (but this procedure constitutes the most likely way of detecting unreported earnings for UI purposes).

The major overpayment cause category found for the five pilot test states was that for eligibility issues (see Table 7). The Group B (Formal Actions) dollar rates of overpayments for eligibility issues ranged from 5.7 percent in Louisiana to 19.4 percent in New Jersey. Moreover, these eligibility issues accounted for a large percent of all dollars of Group B (Formal Actions) overpayments established in each of the pilot test states, ranging from about 54 percent in Illinois and 63 percent in Washington to about 80 percent in the remaining three pilot test states.

The results reported in Table 7 also indicate that failure to conduct an active job search was by far the most important eligibility issue detected in each of the pilot test states. Work-search overpayments accounted for about three-fifths of all dollars of Group B overpayments that were due to eligibility issues in Louisiana, and the comparable proportions in the remaining four states ranged from about four-fifths in Washington to about nine-tenths in Illinois, Kansas and New Jersey.

TABLE 7
ESTIMATED DOLLAR RATES OF GROUP B (FORMAL ACTIONS) OVERPAYMENTS BY CAUSE
FOR FIVE PILOT TEST STATES: 1981.2 - 1982.1^a

State	Unreported Earnings for Key Week ^b		Errors in Reporting/Recording Base Period Earnings ^c	Separation Issues		Eligibility Issues		
	Total	Concealed Employment Only		Total	Discharges for Misconduct Only	Total	Availability for Work Only	Active Job Search Only
Illinois ^d	1.2% (0.8%)	1.2% (0.8%)	---	2.3% (1.1%)	1.3% (0.8%)	6.4% (1.6%)	---	5.7% (1.6%)
Kansas ^d	---	---	---	---	---	10.8% (2.2%)	---	10.3% (2.2%)
Louisiana	---	---	---	---	---	5.7% ^e (1.5%)	2.2% (1.0%)	3.6% (1.1%)
New Jersey ^f	1.6% (0.8%)	1.6% (0.8%)	1.2% (0.4%)	---	---	19.4% (2.7%)	1.3% (0.7%)	17.3% (2.6%)
Washington ^f	---	---	---	1.1% (0.7%)	---	5.9% (1.5%)	---	4.6% (1.3%)

The estimated dollar rate for a specific cause of Group B (Formal Actions) overpayments is reported only if the rate is 1.0% or more. An error factor is shown in parentheses below each such point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of such an interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix.

See Appendix I for the footnotes for this table.

Verification of Work-Search Contacts

Because work-search overpayments accounted for such a large portion of the overpaid dollars detected in the five pilot test states, this section provides some additional information on two issues related to the work-search requirement: (1) the average number of work-search contacts actually listed by sampled claimants; and (2) the extent to which it was possible through intensive investigative efforts to verify the job search contacts listed by sampled claimants. The average number of job search contacts listed by claimants in the interviews conducted for the Random Audit program or on their certifications for key-week benefits obviously depended in part on the actual requirements imposed by the UI agencies in the pilot test states (and perhaps even by different UI local offices within a given state). In addition, the number of job search contacts listed also probably depended to some extent on the understanding of claimants about de facto job-search requirements, as well as on labor market conditions and other factors that may have been unique to the individual state UI programs. In any case, it is estimated that the average number of contacts that would have been listed by all claimants in the study populations during the year-long pilot test period ranged from 1.2 contacts per week in Louisiana to 3.8 contacts per week in New Jersey (see Table 8).

The results of attempts to verify the key-week job search contacts listed by study group claimants also are reported in Table 8.³⁷ The estimated percentages of work-search contacts that could be verified as legitimate contacts varied substantially across the five pilot test states, from lows in the 28.0-31.9 percent range in Washington and New Jersey to highs in the 50.2-68.7 percent range in Kansas and Louisiana. The range for the estimated percentages that could be verified as improper work-search contacts was much smaller (from a low of only 3.1 percent in Louisiana to a high of 21.9 percent in Kansas). The estimated percentages of job-search contacts that could not be verified as either proper or improper ranged from about 28 percent in both Kansas and Louisiana to 48 percent or more in New Jersey, Illinois and Washington. These findings, considered in light of the resource intensive nature of the efforts expended to verify job-search contacts in this study, make it difficult to be optimistic about the extent to which the work-search requirement can be effectively/consistently enforced in the UI program.

TABLE 8
AVERAGE NUMBER OF JOB SEARCH CONTACTS LISTED AND INVESTIGATED, AND
ESTIMATED PERCENTAGES FOR VARIOUS JOB SEARCH CONTACT VERIFICATION CATEGORIES
FOR FIVE PILOT TEST STATES: 1981.2 - 1982.1

State	Average Number of Job Search Contacts Investigated Per Case	Percentage of Job Search Contacts That Were ^a :			Average Number of Job Search Contacts Listed by Claimants
		Verified as Proper	Verified as Improper	Unverifiable	
Illinois ^b	2.3	35.5% (3.3%)	10.7% (2.1%)	53.8% (3.4%)	2.6 (0.1)
Kansas ^b	2.2	50.2% (3.1%)	21.9% (2.7%)	27.8% (2.7%)	2.3 (0.1)
Louisiana	1.2	68.7% (3.5%)	3.1% (1.1%)	28.2% (3.4%)	1.2 (0.1)
New Jersey ^c	3.0	31.9% (2.5%)	19.7% (2.3%)	48.4% (2.6%)	3.8 (0.2)
Washington ^c	2.7	28.0% (2.4%)	13.3% (2.5%)	58.7% (3.0%)	2.8 (0.1)

For all but one of the columns, an error factor is shown in parentheses below each point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of such an interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix. No error factors are provided for the average number of job search contacts investigated because the values are not estimates of population values. The average number of job search contacts investigated per case by the Random Audit team is a characteristic of the sample that has no counterpart in the statewide population.

See Appendix I for the footnotes for this table.

SUMMARY

The major purpose of the Random Audit program pilot tests was to identify and resolve many of the technical and logistical problems associated with implementing the random audit concept as an operational, statewide program. It was very important that the participating states be willing to take part in a pioneering effort that was likely to involve numerous changes during the course of the pilot test. The success of these states in meeting and resolving the many challenges required to make the Random Audit concept an operational one is indicated by the fact that the operational program that evolved from these pilot tests is about to be expanded to include a total of 35 UI jurisdictions. In short, the major objective of the pilot tests--the development of an operational system--clearly was accomplished. This section provides a brief summary of the basic Random Audit methodology utilized in the pilot tests, the limitations of the study and the major empirical results of the year-long pilot tests.

Random Audit Methodology

Comprehensive investigations of weekly probability samples of UI payments provided the basis for estimating the values of various statewide payment error measures for each of the pilot-test states. The investigation of each sampled case proceeded from an initial presumption that the payment made for the specific week of unemployment selected--denoted as the "key" week--was correct, given the provisions of the state's written employment security law and policy. This presumption was rejected only if the existence of a payment error could be fully documented. The standard investigative methodology provided for an extremely intensive verification of benefit eligibility, including: (1) an in-person verification of the claimant's qualifying wages with base period employers; (2) a personal interview with the claimant; and (3) an in-person verification of the claimant's statements/certifications that were relevant to his/her eligibility for key-week benefits. Completed case files were thoroughly reviewed by the state Project Supervisor and also by a Federal Monitor to ensure comprehensive investigations, fair and objective application of state law/policy and complete documentation for each sampled case. Also, because overpayments due to nonmonetary issues involved

some discretion in applying written law/policy, UI local office managers were asked to review such cases. All claimants were specifically informed of their appeal rights for any actions taken that adversely affected them.

Completed cases were classified either as correct payments or into one of several payment error categories. Group A (Fraud) overpayments included only cases for which the Random Audit team and the "formal" UI system agreed that a fraud overpayment had occurred for the key week. Group B (Formal Actions) overpayments (underpayments) included only cases for which the Random Audit team and the "formal" UI system agreed that a fraud/nonfraud overpayment (nonfraud underpayment) had occurred for the key week. Hence, the Group A and Group B measures included only those key-week payment errors that were "sanctioned" by the state UI agency through official actions that were taken and not reversed on appeal. Group C (Formal/Prohibited Actions) payment errors included Group B errors plus some additional errors that were not or could not be "sanctioned" by the UI agency because written rules in state law/policy prohibited further "official" actions.

Limitations

In interpreting the empirical results summarized below, the following limitations should be fully considered:

- (1) The study results are based on samples selected from state-wide populations and should be interpreted as estimates (subject to some sampling error) of the "true" population values.
- (2) The estimates are based on the assumption that all cases were uniformly processed in an objective and thorough manner. No doubt some limited exceptions occurred in all states, but there is no apparent basis for concluding that this potential problem created any important or consistent bias in the empirical results reported for Louisiana, New Jersey and Washington. In contrast, operational problems in both Illinois and Kansas likely resulted in underestimates of the overpayments reported for those states.

- (3) Very slight understatements of the payment errors estimated for New Jersey and Washington may have occurred because the investigations for a small percentage of cases in these states (2.0% in New Jersey and 1.3% in Washington) had not been completed at the time the data for this study were analyzed. These incomplete cases were treated as proper payments in all payment error calculations.
- (4) Some payment errors likely were not detected even through the comprehensive procedures utilized. Postaudits to detect instances of unreported earnings in UI-covered employment were not conducted. Also, unreported earnings in the "cash economy" were very difficult to detect in this study. To the extent that such undetected payment errors are more likely to be established as fraud overpayments than most other overpayment errors, the underdetection of overpayments due to unreported earnings resulted in a much larger understatement of fraud than total overpayments in this study.
- (5) Some underpayment errors undoubtedly were excluded by the decision to remove from the study population weeks that were claimed but not paid. Presumably, some underpayments occur because of erroneous decisions to pay no benefits for some weeks claimed, but such underpayments were not included in this study.
- (6) Only a single payment error type/cause could be recorded within any payment error category for a single case, even if multiple payment errors were found for the case. Although the net dollar result of all errors was accurately recorded for each case, the error type (cause) identified for each case represented the type (cause) that accounted for the largest portion the net dollar amount of all payment errors found.
- (7) The pilot tests were not designed to provide for extensive disaggregation of the empirical results by region, local office or other factors.
- (8) The pilot tests were not designed to provide results that would necessarily indicate how to formulate a corrective action plan to reduce payment errors, if such a plan were required.
- (9) Interstate comparisons of payment error rates could very easily result in misleading interpretations. For example, payment error rates may be related to the complexity of state law/policy and not to the quality of state UI program administration.

- (10) Other things equal, "tighter" administration of any given set of benefit payment rules presumably would reduce to some extent total UI benefit payments. In attempting to estimate the size of this impact, however, it should not be assumed that there would be a one dollar reduction in benefit payments for each one dollar reduction in overpayments. In fact, benefit payments could be reduced by either more or less than any reduction in overpayments that might result from tighter administration of existing eligibility criteria.
- (11) The empirical results presented below cannot be generalized to provide estimates (and measures of their reliability) for error rates for any populations other than the specific statewide populations that were sampled for this study.

Major Empirical Results

The major empirical results of the Random Audit program pilot tests include the following:

- (1) As shown in Text Table 1, the sampling methodology utilized was extremely effective in obtaining samples that were representative of the populations from which they were selected in terms of sex, age, minority status and the amount of the key-week payment. Thus, it can be assumed that the samples selected and analyzed also are representative of their corresponding populations in terms of the payment error measures summarized below.
- (2) The dollar rate of Group B (Formal Actions) overpayments ranged from 7.3 percent to 24.3 percent; the three remaining estimates were 9.3 percent, 11.9 percent and 12.9 percent (see Table 9, line 1). For the statewide populations of UI payments made in the five pilot test states combined during this one-year period, it is estimated that the total dollar amount of Group B (Formal Actions) overpayments was \$392 million out of a total of \$2,754 million in UI benefit payments.
- (3) The dollar rate of Group B (Formal Actions) underpayments did not exceed 1 percent in any pilot test state (see Table 9, line 2).
- (4) In Kansas and Washington, a number of formal warnings were issued in lieu of establishing overpayments for cases that involved potentially disqualifying circumstances; if overpayments had been established for all cases that received formal warnings, the estimated dollar rate of Group B (Formal Actions) overpayments would have increased from 12.9 percent to 24.0 percent in Kansas, and from 9.3 percent to 15.4 percent in Washington (see Table 9, line 3).

TABLE 9
SUMMARY OF EMPIRICAL RESULTS: FIVE RANDOM AUDIT
PILOT TEST STATES: 1981.2 - 1982.1

Category	Point Estimates of Annual Population Values				
	Illinois	Kansas	Louisiana	New Jersey	Washington
1. Dollar Rate of Group B (Formal Actions) Overpayments	11.9%	12.9%	7.3%	24.3%	9.3%
2. Dollar Rate of Group B (Formal Actions) Underpayments	0.8%	0.1%	0.1%	1.0%	1.0%
3. Dollar Rate of Group B (Formal Actions) Overpayments Plus Formal Warnings	11.9%	24.0%	7.3%	27.9%	15.4%
4. Dollar Rate of Group A (Fraud) Overpayments	1.2%	0.2%	2.7%	1.9%	2.1%
5. Dollar Rate of Group C (Formal/Prohibited Actions) Overpayments	12.4%	13.3%	8.9%	24.6%	12.0%
6. Group B (Formal Actions) Case Error Rate: Weeks With Some Overpayment or Underpayment	19.1%	15.0%	12.2%	52.1%	31.7%
7. Estimated Percent of Weeks Paid Statewide That Had:					
A. WBA Errors	9.4%	1.9%	5.2%	36.1%	21.6%
B. MBA Errors	10.2%	2.6%	6.8%	45.4%	29.5%
C. Base Period Wage Errors	29.0%	4.6%	19.4%	71.9%	31.8%
8. Dollar Rate of Group B (Formal Actions) Overpayments Due Solely to Claimant Error	7.7%	11.6%	6.5%	19.2%	6.4%
9. Dollar Rate of Group B (Formal Actions) Overpayments Due to Failure to Actively Seek Work	5.7%	10.3%	3.6%	17.3%	4.6%
10. Average Number of Work-Search Contacts Listed by Claimants for Key Week	2.6	2.3	1.2	3.8	2.8
11. Percent of Work-Search Contacts Investigated That Were:					
A. Verified as Proper	35.5%	50.2%	68.7%	31.9%	28.0%
B. Verified as Improper	10.7%	21.9%	3.1%	19.7%	13.3%
C. Unverifiable	53.8%	27.8%	28.2%	48.4%	58.7%
D. Total	100.0%	100.0%	100.0%	100.0%	100.0%

- (5) The dollar rate of Group A (Fraud) overpayments ranged from only 0.2 percent to a high of 2.7 percent (see Table 9, line 4). A comparison of the Group B (Formal Actions) overpayment rates with the Group A (Fraud) overpayment rates reveals that fraud overpayments constituted a relatively small proportion of the overpayments formally established in each state, except Louisiana (see Table 9, lines 1 and 4). However, there is a strong possibility that the study methodology resulted in a larger understatement of fraud than of total overpayment rates.
- (6) With the exception of Washington and to a much smaller extent Louisiana, the overpayments detected by the Random Audit teams almost always resulted in "official" UI agency actions that were not subsequently reversed. As a result, the dollar rate of Group C (Formal/Prohibited Actions) overpayments was nearly the same as the dollar rate of Group B (Formal Actions) overpayments in three of the five states, and the difference between these two rates was not substantial even in Washington and certainly not in Louisiana (see Table 9, lines 1 and 5).
- (7) The percent of weeks paid with a Group B (Formal Actions) overpayment or underpayment of any amount ranged from 12.2 percent to 52.1 percent (see Table 9, line 6). The much higher estimates for the "percent of weeks" with payment errors vs. the "percent of dollars" with payment errors (see Table 9, lines 1, 2 and 6) are due almost entirely to a large number of cases with payment errors of relatively small dollar amounts; such errors were due in large part to errors in monetary determinations.
- (8) The large number of relatively small key-week payment errors found in these states led to the identification of a general problem in the monetary determination process. It is estimated that the percent of all weeks paid statewide with WBA errors ranged from 1.9 percent to 36.1 percent (see Table 9, line 7A). MBA errors were even more common, and ranged from 2.6 percent to 45.4 percent (see Table 9, line 7B). Base period wage errors were more common than either WBA or MBA errors; such errors ranged from 4.6 percent to 71.9 percent of the weeks paid statewide (see Table 9, line 7C).
- (9) The dollar rate of Group B (Formal Actions) overpayments due solely to claimant error ranged from 6.5 percent to 19.2 percent (see Table 9, line 8). Comparing these rates with the dollar rates for all Group B overpayments clearly indicates that a very large proportion of the total dollars of Group B overpayments were due solely to claimant error (see Table 9, lines 1 and 8); this proportion varies from about two-thirds to nearly nine-tenths in these five states.

- (10) Work search that was determined to be inadequate on the basis of written law/policy in each state was by far the most important single issue responsible for the overpayments detected (see Table 9, line 9). In fact, the work-search overpayments accounted for from about one-half to four-fifths of the total Group B (Formal Actions) dollars overpaid in the pilot test states (see Summary Table 9, lines 1 and 9).
- (11) The average number of work-search contacts listed by claimants for their key weeks ranged from 1.2 to 3.8 contacts (see Table 9, line 10). Extremely intensive in-person efforts to verify the job-search contacts listed by sampled claimants revealed that the percent of contacts that could be verified as proper ranged from 28 to 36 percent in three states, and that no more than 69 percent of the contacts could be definitely verified as legitimate contacts in any state (see Table 9, line 11A). Furthermore, in three states about one-half or more of all job-search contacts could not be verified as either proper or improper contacts (see Table 9, line 11C). In contrast, the percents that actually could be documented as invalid job-search contacts was fairly small (see Table 9, line 11B). Given the resource-intensive nature of the Random Audit program investigations, these findings cast considerable doubt on the ability of the UI system as a whole to monitor/enforce the work-search requirement.

Validity of Results From an Operational Program

The successful extension of an operational Random Audit program concept to ten additional states during 1982 and the planned expansion of the program to twenty more states in 1983 indicates that the objectives of the pilot tests were fully realized. It is important, however, to emphasize a caution that must be observed to ensure the validity of the data produced by the Random Audit program as it is extended to encompass the entire federal-state UI system. Because the integrity of the Random Audit concept rests on the thoroughness and accuracy with which each sampled case is processed, it is not possible to overstress the importance of monitoring these programs to ensure that each and every payment error is detected and properly recorded. The major responsibility for this task rests with the state project staffs themselves, but it must be recognized that pressures to overlook or downplay some payment errors may develop, since some state UI program personnel may prefer that fewer than the actual number of payment errors be detected and recorded. Dealing with this potential conflict

represents probably the major challenge to the validity of the data produced by each statewide Random Audit program. Thus, great care should be exercised in protecting the ability and willingness of the Random Audit teams to detect and record all payment errors associated with the sampled cases. In this context, the process utilized for external case review is a vital link in ensuring the continued validity of Random Audit program data.

ENDNOTES

¹Summary reports about the quality control programs implemented in the Medicaid, ADFC, Food Stamp and SSI programs were prepared to assist in formulating the Random Audit program. These reports detail the progress achieved in reducing payment error rates in these programs after the introduction of comprehensive audits of randomly selected samples of payments. Additional information about these quality control programs may be obtained from the Office of Program Management, Unemployment Insurance Service, Employment and Training Administration, U.S. Department of Labor.

²See Paul L. Burgess and Jerry L. Kingston, "Estimating Overpayments and Improper Payments," in National Commission on Unemployment Compensation, Unemployment Compensation: Studies and Research, Volume II (Washington: Government Printing Office, 1980), pp. 487-526. For an overview of the NCUC Study and a summary of its empirical results, see: Jerry L. Kingston, Paul L. Burgess and Robert D. St. Louis, "Overpayments in the Unemployment Insurance System in the United States," International Social Security Review 4/81 (Geneva: International Social Security Association), pp. 462-476.

³See Jerry L. Kingston and Paul L. Burgess, Unemployment Insurance Overpayments and Improper Payments in Six Major Metropolitan Areas (Washington: National Commission on Unemployment Compensation, 1981).

⁴These plans were formulated in the context of a much broader approach that the UIS had begun to develop for dealing with payment errors in Unemployment Insurance. This broader approach included some activities that had been initiated prior to the submission of the interim NCUC report, and others that were undertaken partially in response to the findings contained in that report. These actions included the following: (1) a study was initiated in three states to examine the current methods employed in conducting the benefit rights interviews with the objective of developing a set of improved procedures for all UI jurisdictions; (2) a review outline was prepared and distributed to the Regional Offices to be used in evaluating (and, if appropriate, recommending improvements in) the eligibility review and reemployment assessment programs (ERP) of state agencies; (3) an exportable ERP training package for interviewers was to be developed under the sponsorship of the National Office and in cooperation with the Nevada Employment Security Commission; (4) an experimental "job-search" workshop was to be developed by Region VIII, with the assistance of a contractor and under the guidance of the National Office; (5) a guide for reviewing the adequacy of a state UI agency's internal audit and control procedures was to be developed by an outside contractor for use by the Regional Offices to evaluate the internal security procedures of state UI agencies; (6) revised guidelines were issued for the conduct of the Quality Appraisal studies that were scheduled to begin in September, 1980; (7) two training programs for Benefit Payments Control Unit personnel were planned by the National Office;

(8) a model system for the automated recovery of overpayments was published and distributed to all state employment security agencies in a Resource Handbook on Overpayment Recovery; (9) additional controls were placed on UCFE and UCX claims through the implementation of new computerized procedures; and (10) a "risk analysis" program for State UI agencies was designed to identify and correct weaknesses in tax collections and benefit payment controls/procedures.

⁵In the remainder of the report, the term "overpayments" is used broadly to include any key-week payment that was larger than the correct payment for the key week; for example, this broader usage of the word "overpayments" includes monetary redeterminations that reduced the claimant's weekly benefit amount (even if an overpayment was not actually established for the key week). Similarly, the term "underpayments" is used broadly to include any key-week payment that was smaller than the correct payment for the key week; this broader usage of the word "underpayments" includes, for example, monetary redeterminations that increased the claimant's weekly benefit amount (even if a supplemental check was not issued for the key week). Also, because it is assumed that the readers of this report have a working knowledge of the Unemployment Insurance program, conventional UI terms and procedures are not discussed in the report.

⁶An "offset" is an accounting adjustment made by a state UI agency to recoup a prior overpayment. If a recoverable overpayment were established against a claimant and not repaid prior to the key week, an offset could be used to reduce the amount of the overpayment owed by the claimant. Because an offset could be made in lieu of issuing the claimant all or part of a check for the key week, offsets were treated equivalently with payments (checks or warrants) actually made to the claimant in defining the relevant population for the Random Audit study. Throughout the remainder of this report, references to the population of payments or to the payments actually sampled each week should be interpreted as including these offsets.

⁷A statistically valid sample is one for which probability theory can be used to quantify the risk inherent in accepting a description of a population that is based on that sample.

⁸To properly identify the population relevant for the Random Audit program, it was necessary to distinguish between UI payments and the weeks of unemployment to which they correspond. There is little opportunity for confusion, of course, so long as there exists a single week of unemployment to which each payment in the population file corresponds. However, in those instances in which a single payment was issued by the UI agency for more than one week of unemployment, it was necessary to devise a system to break the single payment record into two or more payments, with each payment amount corresponding to a separate week of unemployment. Hence, the relevant population to which inferences are made in the Random Audit program is a population of payment-weeks, where each payment in the population corresponds to a single week of compensated unemployment. That is, the

population is correctly defined in terms of payment-weeks, not in terms of claimants. Because the population relevant for the Random Audit program is defined in terms of payment-weeks, it is necessary to define precisely at what point a UI payment is made. The definition for this study is that a payment occurs when a check or warrant is given or sent to a claimant, or when an offset is posted to a claimant's account. It is not necessary that the claimant actually cash the check (or warrant) for a payment to occur.

⁹Payments made after June 27, 1981 under the Federal-State Extended Unemployment Compensation Act (the EB program) were excluded from the population of payments relevant for the Random Audit program because of important changes in the criteria for continuing eligibility for EB payments made by the Omnibus Budget Reconciliation Act of 1980. The effect of these changes was to make verification of benefit eligibility much more difficult for a given week under the EB program than under the regular state programs. Because of the extreme difficulty involved in attempting to verify whether claimants actually had met the "suitable work" and week-by-week job search requirements of the EB program as amended, the decision was made to exclude EB weeks from the study population. For additional details on the EB requirements, see Public Law 91-373, as revised in December, 1980.

¹⁰Normally, likelihoods and probabilities are expressed as decimals that are constrained to be greater than or equal to zero and less than or equal to 1. Frequently, however, it is convenient to express them as percents, as is often done in this report.

¹¹See GAL 24-82 (dated September 1, 1982) for the most recent policy statement on the organizational location of Random Audit units.

¹²When possible, employers provided original documentation of these wage credits, in the form of weekly or hourly payroll records, etc., so that the claimant's earnings with the employer during the base period could be fully verified. The specialized training that had been provided to the Field Investigators by agency auditors proved especially useful in enabling the Field Investigators to obtain full documentation for base period wage credits.

¹³In most states with work-search requirements (including the pilot test states), certain groups of claimants may be excused from such requirements because of special circumstances. Typically, individuals who expect to be recalled to their former employers within a short time and union-attached claimants who seek work through a union hiring hall are excused from the active work-search requirement. Depending on the specific provisions of each state's employment security law and policy, other groups of UI claimants also could be excused from the active-search-for-work requirement.

¹⁴Local office managers were not asked to review either underpayments or overpayments due to errors in the monetary determination because virtually no discretion was involved in determining whether payment errors existed for such cases.

¹⁵If a Project Supervisor took action contrary to the view of the local office manager who reviewed the case, the Project Supervisor notified the local office manager in writing.

¹⁶The specific definitions and classification criteria utilized for cases sampled through December of 1981 are detailed in the Third Revision of UI Random Audit Bulletin #6 (dated September 16, 1981). A slightly altered set of definitions and instructions was used to classify the data obtained from the sampled cases selected during 1982.1, and these guidelines were distributed in a separate paper entitled "Key-Week Action, Type and Cause Definitions and Codes" (dated October, 1981); this document is available from the National Office of the Unemployment Insurance Service. Although the more recent of the two sets of technical classification instructions slightly modified some of the earlier definitions, the analysis of the 1981 cases presented in this report can be interpreted according to the definitions and instructions contained in the October, 1981 document; this document provides the precise definitions for all payment error measures included in this report. Information obtained from the Project Supervisors indicates that none of the cases originally classified on the basis of the definitions and instructions provided in the Third Revision of UI Random Audit Bulletin #6 would have been affected in any way by the changes in the definitions and classification system introduced in the October, 1981 document. Hence, these changes are of no consequence in interpreting the empirical results for the pilot test period.

¹⁷Fraud is a term that is defined specifically in the employment security laws and policies of the individual states. Generally, fraud involves "willful misrepresentation of material facts." For a finding of fraud to be made by a state agency, an individual typically must have: (a) intended to obtain from the UI agency money to which he or she was not entitled; and (b) either been aware of the falsity of his/her statements-certifications-representations or been aware of the incorrect interpretation that would be implied by silence about a given issue or fact.

¹⁸Just as an offset is treated equivalently with a payment in the Random Audit study, a "voided offset" is treated equivalently with the establishment of a recoverable overpayment. In the remainder of the report, the term "established overpayments" should be interpreted as including voided offsets.

¹⁹If the dollar amount of the fraud overpayment established in a particular case was larger than what the Random Audit team determined to be the correct amount, the smaller amount determined by the Random Audit team to

be the correct amount was entered for the case. If the dollar amount of the fraud overpayment established in a particular case was less than what the Random Audit team determined to be the correct amount, the smaller amount established by the UI agency was entered for the case.

²⁰On an issue-by-issue basis, only the net dollar amounts of those official actions with which the Random Audit team agreed were included in calculating the dollar amount of Group B payment errors. It also should be noted that, in contrast with Group A (Fraud) overpayments, the dollar amounts of Group B (Formal Actions) payment errors were calculated as net payment errors. That is, for any single case, it was possible that multiple issues might result in both an overpayment and an underpayment for the key week. In such cases, underpayments were netted against overpayments (or vice versa) to produce a "net" payment error measure.

²¹Another type of issue that would be included in Group C but excluded from Group B is an issue that led to an official action that was completely reversed on appeal. If the Random Audit team did not agree with the appeals decision, and continued to believe that the issue was a valid one, rules in a state's written employment security law or policy probably would prohibit the Random Audit team from taking further action on the issue. Because the net result of all official agency actions on such an issue would be zero (because the action of the Random Audit team had been completely reversed on appeal), the issue would not be included in calculating the Group B (Formal Actions) payment error for the case; however, such an issue would be included in calculating the Group C (Formal/Prohibited Actions) payment error for the case.

²²It also is remotely possible that such agreement was indicated by the fact that the net result of a number of official actions taken after the original key-week payment was made totalled to exactly zero.

²³Given the basis for determining whether a given payment was correct--the written provisions of the state's employment security law and policy--it was necessary in some instances to classify the payment for the key week as a proper payment because, for example, the claimant previously had not been given "sufficient instructions" about conducting an appropriate work search. In such instances, the payment for the key week was recorded as a proper payment, but an appropriate code was selected within the Group E category to indicate that a formal warning about potentially disqualifying key-week circumstances had been given to the claimant.

²⁴In one of the Random Audit pilot test states, preprinting a check for a week prior to the filing of a certification for that week by the claimant was fairly common; if the claimant did not appear in the local office to certify for and collect the check, the check was simply redeposited. Because of the timing of these transactions, some of these preprinted checks were included in the population file from which the weekly samples of payments were drawn. When such sampled cases were selected, they were not

investigated because the check (or warrant) had never been given or sent to the claimant. Hence, such cases were assigned an appropriate code from the residual category.

²⁵It should be noted that no cases selected during the entire pilot test ever were classified into this third category, which was included only because the other categories might not account for all cases sampled.

²⁶It is possible, of course, to construct confidence intervals that are more likely to contain the actual value of the error rate for the population, but such intervals (e.g., 99% intervals) would be much wider than the 80% intervals constructed for this study.

²⁷Generally, complete postaudit results for a case selected in a particular calendar quarter could not be obtained until several months after the end of the quarter, although the exact time lag involved would vary considerably among different states. Also, it typically would be possible to conduct a comprehensive postaudit only in wage-report states.

²⁸An indication of the diversity that exists in state laws and policies can be obtained by reviewing a recent comparison of state UI laws prepared by the Unemployment Insurance Service. See: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Comparison of State Unemployment Insurance Laws (Washington: Government Printing Office, 1982).

²⁹Another focus of corrective action plans would be to "tighten" the requirements claimants must satisfy to be eligible for benefits, but such changes in the "rules of the game" are not discussed in this section since the impact of such changes on the benefit payments in a particular state would depend entirely on the specific changes that might be made. Obviously, changes in the "rules of the game" could be devised (e.g., the WBA and MBA for all claimants could be reduced or increased by a given percentage) that would guarantee smaller or larger benefit payments in that state, all other things equal. However, it should be noted that adopting more stringent rules of the game need not guarantee a reduction in benefit payments. For example, the introduction of more stringent work-search rules might have an initial effect of reducing UI payments because many claimants would fail to meet them simply because they were unaware of the change in the rules of the game. However, once these disqualified claimants and others became aware of these new rules, it seems likely that many of them then would satisfy them. Thus, the net impact of more stringent work search rules might be increased administrative costs, increased burdens on claimants and employers, and only a small reduction in benefit payments.

³⁰A common exception is that a fraud determination typically would affect a claimant's subsequent eligibility for benefits.

³¹The rationale and the level of significance for these tests is provided in Appendix C of this report.

³²The dollar amounts of payment errors are not considered in the remaining discussion of empirical results. Nonetheless, corresponding dollar amounts for nearly all of the dollar rates discussed in the text are reported in Appendix H, which includes a complete set of empirical results for each state.

³³It should be noted that the accuracy of the WBA, MBA and base period wages was not verified for approximately 3.9 percent of the cases sampled in Illinois during the year-long pilot test period. Usually, this happened for claimants who qualified for the maximum WBA available. Hence, the estimates of the percentage of cases with such errors likely are underestimates of the "true" population values. Moreover, because those cases for which such verifications were not performed generally had payments equal to the maximum WBA, the estimate of the mean dollar amount of decreases in the WBA may be slightly biased.

³⁴A change in base period wages would not entail a key-week payment error unless the change affected the WBA (or perhaps the MBA in a few cases) or unless false wage information had been fraudulently provided.

³⁵In interpreting the results presented, it should be noted that only correct payments for which formal warnings were issued were considered to be cases with formal warnings in this analysis. It also should be noted that the Random Audit team was not asked to determine whether a formal warning should have been issued for a particular week. Thus, it is (remotely) possible that UI agency personnel not assigned to the Random Audit team could have issued some key-week formal warnings with which the Random Audit team did not agree. In such a case, the dollar amount of the key-week payment still would be included in determining the dollar rate of Group B (Formal Actions) Overpayments plus Formal Warnings.

³⁶Some of the differences between Group B and Group C overpayment rates in Louisiana, as well as in the other states, are due to overpayments that were established, but reversed on appeal, even though the Random Audit teams continued to maintain their positions that such weeks actually were overpaid. The dollars "overpaid" for such weeks are included in the Group C but not in the Group B measure.

³⁷It should be noted that, for each of the states except New Jersey, the mean number of contacts investigated by the Random Audit team was equal to or only slightly less than the mean number of contacts listed by claimants. In New Jersey, however, the mean number of contacts investigated (3.0) was appreciably smaller than the mean number of contacts actually listed by claimants for the key week (3.8). This difference in New Jersey is due primarily to the fact that, for experimental purposes during

a portion of the study period, only enough work-search contacts were verified to determine if a claimant had met the state's work-search requirement. Thus, during this portion of the pilot-test period, additional work-search contacts that had no bearing on whether claimants actually had satisfied the state's work-search requirement were not verified. Although the methodology was modified to provide for verification of all work-search contacts by the end of the pilot-test period, a consequence of not investigating all work-search contacts listed by claimants during the entire period is that the estimates of the proportion of work-search contacts that could be verified as either proper or improper or that could not be verified may be slightly less valid for New Jersey. This would be the case if the contacts investigated were not selected by a completely random process. That is, exercising some discretion in determining which work-search contacts were/were not investigated could have affected the results reported for New Jersey in Table 8.

APPENDIX A

**TITLES OF BULLETINS AND MEMORANDA THAT PROVIDE
DETAILED INSTRUCTIONS FOR THE RANDOM AUDIT PROGRAM**

INTRODUCTION

The detailed instructions for each state's participation in the Random Audit program pilot tests were provided in several series of bulletins or memoranda during the course of the pilot test period. Because the pilot tests were administered by the National Office of the Unemployment Insurance Service, two of these series originated from that office. The third series was prepared by Paul Burgess and Jerry Kingston. The components of these three series through June, 1982 and certain other Random Audit program materials are summarized below.

SERIES #1: UI RANDOM AUDIT PROGRAM BULLETINS (BURGESS-KINGSTON)

<u>Number</u>	<u>Title</u>	<u>Date</u>
1	Preliminary Project Plan for UI-QC Pilot Studies, Part I: November, 1980 through February, 1981	11/28/80
2	Programming Instructions for Initiation of UI-QC Study	12/18/80
3	Claimant Interview Form (First Revision)	2/26/81
4	Standard Guidelines for Investigations	2/27/81
5	Summary of Major Points from February, 1981 Project Supervisors Meeting	2/27/81
6	Assignment of Key-Week Action, Type and Cause Codes (Third Revision)	9/16/81
7	Checksheet #1 (Second Revision)	5/29/81
8	Progress Report Form (Third Revision)	8/01/81
9	Summary of Investigation Form (First Revision)	6/17/81
10	Coding Instructions for Revised Checksheet #1	5/30/81
11	Summary Handbook for Coding Key-Week Actions, Types and Causes (First Revision)	9/29/81
12	Summary of Major Points from June, 1981 Project Supervisors Meeting	6/22/81
13	Tentative Project Time Schedule: July, 1981 through September, 1982	7/17/81
14	Summary of Major Points from August, 1981 Project Supervisors Meeting	9/09/81

SERIES #2: UI RANDOM AUDIT MEMORANDA (NATIONAL OFFICE, UIS)

<u>Number</u>	<u>Title</u>	<u>Date</u>
1	Cost Estimates and Time Charges	2/28/81
2	Technically vs. Actively Registered for Work	3/01/81
3	Scheduling of Project Supervisors Meetings	4/01/81
4	July Project Supervisors Meeting	5/01/81
5	Random Audit Conversion from a Pilot Project to an Operational Program	8/03/81
6	August Project Supervisors Meeting	8/04/81
7	August Project Supervisors Meeting	8/05/81
8	Questions 93 and 94 on Checksheet #1	8/05/81
9	November Project Supervisors Meeting	8/22/81
10	Checksheet #1 -- Questions 93 and 94	10/01/81

SERIES #3: UI RANDOM AUDIT BULLETINS (NATIONAL OFFICE, UIS)

<u>Number</u>	<u>Title</u>	<u>Date</u>
1	Revision of Sample Week Definition	11/05/81
2	Standard Forms	11/06/81
3	Weekly Sample Size	11/25/81
4	Retention of Population Tapes	12/01/81
5	Verification Policy for Intrastate Contacts	12/01/81
6	Coding Handbook	11/30/81
7	Data Processing Procedure #2 (Addendum)	12/01/81
8	Data Processing--Revised Coding Instructions	2/03/82
9	Edit Check for Sample Cases	4/01/82
10	Direct Case Time/Monthly Progress Report Time Charging	3/17/82
11	Verification of Out-of-State Base Period Wages and Work Search Contacts	3/19/82
12	Proposed Agenda for Project Supervisors Meeting: June 9-10, 1982	4/07/82
13	Data Submittal for 1982.1	4/09/82
14	Data Processing Procedure #3 (Revisions)	4/09/82
15	Adjustments to "Comparisons of Payments Made Report" from Population Tape Edit (DP#2)	4/23/82

<u>Number</u>	<u>Title</u>	<u>Date</u>
16	Data Processing Procedure #3 (Revision)	6/08/82
17	New Telephone Numbers and Mailing Address for National Office Random Audit Personnel	5/20/82
18	Federal Monitor Trip Reports	5/21/82
19	Revised Monthly Progress Report	6/18/82
20	Revised Instructions for Use of Status of Investigation Codes	6/22/82

ADDITIONAL UI RANDOM AUDIT PROGRAM MATERIALS

In addition to the three series described above, other technical and/or instructional materials were developed during the course of the Random Audit program pilot tests. Most of these additional materials were utilized to train the state Random Audit unit personnel. One important set of technical instructions not included in the series described above was the paper entitled "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981. This document contains a complete set of the final instructions for classifying Group A, Group B and Group C payment errors and for classifying the types and causes of the payment errors detected. All of these additional materials are available from the National Office of the Unemployment Insurance Service.

APPENDIX B
DATA ELEMENTS INCLUDED IN
RANDOM AUDIT DATA BASE*

***Additional data elements are available for the early months of the pilot-test period. The data elements listed in this appendix are available for the entire pilot-test period.**

PART I: INFORMATION FROM AGENCY FILES

1. State identification code
2. Sample week number
3. Transformed social security number
4. Week-ending date of the key-week claim
5. Original amount paid + offset for the key week
6. Local office number where key-week claim filed
7. Regular program type code
8. Duration of benefits code
9. Project Investigator's ID number
10. Base period wages, before corrections
11. Maximum WBA, before corrections
12. Maximum (regular) benefit award, before corrections
13. Dependents allowance for key week, before corrections
14. Pension deduction for key week, before corrections
15. Key-week spell in a transitional claim
16. Date current spell of unemployment began
17. Number of spells of unemployment in the previous 12 months, including key-week spell
18. Number of base period employers, before corrections
19. Combined wage claim
20. Claim for key week a mail claim
21. Number of weeks of all UI, UCFE, or UCX overpayments/voided offsets in prior 24 months
22. Total dollar amount of all overpayments/voided offsets for item 21
23. Deductions for earnings as reported on certification for key week
24. Days of work reported on certification for key week
25. Claimant required to register with Job Service
26. Claimant required to register with union hiring hall

PART II: INFORMATION FROM INTERVIEW FORM AND PERSONAL INTERVIEW

27. Method by which claimant information obtained
28. Age of claimant
29. Sex
30. Ethnic classification
31. U.S. citizen

32. Retirement/disability/pension receipts for key week per claimant
33. Whether claimant received information on UI
34. Whether claimant had problem with unemployment claim
35. Whether claimant thought treatment was polite
36. Whether claimant wage statement correct
37. Highest grade completed
38. Claimant out of work due to labor dispute
39. Active union member
40. Willing to accept nonunion employment
41. Normal wage, usual job
42. Lowest rate of pay to return to work
43. Number of key-week job contacts per claimant

PART III: INFORMATION OBTAINED FROM COMPLETION OF PHASE I INVESTIGATION

44. Number of base period employers, after corrections
45. Base period wages, after corrections
46. Maximum WBA, after corrections
47. Deductions for earnings, after corrections
48. Dependents' Allowance, after corrections
49. Pension/social security deduction, after corrections
50. Maximum (regular) benefit award, after corrections
51. Number of work-search contacts for key week investigated
52. Number of work-search contacts for key week verified as acceptable
53. Number of work-search contacts for key week verified as not acceptable
54. Number of work-search contacts for key week that could not be verified as either acceptable or unacceptable
55. Number of base period employers contacted by investigator
56. Claimant meets technical requirement for registration with Job Service for key week
57. Claimant actively/currently registered with Job Service during key week
58. Claimant meets requirements to register with union hiring hall in lieu of Job Service for key week
59. Local office manager agrees with case disposition
60. Eligibility suspension in effect
61. Dollar amount of Group A net payment error

62. Key-week status code for Group A
63. Type code for Group A
64. Cause code for Group A
65. Dollar amount of Group B net payment error
66. Key-week status code for Group B
67. Type code for Group B
68. Cause code for Group B
69. Dollar amount of Group C net payment error
70. Key-week status code for Group C
71. Type code for Group C
72. Cause code for Group C
73. No net payment error yet determined
74. Claimant appealed any part of Random Audit team action (or other "official" UI agency action with which Random Audit team agrees) that affected key week
75. Employer appealed any part of Random Audit team action (or other "official" UI agency action with which Random Audit team agrees) that affected key week
76. Random Audit team represented at all appeals in 74 and 75 above
77. Any part of Random Audit team action (or other UI agency action with which Random Audit team agrees) that affected the key week was appealed and reversed
78. Total dollar amount of all overpayments/voided offsets for weeks other than key week established as a result of the key-week investigation
79. Total dollar amount of underpayments for which supplementary payments were made (offsets applied) for weeks other than the key week as a result of the key-week investigation
80. Number of times claimant selected for study in past 12 months
81. Coding cutoff date for information on sampled cases
82. Whether investigation complete

APPENDIX C

**TECHNICAL APPENDIX:
EXPERIMENTAL DESIGN AND STATISTICAL PROCEDURES**

The statistical procedures used in this study are considered in this appendix. The discussion focuses on the procedures selected, the assumptions upon which those procedures are based, and the extent to which those assumptions likely were satisfied in this study. The appendix is divided into four sections that correspond to the major divisions in the data analysis process. These divisions include the procedures required to: (1) determine whether the sample is representative of the population; (2) compute payment error rates; (3) compute overpayment rates for specific types and causes of overpayments and analyze changes in the maximum weekly benefit amount (WBA), maximum benefit award (MBA) or base period wages (BPW); and (4) analyze work-search contacts. Further detail on the actual procedures utilized to develop the empirical estimates reported in this study is provided in an operations manual developed for the Random Audit project.¹

Representativeness of the Sample

The sample selection procedures utilized for this study are discussed in the text of this report. Although the selection of a probability sample (a stratified random sample in this case) ensures that probability theory can be used to quantify the risk inherent in describing a population on the basis of sample information, it does not guarantee the sample will be representative of the target population with respect to the characteristics of interest. In fact, unless the characteristics of interest were known for the target population, it would not be possible to be certain that a sample is representative of its population with respect to those characteristics; in practice, this will never be the case because it would be pointless to sample if the characteristics of interest already were known.²

Frequently, however, information about some characteristics of the target population other than those of immediate interest either is available or can be obtained for a relatively small cost. In such instances, the confidence that a sample is representative of the target population with respect to the unknown characteristics of interest should be increased if it can be shown that the sample is representative of the target population with respect to the known characteristics. If the known characteristics were directly

related to the unknown characteristics, then the finding that a sample is representative of its corresponding population would be especially important. However, such a finding generally would be important if there is no reason to assume the sample is more likely to be representative of the target population with respect to known characteristics than with respect to unknown characteristics.

In this study, a population data tape was constructed for each state to obtain information on the sex, age, minority status and the amount paid or offset associated with each week in the population. The same data elements were available for the sample selected from the population in each state. These characteristics were grouped for each state as shown in Table 1. Because sampling error cannot be eliminated for any sample smaller than a census, the characteristics for the samples for each state were not expected to exactly match those for the corresponding populations. The relevant issues for these comparisons are: (1) whether the comparisons indicate the sample is representative of the population; (2) the implications of a finding that a sample is representative of the population; and (3) the implications of a finding that a sample is not representative of the population. The decision rules employed in this study with respect to these issues were the following:

- (1) Construct 80% confidence intervals for point estimates if the probability of selecting a sample with the observed characteristics is at least .20.
- (2) Construct $100(1-P)\%$ confidence intervals for point estimates if the probability of selecting a sample with the observed characteristics is P , where P is less than .20 but at least .005.
- (3) Weight the sample to make it representative of the population with respect to the known characteristics if the probability of selecting a sample with the observed characteristics is less than .005.

The above decision rules were based on the assumption that the representativeness of a given sample will be the same for known and unknown characteristics.

To determine the probability of obtaining a sample with the observed characteristics, proportions tests were conducted for each known characteristic. These characteristics and the subcategories for each were:

- 1) sex: male; female; unknown.
- 2) minority status: white; Spanish, black/other nonwhite; unknown.
- 3) age: less than 25; 25 thru 44; 45 thru 64; 65 and over; unknown.
- 4) amount paid/offset: less than \$50; \$50 thru \$99; \$100 thru \$124; \$125 thru \$149; \$150 and over; unknown.

Thus up to 17 comparisons (3 for sex, 3 for minority status, 5 for age, and 6 for amount paid plus offset) could have been made for each state. The probability of selecting a sample with the observed set of characteristics is related to the significance level of the "most significant" comparison found for that sample and its corresponding population. To show this, it is necessary to distinguish among the per comparison, per experiment, and experimentwise levels of significance. These different significance levels are defined as:³

$$\text{Per Comparison Level} = \frac{\text{number of type I errors with respect to tests on simple differences}}{\text{number of tests on simple differences}}$$

$$\text{Per Experiment Level} = \frac{\text{number of type I errors with respect to tests on simple differences}}{\text{number of experiments}}$$

$$\text{Experimentwise Level} = \frac{\text{number of experiments having one or more type I errors with respect to tests on simple differences}}{\text{number of experiments}}$$

For purposes of the Random Audit project, an experiment consists of the set of comparisons made for a single state. It could be argued that the experiment should be defined to include the comparisons for all 5 states, but it is the population for each state, not the 5 states combined, that is of interest in this study.

If the experimentwise level of significance is α , and if a test on a simple difference is significant, the probability is less than or equal to α that a sample with the observed set of characteristics would have been obtained due to chance. In order for the experimentwise level of significance to be α , however, the per comparison level of significance must be $1 - \sqrt[k]{1-\alpha}$, which is approximately equal to α/k , where k is the number of independent comparisons; this is the case because, if k independent comparisons were made at the α level of significance, the probability that at least one comparison would be significant is $1 - (1-\alpha)^k$ which is greater than α for all k greater than 1, and very nearly equal to 1 when k is large.⁴

Given the above information, it can be shown that the probability of selecting a sample with the observed set of characteristics is at least $1 - (1-L)^k$, where k is the number of independent comparisons and L is the lowest level at which any of the $k+4$ comparisons would be significant (in this context, .01 is lower than .05 which is lower than .10). Based on the procedure described in this section, it was found that: the data did not have to be weighted for any state; and 80% confidence intervals were appropriate for the point estimates for all states.

Payment Error Rates

A probability sample of original payments was selected from each state's target population over a one year period.⁵ On the basis of the investigative evidence obtained for these sampled payments, twenty-one different payment error measures were calculated. The twenty-one measures are shown below:

PAYMENT ERROR MEASURE

GROUP A (FRAUD) OVERPAYMENTS

Percent of Dollars Overpaid
Amount of Dollars Overpaid

GROUP B (FORMAL ACTIONS) PAYMENT ERRORS

OVERPAYMENTS ONLY

Percent of Dollars Overpaid
Amount of Dollars Overpaid
Percent of Weeks Overpaid

UNDERPAYMENTS ONLY

Percent of Dollars Underpaid
Amount of Dollars Underpaid
Percent of Weeks Underpaid

OVERPAYMENTS LESS UNDERPAYMENTS

Percent of Dollars Overpaid on Net
Amount of Dollars Overpaid on Net

OVERPAYMENTS PLUS UNDERPAYMENTS

Percent of Weeks Paid with Errors

OVERPAYMENTS PLUS FORMAL WARNINGS

Percent of Dollars Overpaid or With Formal Warnings

GROUP C (FORMAL/PROHIBITED ACTIONS)

OVERPAYMENTS ONLY

Percent of Dollars Overpaid

Amount of Dollars Overpaid

Percent of Weeks Overpaid

UNDERPAYMENTS ONLY

Percent of Dollars Underpaid

Amount of Dollars Underpaid

Percent of Weeks Underpaid

OVERPAYMENTS LESS UNDERPAYMENTS

Percent of Dollars Overpaid on Net

Amount of Dollars Overpaid on Net

OVERPAYMENTS PLUS UNDERPAYMENTS

Percent of Weeks Paid with Errors

The estimators for the 8 different "percent of dollars" rates listed above are computed as $\frac{\text{dollars paid with payment error}}{\text{dollars paid}}$; since both the numerator and the denominator of these estimators are random variables, the resulting estimators are ratio estimators. The symbol typically used to designate a ratio estimator is r , and it is typically defined as $r = (\bar{y})/(\bar{x})$ or $r = (N\bar{y})/(N\bar{x})$, where \bar{y} is the sample mean for the numerator, \bar{x} is the sample mean for the denominator, and N is the number of elements in the target population. In this study, \bar{y} is the mean amount of the relevant payment errors for the original payments sampled, \bar{x} is the mean amount of the original payments sampled, and N is the number of original payments made in the target population. One property of ratio estimators is that:

$$(1) \quad \text{Var}(r) = \frac{\text{Var}(\bar{y}) + R^2 \text{Var}(\bar{x}) - 2R \text{Cov}(\bar{x}\bar{y})}{\mu_x^2 \left(1 + \frac{\bar{x} - \mu_x}{\mu_x}\right)^2}$$

where Var denotes the variance, Cov denotes the covariance, R is $\frac{\mu_y}{\mu_x}$, μ_x denotes the population mean for x and μ_y denotes the population mean for y .⁶ If the sample size is large enough, then \bar{x} can be expected to closely approximate μ_x , and the variance of r can be approximated by

$$(2) \quad \text{Var}(r) \doteq \frac{\text{Var}(\bar{y}) + R^2 \text{Var}(\bar{x}) - 2R \text{Cov}(\bar{x}\bar{y})}{\mu_x^2}$$

This approximation for $\text{Var}(r)$ can be estimated by substituting sample values throughout; r for R , \bar{x} for μ_x , $\text{var}(\bar{y})$ for $\text{Var}(\bar{y})$, $\text{var}(\bar{x})$ for $\text{Var}(\bar{x})$ and $\text{cov}(\bar{x}\bar{y})$ for $\text{Cov}(\bar{x}\bar{y})$. However, if the sample size is not sufficiently large, then \bar{x} cannot be expected to closely approximate μ_x and the variance of r cannot be reliably estimated. Most authors suggest that the sample size be large enough to ensure that the coefficient of variation of \bar{x} is no larger than .1, before one substitutes sample values to estimate $\text{Var}(r)$ in (2) above.⁷

Another property of ratio estimators is that they generally are not unbiased. However, the bias can be shown to be equal to $-(\rho_{r\bar{x}})(\sigma_r)(C_{\bar{x}})$, where $\rho_{r\bar{x}}$ is the correlation between r and \bar{x} , σ_r is the standard error of r , and $C_{\bar{x}}$ is the coefficient of variation of \bar{x} .⁸ In this study, even if the mean original payment for the sampled weeks is greater or less than the mean original payment for all weeks in the target population, there is no reason to suspect that the percent of dollars with payment errors in the sample is either higher or lower than the percent of dollars with payment errors in the population. Stated somewhat differently, there is no apparent basis for expecting that the percent of dollars with payment errors is different for high WBA claimants than for low WBA claimants. Hence, in this study, $\rho_{r\bar{x}}$ is probably zero, and the ratio estimators are probably unbiased, even for very small samples where $C_{\bar{x}}$ could be greater than one-tenth.

The biased variance and biased mean properties of ratio estimators clearly are not desirable properties, and these shortcomings can be eliminated if the values of N and μ_x are known: given these known values, the ratio estimator (r) becomes $\frac{\bar{y}}{\mu_x}$, and $\text{Var}(r)$ becomes $\frac{\text{Var}(\bar{y})}{\mu_x^2}$. This latter estimator is not biased and its variance can be determined regardless of sample size. For the Random Audit project, N and μ_x were computed as part of data processing procedure number 1, and this made it possible to estimate R by $\frac{\bar{y}}{\mu_x}$.

Because relatively few cases had payment errors, and because the sample was a stratified random sample with each week constituting a stratum, a problem arose in each state in attempting to estimate $\text{Var}(\bar{y})$. For some payment error measures, the total number of errors in a given week was zero; hence the estimated $\text{Var}(\bar{y})$ for such weeks was zero, even though the actual $\text{Var}(\bar{y})$ clearly was not zero. Two alternatives were considered for

dealing with the problem of zero estimates for $\text{Var}(\bar{y})$. The first was to assume that the variance and the mean of y were the same for each week in a given quarter; in this case, the variance of y would be estimated from 13 weeks of data, and then the variance of \bar{y} for a given week would be computed by using the variance of y estimated for all 13 weeks and the sample size for that week. The other alternative considered for dealing with the problem of zero estimates for $\text{Var}(\bar{y})$ was to estimate $\text{Var}(\bar{y})$ for each week, and to allow zero variances for some weeks since the variances for some other weeks probably would be overstated. The second alternative was chosen for this study because: (1) it results in an unbiased estimate for the variance of \bar{y} ; and (2) if the mean of y is drifting upward or downward throughout the 13 weeks (as may occur when workload is increasing or decreasing), alternative 1 may seriously overstate the variance of \bar{y} .

Calculating the error factors for very small payment error rates also created a problem in each state. When the population proportion is very small, the sampling distribution of the proportion is positively skewed, even for very large sample sizes (including the sample sizes used in the Random Audit program). This does not affect the calculation of the point estimate of a population proportion, but it does affect the calculation of the error factor for that point estimate. When the population proportion is very small, the "best" (i.e., narrowest) confidence interval is not symmetrical about the point estimate. These asymmetrical confidence intervals are very difficult to calculate for sample designs like the one used in the Random Audit program pilot tests. The main impacts of calculating confidence intervals in the standard way when the sampling distribution is positively skewed are: (1) the actual level of confidence almost always is slightly greater than the reported 80% confidence level; and (2) the confidence intervals reported sometimes overlap zero, in which case the magnitude of the error factor for the low-side limit must be decreased so that zero is not included in the interval. Since these impacts are of little practical consequence, the decision was made not to calculate exact asymmetrical confidence intervals for instances in which the population proportion was very small. No other problems that might affect the validity of the reported results arose in the process of calculating the payment error rates.

Type/Cause Overpayment Rates and Analysis of
Changes in the WBA, MBA or BPW

A total of nine type and eight cause rates were computed for Group B (Formal Actions) overpayments. They were:

Type of Overpayment

- Fraud overpayments
 - Claimant solely responsible
- Nonfraud overpayments
 - Claimant solely responsible
 - Claimant solely or partially responsible
 - Employer solely responsible
 - Employer solely or partially responsible
 - UI agency solely responsible
 - UI agency solely or partially responsible

Cause of Overpayment

- Unreported earnings for the key week
 - Concealed employment only
- Errors in reporting/recording base period earnings
- Separation issues
 - Discharges for misconduct only
- Eligibility issues
 - Availability for work only
 - Active job search only

These rates could have been calculated in exactly the same manner as the payment error rates discussed in the prior section were calculated. Instead, however, the data were analyzed as though each quarter, rather than each week, was a stratum. The reasons for doing this were entirely pragmatic. Analyzing the sample as a weekly stratified sample would have required 13 times the work required to analyze the sample as a quarterly sample, and this extra effort could not be devoted to these calculations, given the other empirical estimates that had to be developed for this report. Also, given that the sample sizes were nearly the same for each week in each state, a major bias could have been introduced by this approach only if: (1) the population sizes varied by a very large percentage from week to week within the same quarter (and this was not the case); and (2) the mean and variance differed dramatically from week to week within the same quarter (which seems unlikely). Given the overall objectives of the pilot test,

analysis of the data as though each quarter, rather than each week, was a stratum appears to be perfectly appropriate. Other than analyzing the data as a quarterly random sample, no problems arose in the process of calculating type/cause rates that might affect the validity of the reported results.

In addition to type/cause overpayment rates, incidence rates were computed for changes in the WBA, MBA, and BPW, and were reported in Text Table 4. As was the case for type/cause rates, these incidence rates could have been calculated in exactly the same manner that payment error rates were calculated. Instead, however, the data were analyzed as though each quarter, rather than each week, was a stratum, and this was done for exactly the same reasons just discussed for analyzing the type/cause rates in this manner. It should be noted, however, that it appears even more likely that the reported results for monetary changes were not biased as a result of analyzing the data as a stratified quarterly random sample. This is the case because it seems extremely unlikely that either the mean or the variance for these random variables (which represent differences) would change appreciably within the same quarter. With the exception of analyzing the data as a quarterly random sample, no problems arose in the process of calculating incidence rates and means for changes in the WBA, MBA or BPW that might affect the validity of the reported results.

Work Search Contacts

Five different variables related to the work-search activities of claimants were estimated for this report. They included:

- (1) the average number of job search contacts listed by claimants;
- (2) the average number of job search contacts investigated per sampled case; and
- (3) the percent of work search contacts investigated by the Random Audit team that were:
 - (a) verified as proper;
 - (b) verified as improper; and
 - (c) unverifiable.

Each of the estimates in (3) above is of the form:

$$\frac{\text{number verified as proper (improper, unverifiable)}}{\text{number investigated}}$$

Both the numerator and the denominator for these estimates are random variables; hence they are ratio estimators. As was explained in the section on payment error rates, ratio estimators generally are biased unless the sample size is large. For this reason, the data on work search contacts had to be analyzed as a stratified quarterly sample. Treating each quarter (rather than each week) as a stratum would introduce a bias only if the population sizes varied by a very large percentage from week to week within the same quarter (and this did not occur) and if, as seems highly unlikely, the mean or variance differed dramatically from week to week within the same quarter.⁹

The estimators for the average number of job search contacts listed for a week and the average number of job search contacts investigated are not ratio estimators. The sample was, nonetheless, analyzed as though each quarter rather than each week was a stratum in developing these estimates. This was done to reduce the amount of effort required to analyze the data. Once again, this could have introduced a bias only if the population sizes varied dramatically from week to week within a quarter (and this did not occur) and if, as seems highly unlikely, the population mean or variance differed by a very large amount from week to week within the same quarter.

It seems very unlikely that the average number of job search contacts the Random Audit team investigated per case varied much from week to week within a quarter. Each Random Audit team was asked to maintain the same quality in its investigations of each case throughout the year; reduced sample sizes in particular weeks were used to avoid a deterioration in quality if backlogs developed. Nonetheless, if the average number of contacts listed by claimants varied from week to week, the average number investigated probably varied also. Barring a change in law or policy, however, it seems unlikely that the number of job search contacts listed would change appreciably from week to week within a quarter.

Another potential problem in this analysis was that unless all or nearly all of the contacts listed were investigated, a selection bias could have been introduced that would invalidate any inferences about job search contacts investigated. Fortunately, Text Table 8 shows that the number of contacts investigated was nearly the same as the number listed in all states. Hence a selection bias probably did not occur. Overall, these considerations suggest that there is no basis for questioning the validity of the results reported for job search contacts.

ENDNOTES

¹See Robert D. St. Louis, Paul L. Burgess and Jerry L. Kingston, UI Random Audit Program Operations Manual for Data Analysis (Washington: U.S. Department of Labor, Unemployment Insurance Service, September, 1982).

²This assumes no nonsampling errors occurred. Frequently it is reasonable to sample after a census has been taken in order to check for nonsampling errors.

³For a more detailed explanation of the types of significance levels, see: B.J. Winer, Statistical Principles in Experimental Design, 2nd edition revised (New York: McGraw Hill Book Company, 1971), pp. 199-200.

⁴Simultaneous confidence intervals for proportions are derived in Leo A. Goodman, "On Simultaneous Confidence Intervals for Multinomial Proportions," Technometrics, Vol. 7, No. 2 (May, 1965), pp. 247-255.

⁵Original payments and the target population are defined in the section of the text titled "Experimental Design of Random Audit Program."

⁶The variance of ratio means is derived in Leslie Kish, Survey Sampling (New York: John Wiley and Sons, 1965), pp. 206-208.

⁷See, for example: *ibid.*, p. 208; or Richard L. Scheaffer, William Mendenhall, and Lyman Ott, Elementary Survey Sampling, 2nd ed. (North Scituate, Massachusetts: Duxbury Press, 1979), p. 119.

⁸The bias of ratio means is derived in Leslie Kish, *op. cit.*, pp. 208-211.

⁹It seems very unlikely that the percent of job search contacts investigated that would be found to be proper, improper, and unverifiable would vary significantly from week to week within a quarter.

APPENDIX D
ORGANIZATIONAL STRUCTURE

The organizational structure developed to administer and operate the Random Audit program pilot tests involved the National and Regional Offices of the U.S. Department of Labor, Paul Burgess and Jerry Kingston, the Arizona UI Agency and the five participating pilot test states. The responsibilities of each of these groups are outlined below.

National/Regional Offices

The National Office of the UIS had the overall responsibility for the five pilot test programs. The National Office also entered into agreements with outside contractors and the Arizona UI agency to obtain technical consulting and data processing services. It was the responsibility of the National Office to determine the states that participated in the Random Audit program pilot tests and to establish the "ground rules" for each state's participation. The National Office staff, in cooperation with the outside contractors, developed the criteria for the selection of the state project staffs, formulated the guidelines for the operational procedures to be followed, organized and conducted the training sessions for state personnel, and established the technical specifications for the data processing and statistical activities associated with the project.

Once the project had begun in each of the five pilot test states, the National Office provided a number of Federal Monitors to conduct both technical assistance and external oversight activities in the participating states. Some of these Federal Monitors were reassigned to the Random Audit program from other duties within the National Office, while others were detailed from state UI agencies into the National Office on temporary assignments to participate in the project. On-site visits to the pilot test states by the Federal Monitors occurred regularly throughout the pilot test period; during the first nine months of project operation, one or more Federal Monitors was working on-site in each pilot test state about one week per month. Activities conducted by the Federal Monitors included the following:

- (1) assisting the Project Supervisors to develop efficient tracking and management control systems;
- (2) providing technical assistance in the coding and classification of project data;

- (3) traveling with the Field Investigators as they conducted their activities to verify the correctness of the payments sampled;
- (4) meeting with employers and state employment security personnel to explain the purposes and procedures of the Random Audit program pilot tests; and
- (5) reviewing completed case files to determine if appropriate and complete documentation had been obtained for all cases, and to evaluate whether the case had been appropriately classified as a proper or improper payment, given the evidence contained in the case file.

In addition to these duties, the Federal Monitors also participated in the background work that was required for the expansion of the Random Audit program to ten additional states in January of 1982.

During the pilot test period, the National Office also scheduled and coordinated frequent meetings of the Project Supervisors, the National Office staff and Burgess/Kingston. Over the fourteen-month interval that began in January of 1981, such meetings were held in Washington, D.C. about every eight weeks, on average. It was in such meetings that the benefits of the pilot test mode of operation were very evident. Different states had operated in different ways in a number of areas, and the results of such experimentation were shared, challenged, evaluated and revised for the purpose of improving various operational features of the project.

The Regional Offices of the Department of Labor were only indirectly involved in the operation of the Random Audit program during the pilot test period. Mr. Larry Heasty of the Region X UI staff had a continuous involvement in the project in his role as a Federal Monitor for the pilot test conducted in the state of Washington. Other than this direct and continuing involvement, however, other Regional Office personnel occasionally were able to schedule their visits to the pilot test states to participate in meetings attended by federal staff, the Project Supervisor and perhaps the state UI Director. Generally, there was a concerted effort throughout the pilot test period to inform the Regional Offices of developments in the Random Audit program. For the most part, the Regional Offices were free to participate in the Random Audit program pilot tests in their regions to about the extent that their time, interest and available travel resources would permit.

Outside Contractors

Paul Burgess and Jerry Kingston had been co-principal investigators on the original NCUC Benefit Overpayments Study; at the request of the National Office of the UIS, they obtained half-time leaves from the Department of Economics at Arizona State University for the 1980-1981 academic year and the Fall Semester of the 1981-1982 academic year to assist the National Office in designing, implementing and evaluating the Random Audit program pilot tests. In cooperation with Robert St. Louis, Manager of the Research and Reports Section of the Arizona UI agency, Burgess and Kingston developed the procedures for the selection of the weekly probability samples of UI payments and formulated the criteria for the appropriate classification of any payment errors detected. They also assisted the National Office in revising many of the forms, procedures and operational instructions originally developed for the NCUC study to facilitate the efficient functioning of the Random Audit program pilot tests. Burgess/Kingston also met with the Project Supervisors at the meetings held regularly in Washington, D.C., and worked closely with the Research and Reports Section of the Arizona UI agency to ensure that the statistical calculations required for the analysis of the project data--including the estimation of the various measures of statewide payment error amounts and rates--were correctly performed and properly documented.

Under the direction of Robert St. Louis, the Research and Reports Section of the Arizona UI agency had performed the data processing tasks and statistical calculations required for the NCUC Benefit Overpayments Study. An agreement was reached between the Arizona UI agency and the UIS to continue this arrangement for the Random Audit program pilot tests. Hence, the data tapes produced by each Random Audit pilot test state were submitted to the Arizona agency for processing.

Pilot Test States

Upon being accepted to participate in the Random Audit program pilot test, immediate actions were initiated by the participating states to create a separate Random Audit program unit. Because state personnel procedures, union work rules or other factors often prevented the immediate creation of new and permanent units in these states, the establishment of temporary units staffed by individuals on temporary assignment was the typical pattern for the pilot test period.

The Random Audit unit in each state was to be composed of a Project Supervisor, three or four Field Investigators and a Clerk-Typist. Ideally, the Project Supervisor was to have a substantial amount of experience in field investigations and in the adjudication of UI claims. This individual was to be assigned to the Random Audit unit on a full-time basis for a period of approximately 18 months (from approximately December of 1980 through May of 1982). The Project Supervisor also needed management experience and the ability to interface with data processing and programming personnel, local office managers and the state's benefit payments control or investigations unit.

The Field Investigators selected for the Random Audit unit were expected to have at least two years of UI program experience, and at least one year of experience adjudicating UI claims in local offices. The responsibilities for the Field Investigators were such that it was believed that local office adjudications deputies would fill most of these positions. Although such individuals likely would have limited backgrounds or experience in field investigations, a comprehensive program of classroom and on-the-job training was to be designed to enable these individuals to acquire the investigative skills required. Because of the statewide nature of the samples selected each week, it was necessary that each of these individuals have access to public, private or agency transportation so that they could investigate any claim, no matter where that claim was filed throughout the state. Also, persons selected as Field Investigators should have indicated some willingness to work "non-standard" hours or schedules, on occasion, as dictated by the requirements of their positions. These individuals were to be assigned to the project for a period of approximately 17 months (January, 1981 through May, 1982). The number of Field Investigators for each pilot test state was determined by the National Office on the basis of factors such as the geographic size and transportation facilities of the state, the degree of sophistication of the state's UI computer facilities, and the possibility of "outstationing" one or more of the Field Investigators away from the central office where the Project Supervisor would be located. The extent of concentration of the statewide UI claims load in one or a few UI local offices also was an important factor in determining the number of Field Investigators assigned to each pilot test state.

The Clerk-Typist assigned to the Random Audit Unit was expected to have at least one year of UI experience. A highly responsible person was to be selected for this position because, among other tasks, this individual could be responsible for: (1) maintaining all project case files; (2) assisting the Field Investigators with computer-based inquiries and the acquisition of investigative information from other sources; (3) coding and/or entering project data; and (4) updating case files, proofing coding forms and tapes, and other important project activities. The Clerk-Typist was to be assigned to the Project for a period of approximately 15 months (February, 1980 through April, 1981).

The participating states also were expected to provide computer-related assistance to develop the programs required to construct the weekly UI payment files and to appropriately select the weekly probability samples from these files. Technical assistance was to be provided to the states by the National Office staff, Burgess/Kingston and the Arizona agency, when necessary, to facilitate the preparation of these computer programs.

The pilot test states also were expected to commit, on a limited basis, personnel from other units within the UI agency to support the Random Audit Unit, as required. For example, following the training sessions for state project personnel provided by the National Office, each state was to conduct additional training for its own Random Audit Unit. This training was to involve personnel from the state's fraud or investigations unit, the field or tax audit units, the legal department and other administrative units within the UI or employment security agency. Cooperation also was sought from local office managers, regional or district supervisors and the benefit payments control unit in each state.

APPENDIX E
STANDARD GUIDELINES FOR INVESTIGATIONS

STANDARD GUIDELINES FOR INVESTIGATIONS:A. Check Weekly Sampling

1. The project supervisor should carefully review the hard-copy computer printout generated at the time that the weekly sample is drawn to determine if:
 - a. the correct random number was used;
 - b. the correct skip interval was used;
 - c. the correct number of cases was selected;
 - d. the cases selected represent a full spectrum of the amounts paid + offset in the State;
 - e. all of the cases in the population were cumulated into a population file for storage.
2. In addition, the project supervisor should be aware of persistent concentrations of cases in certain parts of the State, or among certain types of claimants, that would suggest that a review of the sampling program would be in order.

B. Desk Review of Agency Information

1. Either originals or copies of all relevant documentation for the entire benefit year are placed in a central file in the random audit unit central office.
2. A copy of all relevant documentation is placed in a field folder to be used by the investigator.
3. The investigator reviews all "master file" information on the claimant. This would include factors such as reasons for separations, past nonmonetary determinations, the pattern of filing, and any gaps in filing and returning to work.
4. Certifications and cancelled checks for the current spell of unemployment are reviewed and compared for signatures.
5. Wage records or wage request data on all base year employees are reviewed.

6. Information on local labor market conditions and other information relevant to the claimant's search for work are obtained from the local Job Service or UI offices, or from other relevant sources.
7. Written documentation is obtained for any written or verbal suspensions or modifications of written law or policy that could affect the claimant's eligibility for benefits during the key week, including the section of the law or regulations that allows such suspensions or modifications.
8. Dependency documentation is obtained if pertinent.

C. Claimant Interview

1. Contact the claimant by phone, if possible, to arrange for a personal interview. A follow-up notice should be sent through the mail to the claimant's old address (if a recent address change occurred) and new address. The claimant should be given a specific telephone number to call if he or she is unable to appear at the stated time and place.
 2. Interview the claimant. Explain purpose of study and establish proof of claimant's identity (driver's license, social security card, etc.). Provide claimant questionnaire and assist claimant to complete.
 3. Interviewer reviews questionnaire with claimant:
 - a. Probe as needed;
 - b. Clarify answers;
 - c. Obtain additional information for questions not originally answered on the questionnaire;
 - d. Special attention given to all information that relates specifically to claimant's eligibility for key week, since focus is on eligibility for that week;
 - e. Write fact finding statements on all potential issues.
-

4. Review base period earnings and employment with claimant to determine accuracy. If necessary, review hours worked and earnings per week to verify monetary eligibility for benefits. If relevant, separations from base period employers should be reviewed.
5. Review, and verify with claimant, prior availability and ability to work during benefit year, to the extent relevant for key-week eligibility. (The intent is not to verify availability/ability on a week-by-week basis.)
6. Review, and verify with claimant, job separations in benefit year.
7. Review prior work search contacts and pattern with claimant, to the extent this review is relevant for key-week eligibility. (The intent is not to verify week-by-week work search.)
8. Interviewer advises claimant that he or she will be contacted if any problem is detected in the claim.
9. Obtain claimant signature on questionnaire after review and discussion.
10. Mail questionnaire to claimant in those instances only where personal interview is impossible.

D. Field Work

1. Obtain signed statements in the process of all third-party verification.
2. Base period wages lag period wages, partial earnings and employment are verified for each sampled case.
 - a. Payroll records and separation reasons are reviewed by in-person contacts with employers for in-state earnings and employment.
 - b. Payroll records and separation reasons are reviewed by in-person contacts with employers for combined wage claims in close locations; otherwise, verification to take place by mail by obtaining earnings break out by payperiod for each quarter, and reasons for separation.

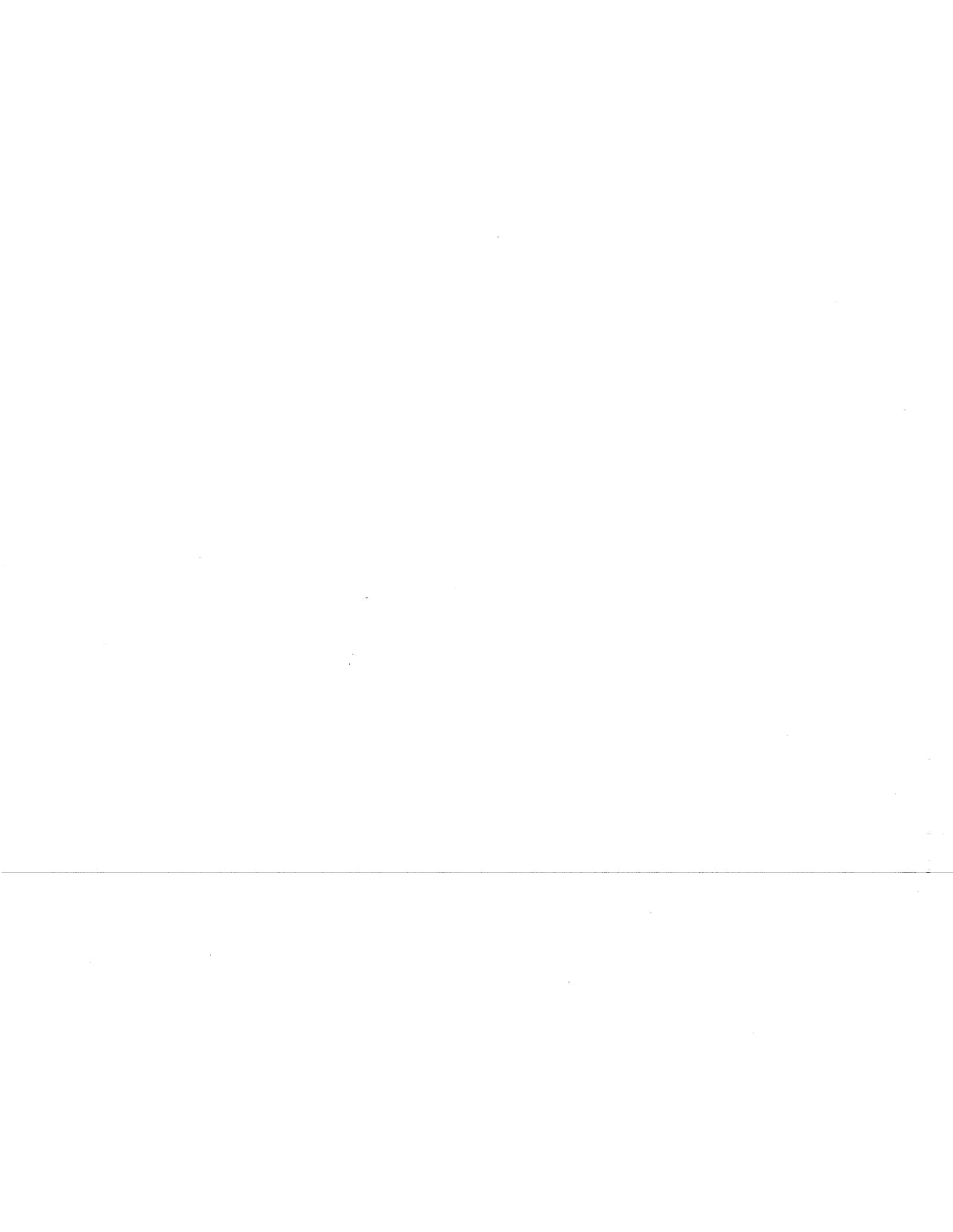
- c. UCFE wages/separations verified by using Request-for-Verification-of-UCFE-Wage-and-Separation-Information form ES 936 and comparing to Request-for-Wage-and-Separation-Information-for-Federal-Employee form.
 - d. UCX wages verified by obtaining from the agency files a copy of the DD214 and comparing it to UCX wage schedule. It may also be necessary to send a Request-for-Wage-and-Separation-Information-Ex-Service men form ETA 8-43.
 - e. other wage situations verified, as appropriate in each case.
3. Review dependency eligibility if relevant.
 4. Social security benefits/identity checked, if relevant.
 5. Current address and address changes verified.
 6. Availability issues or potential issues verified.
 7. Job separations in the benefit year that could affect key-week eligibility verified.
 8. Intervening employment dates during benefit year that could affect key-week eligibility verified.
 9. Work search contacts relevant for key week verified
 - a. copy applications, if possible;
 - b. obtain copy of resumes prepared, if possible;
 - c. Obtain fact-finding statement from employer concerning contact.
 10. Pursue investigation until any questions/doubts in investigator's mind are resolved, so long as reasonable procedures for resolving such doubts are available.

11. ES 511 copied, if completed.
12. Current registration with the Job Service, as of the key week, verified through agency contacts.
13. Current registration with union, as of the key week, verified and obtained in writing, if relevant.
14. Potential issues not related to claimant's eligibility during the key week handled directly by Random Audit Staff or referred to appropriate agency personnel.

E. Closing the Investigation and Case File

1. Review all evidence obtained and determine if key week properly paid.
2. If decision is that key week was properly paid:
 - a. complete Summary of Investigation.
 - b. complete Checksheet #1 and Coding Sheet
 - c. monitor status of key week for any possible changes during course of project due appeals or other factors;
 - d. all final records maintained in the Random Audit office.
3. If decision is that key week was NOT properly paid:
 - a. discuss case and documentation with Project Supervisor;
 - b. contact the claimant and give the claimant the opportunity to rebut evidence gathered, or to offer additional information if needed or required;
 - c. complete upper portion of report form to be sent to local office manager for comments on the case.

- d. review local office manager's response (or fraud unit's response if fraud involved).
 - e. review all evidence obtained, and obtain any additional evidence required for full documentation of proper or improper cases.
 - f. prepare determination (monetary, non-monetary, fraud).
 - g. send copy of form back to local office manager (and fraud unit, if fraud involved) to advise on final disposition of case;
 - h. if, for some reason, no determination issued and overpayment established (but week was not properly paid), place report/explanation in the file to show why week was improper but no official action was taken;
 - i. complete Summary of Investigation form.
 - j. if case is appealed, appear at appeal; also, employers may be contacted to appear at such hearings;
 - k. status of all key weeks monitored for any possible changes during course of project due to appeals or other factors;
 - l. checksheet #1 completed;
 - m. coding sheet completed;
 - n. final records on case maintained in Random Audit office.
-



APPENDIX F
QUESTIONNAIRE FOR CLAIMANT INTERVIEW

UNEMPLOYMENT INSURANCE RANDOM SURVEY QUESTIONNAIRE

INSTRUCTIONS: Please print or write all answers clearly. Answer the questions the best way you can. If you don't know the answer to any question, write "don't know" in the space for that question. If you need help answering any questions, please ask. YOUR ANSWERS WILL BE USED TO DETERMINE WHETHER OR NOT YOUR UNEMPLOYMENT INSURANCE BENEFITS WERE PROPERLY PAID. THE LAW PROVIDES PENALTIES FOR FALSE STATEMENTS. THE ACCURACY OF THE INFORMATION YOU PROVIDE WILL BE CHECKED.

1. What is your name? _____
2. What is your social security number? _____
3. What is your current street address?

Current street address

Building/Apartment number

City / State / Zip Code

4. If your current mailing address DIFFERS from your current street address, enter your mailing address below:

Current mailing address

Building/Apartment number

City / State / Zip Code

5. What is your current area code and telephone number?

area code / telephone number

6. What is your birth date?

Month / Day / Year

7. What is your sex? Male _____ Female _____
8. Are you a citizen of the United States? YES _____ NO _____
9. Did you see a movie or otherwise get information about your unemployment benefits, rights and responsibilities at the beginning of your unemployment claim? Yes _____ No _____

10. Did you ask any questions about your unemployment benefits, rights and responsibilities at the beginning of your unemployment claim or any time since you have been receiving benefits? YES _____ NO _____ If YES, were you satisfied with the answers you got to your questions? YES _____ NO _____ If NO, please explain:
- _____
- _____
- _____
11. Have you had any problems with your unemployment claim? YES _____ NO _____ If YES, please explain:
- _____
- _____
- _____
- _____
12. Are there questions that you would like to ask today about your unemployment claim, or your rights and responsibilities as an unemployment insurance claimant? YES _____ NO _____ If YES, please list your questions:
- _____
- _____
- _____
- _____
13. Were the people in the office where your claim was filed polite? YES _____ NO _____ If NO, please explain:
- _____
- _____
- _____
14. Did you get your wage statement? YES _____ NO _____ If YES, was your wage statement correct? YES _____ NO _____ If NO, please explain:
- _____
- _____
- _____
15. Has your address changed since you began your current unemployment claim? YES _____ NO _____ If YES, please give your former address below:
- Former street address _____
- Building/Apartment number _____
- City / State / Zip Code _____

16. Has your name changed since you began your current unemployment claim?
YES _____ NO _____ If YES, please give your former name:

17. Please answer the following questions about your schooling:

a. Highest grade completed: _____

b. Date you last attended school: _____

c. Name of last school attended: _____

d. Address of last school attended: _____

Street

City / State / Zip Code

18. Please answer the following questions about training you have received:

a. Months of training (for example: trade school, vocational-skills training, OIC, CETA, Armed Forces, business) _____ months

b. Date you last attended a training program _____

c. Name of training program last attended _____

d. Address of training program last attended _____

Street

City / State / Zip Code

19. Please answer the following questions about your MOST RECENT EMPLOYER:

a. Name of Most Recent Employer _____

b. Address of Most Recent Employer _____

Street

City / State / Zip Code

c. Area Code/Phone Number of Most Recent Employer _____

d. Number of months you worked for your Most Recent Employer _____ months

e. Last day worked for your Most Recent Employer _____

Month / Day / Year

f. The type of work you did for your Most Recent Employer _____

g. Rate of pay with Most Recent Employer \$ _____ per _____

h. Why did you leave your Most Recent Employer _____

20. Are you out of work due to a labor dispute?
 YES _____ NO _____ If YES, please explain:

21. Please list below the type or types of work you are trying to find and your prior experience in doing such work:
- | <u>Type of Work Trying to Find</u> | <u>Amount and Type of Prior Experience in This Type of Work</u> |
|------------------------------------|---|
| a. _____ | _____ |
| b. _____ | _____ |
| c. _____ | _____ |
| d. _____ | _____ |
22. How much do you normally make when working at your usual job?
 \$ _____ per _____.
23. What is the lowest rate of pay you will accept to return to work?
 \$ _____ per _____.
24. What were your normal working hours on your most recent job?
 _____ a.m. to _____ a.m.
 _____ p.m. to _____ p.m.
25. a. What are the normal hours you would be willing and able to work when you return to work?
 _____ a.m. to _____ a.m.
 _____ p.m. to _____ p.m.
- b. If shift work, what shift(s) would you be willing and able to work when you return to work? (Check (✓) as many as apply.)
 _____ 1st (day shift) _____ 3rd (graveyard shift)
 _____ 2nd (swing shift) _____ Other (including day/night rotation)
26. Circle the days you normally DID NOT WORK on your most recent job:
 SUN. MON. TUES. WED. THURS. FRI. SAT.
27. Circle the days of the week you normally would NOT BE WILLING OR ABLE to work when you return to work:
 SUN. MON. TUES. WED. THURS. FRI. SAT.

28. Please provide the following information about your efforts to find work:
- About how many miles are you willing to travel one way to work? _____ miles
 - About how many minutes are you willing to spend traveling one way to work? _____ minutes
 - What kind of transportation do you now use to look for work?
Own car _____ Other car _____ Public transportation _____ Other _____
 - In what geographic area have you been looking for work? _____

 - In what OTHER geographic areas would you be willing to look for work?

 - Do you have a definite date to return to work?
YES _____ NO _____ If YES, the date _____
Month / Day / Year
29. Do you have a valid driver's license? YES _____ NO _____ If YES, answer the following:
- License Number _____
 - State Issuing License _____
 - Class of License: Regular _____ Chauffeur _____ Other _____
 - Date License Expires _____
 - Restrictions on License: _____
30. Are you an active member of a union? YES _____ NO _____ If YES, answer the following:
- Do you get work ONLY through the union? YES _____ NO _____
 - Are you currently on the out-of-work list? YES _____ NO _____
If YES, the last time you signed on to the out-of-work list was _____
(Month / Day / Year)
 - Are you willing to accept nonunion employment? YES _____ NO _____
 - Union Name _____ Local Number _____
Union Address _____
Street / City / State / Zip Code _____
Union Area Code/Phone Number _____

31. Have you checked with the Job Service as one way to find work?

YES _____ NO _____ If YES, please answer the following:

a. On what date did you first register with the Job Service? _____

b. Have you been in contact with the Job Service since you first registered? YES _____ NO _____ If YES, give dates and purposes of these contacts:

c. Place where you last checked with the Job Service:

Street / City / State / Zip Code

d. Has the Job Service told you that it had any jobs listed for which you are qualified? YES _____ NO _____ If YES, were you referred to any of these jobs? YES _____ NO _____ If YES, please explain results of any referrals:

32. Have you signed up with a private employment agency?

YES _____ NO _____ If YES, please answer the following:

a. Name of Private Employment Agency _____

b. Address of Private Employment Agency _____
Street

City / State / Zip Code

c. Area Code/Phone Number of Private Employment Agency _____

d. Has this Private Employment Agency told you about any jobs for which you are qualified? YES _____ NO _____ If YES, please explain:

PLEASE READ THIS IMPORTANT NOTE. IN THE REMAINING QUESTIONS, THE TERM "THE WEEK" REFERS TO A SPECIFIC WEEK THAT BEGAN ON _____ AND ENDED ON _____. PLEASE KEEP THESE DATES IN MIND IN ANSWERING THE REMAINING QUESTIONS THAT RELATE TO "THE WEEK".

33. Did you have any dependents or other persons who would have needed care from someone else if you had worked during THE WEEK?

YES _____ NO _____ If YES, please answer the following:

a. Was some person or place available to provide the needed care?
YES _____ NO _____ If YES:

b. Give name, address and phone number of person or place that would provide care:

Name: _____

Address: _____
Street / City / State / Zip Code

Area Code/Phone Number _____

34. Did you attend or sign up for any school classes or training programs during THE WEEK? YES _____ NO _____ If YES, please answer the following:

a. Name of school or training program: _____

b. Type of schooling/training provided: _____

c. Address of school or training program: _____

Street / City / State / Zip Code

d. Area Code/Phone Number of school or training program: _____

35. During THE WEEK, did you have any physical condition or handicap that reduced your ability to work or to look for work?

YES _____ NO _____ If YES, please explain: _____

36. During THE WEEK, was there any day or days that you were NOT available for work? YES _____ NO _____ If YES, please list the days and reasons you were not available: _____

NOTE: "THE WEEK" BEGAN ON _____ AND ENDED ON _____

37. During THE WEEK, was there any reason that you could not accept full-time work? YES _____ NO _____ If YES, please explain: _____

38. During THE WEEK, were you an officer of a corporation, union or other organization? YES _____ NO _____ If YES, please explain: _____

39. Did you need any special trade or skills licenses or certificates to do the type of work you were looking for during THE WEEK? (Examples: such as licenses required for pilots, radio operators, beauticians, barbers, lawyers, nurses, real estate salespersons, etc.): YES _____ NO _____
 If YES, did you have the licenses/certificates you needed? YES _____ NO _____
 If you had any of these licenses/certificates, when do they expire?

 Day / Month / Year
40. As of THE WEEK, did you have any other special trade or skills licenses/certificates like those described in question 39 above?
 YES _____ NO _____ If YES, please explain the types of licenses/certificates you have, and give expiration dates: _____

PLEASE GO TO THE NEXT PAGE TO ANSWER QUESTION 41.

41. Answer each question on this page for UP TO FIVE work-search contacts that you made during THE WEEK:
 NOTE: "THE WEEK" began on _____ and ended on _____.

	Job Contact #1	Job Contact #2	Job Contact #3	Job Contact #4	Job Contact #5
Name and Address of Employer					
Date Contacted					
Name/Title of Person Contacted					
Area Code/Phone Number of Person Contacted					
Type of Work You Applied For					
How Job Contact was made: check (✓)	In-person _____ Telephone _____ Mail _____				
Check (✓) if this was first contact					

INDICATE BELOW THE RESULTS OF THESE WORK-SEARCH CONTACTS: Check (✓) as many boxes as apply.

No work available					
Work available					
No Job Offer Made					
Job Offer Made & Offer Accepted					
No Job Offer But Expect Future Offer					

NOTE: "THE WEEK" BEGAN ON _____ AND ENDED ON _____

42. Did you make any other work-search contacts during THE WEEK not listed in Question 41 above? YES _____ NO _____ If YES, enter the number of other contacts you made: _____

43. Please explain any other actions you took during THE WEEK to find work?

44. During THE WEEK did you receive any job offers that were not listed in Question 41 above? YES _____ NO _____ If YES, please answer the following:

a. If you DID NOT accept any jobs offered to you, please explain why

b. If You DID ACCEPT any jobs offered to you, please answer the following:

Date you accepted job offer: _____

Date you began or will begin work: _____

Name of Employer: _____

Address of Employer _____
Street

_____ City / State / Zip Code

Area Code/Phone Number of Employer: _____

NOTE: "THE WEEK" BEGAN ON _____ ENDED ON _____
--

45. Did you do work of any type or perform any services during THE WEEK?
 YES _____ NO _____ If YES, please answer the following:

a. Check (✓) the type of work you did during THE WEEK:

Commission Sales _____
 Self-employment _____
 Other _____

b. Explain the type of work you did during THE WEEK: _____

c. Total hours you worked during THE WEEK _____

d. Times and days you worked during THE WEEK _____

46. If you earned income from any source during THE WEEK, please circle all income sources below and list the earnings from each source:

	<u>Amount</u>		<u>Amount</u>
Earnings from self-employment	\$ _____	Holiday pay	\$ _____
Commission payments	\$ _____	Tips/gratuities	\$ _____
Wages in lieu of notice	\$ _____	Room/board	\$ _____
Dismissal or severance pay	\$ _____	Vacation pay	\$ _____
Worker's Compensation	\$ _____	All other sources of earnings for THE WEEK	\$ _____
Reserve/National Guard pay	\$ _____		

NOTE: "THE WEEK" BEGAN ON _____ AND ENDED ON _____

47. Did you report any earned income listed in Question 46 on your weekly claim for unemployment insurance benefits for THE WEEK?

YES _____ NO _____

48. During THE WEEK, did you receive any money from social security, a retirement plan, a disability plan, or any other pension or annuity?

YES _____ NO _____ If YES, answer the following:

a. Dollars received during THE WEEK \$ _____

b. Did you report any of this money on your claim for unemployment insurance benefits for THE WEEK? YES _____ NO _____

CERTIFICATION: I UNDERSTAND THE QUESTIONS ON THIS FORM AND I HAVE ANSWERED THEM TRUTHFULLY TO THE BEST OF MY KNOWLEDGE. I KNOW MY ANSWERS WILL BE USED TO DETERMINE WHETHER OR NOT MY UNEMPLOYMENT INSURANCE BENEFITS WERE PROPERLY PAID. I KNOW THE LAW PROVIDES PENALTIES FOR FALSE STATEMENTS. I ALSO KNOW THAT THE ACCURACY OF MY ANSWERS WILL BE CHECKED.

Date

Claimant's Signature

Interviewer's Signature

APPENDIX G
CLASSIFICATION CODES FOR
PAYMENT ERROR TYPES AND CAUSES

CLASSIFICATION CATEGORIES FOR PAYMENT ERROR TYPES

Original Payment Too Large:

- A. Fraud
 - 1. Claimant Fraud
 - 2. Other Fraud
- B. Nonfraud
 - 3. Nonfraud: Solely Claimant Responsibility
 - 4. Nonfraud: Solely Employer Responsibility
 - 5. Nonfraud: Solely Agency Responsibility
 - 6. Nonfraud: Claimant and Employer Responsibility
 - 7. Nonfraud: Claimant and Agency Responsibility
 - 8. Nonfraud: Employer and Agency Responsibility
 - 9. Nonfraud: Claimant, Employer and Agency Responsibility

Original Payment Too Small:

- 20. Nonfraud: Solely Claimant Responsibility
- 21. Nonfraud: Solely Employer Responsibility
- 22. Nonfraud: Solely Agency Responsibility
- 23. Nonfraud: Claimant and Employer Responsibility
- 24. Nonfraud: Claimant and Agency Responsibility
- 25. Nonfraud: Employer and Agency Responsibility
- 26. Nonfraud: Claimant, Employer and Agency Responsibility

CLASSIFICATION CATEGORIES FOR PAYMENT ERROR CAUSES

Original Payment Too Large:

- A. Unreported Earnings or Days/Hours of Work in the Key Week Due to:
 - 1. Self-Employment
 - 2. Commission Sales
 - 3. Concealed Employment
 - 4. Vacation/Holiday Pay
 - 5. Other Causes related to unreported earnings or days/hours of work in the key week.

- B. Errors in Reporting/Recording Earnings or Days/Hours of Work for the Key Week Due to:
9. Reporting of Net vs. Gross Earnings
 10. Underestimation of earnings or days/hours of work
 11. Earnings (or days/hours of work) reported when paid rather than when earned (or when work was performed).
 12. Wages (or days/hours of work) reported but not correctly deducted from key-week payment.
 13. Over- and under-reporting of earnings or days/hours of work.
 14. Vacation/holiday pay.
 15. Other causes related to reporting or recording of earnings or days/hours of work for the key week.
- C. Errors in Reporting/Recording Earnings or Weeks/Days/Hours of Work for the Base Period Due to:
19. Earnings or weeks/days/hours of work incorrectly reported by employers.
 20. Earnings or weeks/days/hours of work incorrectly recorded by UI Agency.
 21. Incorrect estimation of earnings or weeks/days/hours of work by claimant.
 22. Reporting forms are inconsistent with legal provisions: employers are asked to report wages or weeks/days/hours of work when paid, but law specifies monetary determination is to be based on when wages were earned or work was performed.
 23. Other causes related to errors in reporting or recording earnings or weeks/days/hours of work for the base period.
- D. Separation Issues Due To:
27. Voluntary Quits
 28. Discharges for misconduct
 29. Other causes related to separation issues.
- E. Eligibility Issues Due To:
33. Ability to work
 34. Availability for work
 35. Active job search
 36. Refusal of suitable work
 37. Self-employment
 38. Other causes related to eligibility issues

F. Dependents Allowance Incorrect Due To:

- 42. Dependents information incorrectly reported by claimant; dependent relationship does not exist.
- 43. Dependents information incorrectly reported by claimant; sufficient support not provided.
- 44. Allowance incorrectly calculated by UI Agency.
- 45. Other causes related to dependents allowances.

G. Illegal Alien Status Category:

- 49. Illegal Alien Status

H. Other Causes Due To:

- 53. Benefits paid during a period of disqualification, even though a stop-pay order was in effect.
- 54. Reversals (appeal or higher authority)
- 55. Redetermination (at deputy level)
- 56. Back pay award
- 57. Social security/pension deductions
- 58. Severance pay
- 59. All other causes (to be used very seldom)

Original Payment Too Small:

A. Errors in Reporting/Recording Earnings or Days/Hours of Work for the Key Week Due To:

- 70. Earnings or days/hours of work incorrectly reported.
- 71. Earnings or days/hours of work incorrectly recorded or deducted.
- 72. Earnings or days/hours of work incorrectly estimated.
- 73. Other causes related to errors in reporting or recording earnings or days/hours of work.

B. Incorrect Reporting or Recording of Base-Period Earnings or Weeks/ Days/Hours of Work that were Utilized for the Monetary Determination Due To:

- 77. Earnings or weeks/days/hours of work incorrectly reported by employers.
- 78. Earnings or weeks/days/hours of work incorrectly recorded by UI Agency.
- 79. Incorrect estimation of earnings or weeks/days/hours of work by the claimant.

80. One or more base period employers not reported by claimant.
 81. Reporting forms are inconsistent with legal provisions:
Employers are asked to report wages or weeks/days/hours of work when paid, but law specifies monetary determination is to be based on when wages were earned or work was performed.
 82. Other causes related to base-period earnings or weeks/days/hours of work.
- C. Dependents Incorrectly Reported/Recorded Due To:
86. Dependents information incorrectly reported by claimant.
 87. Dependents information incorrectly recorded by UI Agency.
 88. Allowance incorrectly calculated by UI Agency.
 89. Other causes related to dependents allowance.
- D. Other Causes Due To:
93. Incorrect social security/pension adjustments made in the weekly benefit amount for the key week.
 94. All other causes (to be used very seldom)
-

APPENDIX H
EMPIRICAL RESULTS FOR EACH
PILOT TEST STATE
1981.2 - 1982.1

<u>State</u>	<u>Table Numbers</u>
Illinois	H-1 through H-5
Kansas	H-6 through H-10
Louisiana	H-11 through H-15
New Jersey	H-16 through H-20
Washington	H-21 through H-25

APPENDIX TABLE H-1

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND
POPULATION PROPORTIONS FOR ILLINOIS: 1981.2 - 1982.1^{a, b}

Characteristic	Sample Proportion	Population Proportion
Sex:		
Male	64.9%	68.1%
Female	35.1%	31.9%
Missing	0.0%	0.0%
Age:		
Less than 25 Years	18.2%	20.2%
25-44 Years	57.2%	54.3%
45-64 Years	23.6%	23.7%
65 Years and up	1.0%	1.8%
Missing	0.0%	0.0%
Minority Status:		
White	71.0%	69.9%
Spanish, Black/Other Nonwhite	29.0%	30.1%
Missing	0.0%	0.0%
Amount Paid/Offset:		
Less than \$50	3.7%	3.8%
\$ 50-\$ 99	21.1%	21.9%
\$100-\$124	11.7%	12.7%
\$125-\$149	27.4%	26.4%
\$150 and up	36.0%	35.2%
Missing	0.0%	0.0%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-2

ESTIMATED RATES AND DOLLAR AMOUNTS OF GROUP A (FRAUD) OVERPAYMENTS, GROUP B (FORMAL ACTIONS) AND GROUP C (FORMAL/PROHIBITED ACTIONS) PAYMENT ERRORS, AND ESTIMATED DOLLAR RATES OF GROUP B (FORMAL ACTIONS) OVERPAYMENTS PLUS FORMAL WARNINGS FOR ILLINOIS: 1981.2 - 1982.1^{c,d}

Measure	Point Estimate	Error Factor
Group A (Fraud) Overpayments:^e		
Percent of Dollars Overpaid	1.2%	0.8%
Amount of Dollars Overpaid	\$15.3m	\$11.1m
Group B (Formal Actions) Payment Errors:^f		
Overpayments Only:		
Percent of Dollars Overpaid	11.9%	2.1%
Amount of Dollars Overpaid	\$158.5m	\$28.2m
Percent of Weeks Overpaid	16.0%	3.2%
Underpayments Only:		
Percent of Dollars Underpaid	0.8%	0.7%
Amount of Dollars Underpaid	\$10.5m	\$9.2m
Percent of Weeks Underpaid	3.1%	2.5%
Overpayments Less Underpayments:		
Percent of Dollars Overpaid on Net	11.1%	2.2%
Amount of Dollars Overpaid on Net	\$148.0m	\$29.8m
Overpayments Plus Underpayments:		
Percent of Weeks Paid with Errors	19.1%	3.6%
Overpayments Plus Formal Warnings:^g		
Percent of Dollars Overpaid or With Formal Warnings	11.9%	2.1%
Group C (Formal/Prohibited Actions) Payment Errors:^h		
Overpayments Only:		
Percent of Dollars Overpaid	12.4%	2.1%
Amount of Dollars Overpaid	\$165.5m	\$28.1m
Percent of Weeks Overpaid	20.3%	3.6%
Underpayments Only:		
Percent of Dollars Underpaid	0.9%	0.7%
Amount of Dollars Underpaid	\$11.9m	\$9.3m
Percent of Weeks Underpaid	3.8%	2.8%
Overpayments Less Underpayments:		
Percent of Dollars Overpaid on Net	11.6%	2.2%
Amount of Dollars Overpaid on Net	\$153.6	\$29.9m
Overpayments Plus Underpayments:		
Percent of Weeks Paid with Errors	24.1%	3.9%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-3

ESTIMATED FREQUENCY AND MEAN DOLLAR AMOUNT OF CHANGES
IN THE WBA, MBA OR BASE PERIOD WAGES FOR ILLINOIS:
1981.2 - 1982.1^{i,j}

Change Category	Point Estimate	Error Factor
<u>Changes in WBA:</u>		
Percent of Weeks with Increases	3.6%	1.3%
Mean Dollar Amount for Weeks with Increases	\$9.14	\$2.52
Percent of Weeks with Decreases	5.8%	1.6%
Mean Dollar Amount for Weeks with Decreases	\$10.20	\$4.10
<u>Changes in MBA:</u>		
Percent of Weeks with Increases	4.1%	1.4%
Mean Dollar Amount for Weeks with Increases	\$433.00	\$271.00
Percent of Weeks with Decreases	6.1%	1.7%
Mean Dollar Amount for Weeks with Decreases	\$323.00	\$100.00
<u>Changes in Base Period Wages:</u>		
Percent of Weeks with Increases	13.3%	2.4%
Mean Dollar Amount for Weeks with Increases	\$1,268.00	\$312.00
Percent of Weeks with Decreases	15.7%	2.5%
Mean Dollar Amount for Weeks with Decreases	\$977.00	\$255.00
Table footnotes appear at the end of this appendix.		

APPENDIX TABLE H-4

ESTIMATED DOLLAR RATES OF GROUP B (FORMAL ACTIONS)
OVERPAYMENTS BY TYPE AND CAUSE FOR ILLINOIS:
1981.2 - 1982.1^{c,k}

Type/Cause Category	Point Estimate	Error Factor
Dollar Rate of Group B (Formal Actions)		
Overpayments by Overpayment Type:		
Claimant Fraud:		
Sole Responsibility	1.2%	0.8%
Some Responsibility	1.2%	0.8%
Claimant Nonfraud:		
Sole Responsibility	6.5%	1.6%
Some Responsibility	8.6%	1.8%
Employer Nonfraud:		
Some Responsibility	1.4%	0.8%
UI Agency Nonfraud:		
Sole Responsibility	1.2%	0.7%
Some Responsibility	3.3%	1.1%
Dollar Rate of Group B (Formal Actions)		
Overpayments by Overpayment Cause:		
All Unreported Earnings for the Key Week:		
Concealed Employment Only	1.2%	0.8%
All Separation Issues:		
Discharges for Misconduct Only	1.3%	0.8%
All Eligibility Issues:		
Active Job Search Only	5.7%	1.6%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-5

AVERAGE NUMBER OF JOB SEARCH CONTACTS LISTED AND
 INVESTIGATED, AND ESTIMATED PERCENTAGES FOR VARIOUS
 JOB SEARCH CONTACT VERIFICATION CATEGORIES FOR ILLINOIS:
 1981.2 - 1982.1^L

Category	Point Estimate	Error Factor
Average Number of Job Search Contacts Listed by Claimants	2.6	0.1
Average Number of Job Search Contacts Investigated Per Case	2.3	---
Percentage of Job Search Contacts Investigated That Were: ^{m,n}		
Verified as Proper	35.5%	3.3%
Verified as Improper	10.7%	2.1%
Unverifiable	53.8%	3.4%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-6

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND
POPULATION PROPORTIONS FOR KANSAS: 1981.2 - 1982.1^a

Characteristic	Sample Proportion	Population Proportion
Sex:		
Male	61.8%	63.8%
Female	38.2%	36.2%
Missing	0.0%	0.0%
Age:		
Less than 25 Years	26.9%	25.1%
25-44 Years	50.7%	54.0%
45-64 Years	21.3%	20.2%
65 Years and up	1.1%	0.8%
Missing	0.0%	0.0%
Minority Status:		
White	83.3%	81.8%
Spanish, Black/Other Nonwhite	12.4%	14.3%
Missing	4.3%	3.9%
Amount Paid/Offset:		
Less than \$50	5.4%	5.8%
\$ 50-\$ 99	24.4%	25.4%
\$100-\$124	15.5%	15.9%
\$125-\$149	54.7%	52.8%
\$150 and up	0.0%	0.0%
Missing	0.0%	0.0%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-7

ESTIMATED RATES AND DOLLAR AMOUNTS OF GROUP A (FRAUD)
OVERPAYMENTS, GROUP B (FORMAL ACTIONS) AND GROUP C
(FORMAL/PROHIBITED ACTIONS) PAYMENT ERRORS, AND ESTIMATED
DOLLAR RATES OF GROUP B (FORMAL ACTIONS) OVERPAYMENTS
PLUS FORMAL WARNINGS FOR KANSAS: 1981.2 - 1982.1^{c,d}

Measure	Point Estimate	Error Factor
<u>Group A (Fraud) Overpayments:^e</u>		
Percent of Dollars Overpaid	0.2%	0.3%
Amount of Dollars Overpaid	\$0.3m	\$0.3m
<u>Group B (Formal Actions) Payment Errors:^f</u>		
Overpayments Only:		
Percent of Dollars Overpaid	12.9%	2.5%
Amount of Dollars Overpaid	\$14.0m	\$2.7m
Percent of Weeks Overpaid	14.1%	2.5%
Underpayments Only:		
Percent of Dollars Underpaid	0.1%	0.1%
Amount of Dollars Underpaid	\$0.1m	\$0.1m
Percent of Weeks Underpaid	0.9%	0.8%
Overpayments Less Underpayments:		
Percent of Dollars Overpaid on Net	12.9%	2.5%
Amount of Dollars Overpaid on Net	\$14.0m	\$2.7m
Overpayments Plus Underpayments:		
Percent of Weeks Paid with Errors	15.0%	2.6%
Overpayments Plus Formal Warnings: ^g		
Percent of Dollars Overpaid or With Formal Warnings	24.0%	3.5%
<u>Group C (Formal/Prohibited Actions) Payment Errors:^h</u>		
Overpayments Only:		
Percent of Dollars Overpaid	13.3%	2.5%
Amount of Dollars Overpaid	\$14.5m	\$2.7m
Percent of Weeks Overpaid	14.7%	2.6%
Underpayments Only:		
Percent of Dollars Underpaid	0.1%	0.1%
Amount of Dollars Underpaid	\$0.1m	\$0.1m
Percent of Weeks Underpaid	0.9%	0.8%
Overpayments Less Underpayments:		
Percent of Dollars Overpaid on Net	13.3%	2.5%
Amount of Dollars Overpaid on Net	\$14.4m	\$2.7m
Overpayments Plus Underpayments:		
Percent of Weeks Paid with Errors	15.6%	2.7%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-8

ESTIMATED FREQUENCY AND MEAN DOLLAR AMOUNT OF CHANGES
 IN THE WBA, MBA OR BASE PERIOD WAGES FOR KANSAS:
 1981.2 - 1982.1⁰

Change Category	Point Estimate	Error Factor
<u>Changes in WBA:</u>		
Percent of Weeks with Increases	0.7%	0.7%
Mean Dollar Amount for Weeks with Increases	\$2.26	p
Percent of Weeks with Decreases	1.2%	0.8%
Mean Dollar Amount for Weeks with Decreases	\$35.63	p
<u>Changes in MBA:</u>		
Percent of Weeks with Increases	1.2%	0.7%
Mean Dollar Amount for Weeks with Increases	\$192.00	p
Percent of Weeks with Decreases	1.4%	0.8%
Mean Dollar Amount for Weeks with Decreases	\$450.00	p
<u>Changes in Base Period Wages:</u>		
Percent of Weeks with Increases	3.2%	1.3%
Mean Dollar Amount for Weeks with Increases	\$596.00	\$426.00
Percent of Weeks with Decreases	1.4%	0.9%
Mean Dollar Amount for Weeks with Decreases	\$493.00	p

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-9

ESTIMATED DOLLAR RATES OF GROUP B (FORMAL ACTIONS)
 OVERPAYMENTS BY TYPE AND CAUSE FOR KANSAS:
 1981.2 - 1982.1^{c, k}

Type/Cause Category	Point Estimate	Error Factor
Dollar Rate of Group B (Formal Actions)		
<u>Overpayments by Overpayment Type:</u>		
Claimant Nonfraud:		
Sole Responsibility	11.6%	2.3%
Some Responsibility	11.7%	2.3%
Dollar Rate of Group B (Formal Actions)		
<u>Overpayments by Overpayment Cause:</u>		
All Eligibility Issues:	10.8%	2.2%
Active Job Search Only	10.3%	2.2%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-10

AVERAGE NUMBER OF JOB SEARCH CONTACTS LISTED AND
 INVESTIGATED, AND ESTIMATED PERCENTAGES FOR VARIOUS
 JOB SEARCH CONTACT VERIFICATION CATEGORIES FOR KANSAS:
 1981.2 - 1982.1^L

Category	Point Estimate	Error Factor
Average Number of Job Search Contacts Listed by Claimants	2.3	0.1
Average Number of Job Search Contacts Investigated Per Case	2.2	---
Percentage of Job Search Contacts Investigated That Were: m,n		
Verified as Proper	50.2%	3.1%
Verified as Improper	21.9%	2.7%
Unverifiable	27.8%	2.7%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-11

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND
POPULATION PROPORTIONS FOR LOUISIANA: 1981.2 - 1982.1^a

Characteristic	Sample Proportion	Population Proportion
Sex:		
Male	66.1%	66.3%
Female	32.5%	33.3%
Missing	1.4%	0.5%
Age:		
Less than 25 Years	20.6%	20.0%
25-44 Years	55.3%	53.7%
45-64 Years	21.0%	22.9%
65 Years and up	3.1%	3.1%
Missing	0.0%	0.2%
Minority Status:		
White	58.7%	57.3%
Spanish, Black/Other Nonwhite	41.0%	42.0%
Missing	0.3%	0.6%
Amount Paid/Offset:		
Less than \$50	7.1%	7.1%
\$ 50-\$ 99	29.1%	29.2%
\$100-\$124	13.2%	12.9%
\$125-\$149	11.7%	11.7%
\$150 and up	38.8%	39.1%
Missing	0.0%	0.2%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-12

ESTIMATED RATES AND DOLLAR AMOUNTS OF GROUP A (FRAUD) OVERPAYMENTS, GROUP B (FORMAL ACTIONS) AND GROUP C (FORMAL/PROHIBITED ACTIONS) PAYMENT ERRORS, AND ESTIMATED DOLLAR RATES OF GROUP B (FORMAL ACTIONS) OVERPAYMENTS PLUS FORMAL WARNINGS FOR LOUISIANA: 1981.2-1982.1^d

Measure	Point Estimate	Error Factor
Group A (Fraud) Overpayments:^e		
Percent of Dollars Overpaid	2.7%	1.1%
Amount of Dollars Overpaid	\$6.2m	\$2.4m
Group B (Formal Actions) Payment Errors:^f		
Overpayments Only:		
Percent of Dollars Overpaid	7.3%	1.7%
Amount of Dollars Overpaid	\$16.7m	\$3.8m
Percent of Weeks Overpaid	10.5%	2.0%
Underpayments Only:		
Percent of Dollars Underpaid	0.1%	0.1%
Amount of Dollars Underpaid	\$0.3m	\$0.2m
Percent of Weeks Underpaid	1.7%	0.9%
Overpayments Less Underpayments:		
Percent of Dollars Overpaid on Net	7.2%	1.7%
Amount of Dollars Overpaid on Net	\$16.4m	\$3.8m
Overpayments Plus Underpayments:		
Percent of Weeks Paid with Errors	12.2%	2.1%
Overpayments Plus Formal Warnings:^g		
Percent of Dollars Overpaid or With Formal Warnings	7.3%	1.7%
Group C (Formal/Prohibited Actions) Payment Errors:^h		
Overpayments Only:		
Percent of Dollars Overpaid	8.9%	1.8%
Amount of Dollars Overpaid	\$20.5m	\$4.2m
Percent of Weeks Overpaid	12.4%	2.2%
Underpayments Only:		
Percent of Dollars Underpaid	0.1%	0.1%
Amount of Dollars Underpaid	\$0.3m	\$0.2m
Percent of Weeks Underpaid	1.7%	0.9%
Overpayments Less Underpayments:		
Percent of Dollars Overpaid on Net	8.8%	1.8%
Amount of Dollars Overpaid on Net	\$20.2m	\$4.2m
Overpayments Plus Underpayments:		
Percent of Weeks Paid with Errors	14.1%	2.3%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-13

ESTIMATED FREQUENCY AND MEAN DOLLAR AMOUNT OF CHANGES
 IN THE WBA, MBA OR BASE PERIOD WAGES FOR LOUISIANA:
 1981.2 - 1982.1^o

Change Category	Point Estimate	Error Factor
<u>Changes in WBA:</u>		
Percent of Weeks with Increases	2.0%	0.9%
Mean Dollar Amount for Weeks with Increases	\$7.91	\$1.56
Percent of Weeks with Decreases	3.2%	1.1%
Mean Dollar Amount for Weeks with Decreases	\$11.99	\$2.84
<u>Changes in MBA:</u>		
Percent of Weeks with Increases	4.1%	1.3%
Mean Dollar Amount for Weeks with Increases	\$272.00	\$65.00
Percent of Weeks with Decreases	2.7%	1.1%
Mean Dollar Amount for Weeks with Decreases	\$356.00	\$122.00
<u>Changes in Base Period Wages:</u>		
Percent of Weeks with Increases	10.9%	2.1%
Mean Dollar Amount for Weeks with Increases	\$1,630.00	\$331.00
Percent of Weeks with Decreases	8.5%	1.8%
Mean Dollar Amount for Weeks with Decreases	\$710.00	\$249.00

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-14

ESTIMATED DOLLAR RATES OF GROUP B (FORMAL ACTIONS)
 OVERPAYMENTS BY TYPE AND CAUSE FOR LOUISIANA:
 1981.2 - 1982.1^k

Type/Cause Category	Point Estimate	Error Factor
Dollar Rate of Group B (Formal Actions)		
<u>Overpayments by Overpayment Type:</u>		
Claimant Fraud:		
Sole Responsibility	2.7%	1.1%
Some Responsibility	2.7%	1.1%
Claimant Nonfraud:		
Sole Responsibility	3.8%	1.2%
Some Responsibility	4.5%	1.3%
Dollar Rate of Group B (Formal Actions)		
<u>Overpayments by Overpayment Cause:</u>		
All Eligibility Issues:	5.7% ^q	1.5%
Availability for Work Only	2.2%	1.0%
Active Job Search Only	3.6%	1.1%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-15

AVERAGE NUMBER OF JOB SEARCH CONTACTS LISTED AND
 INVESTIGATED, AND ESTIMATED PERCENTAGES FOR VARIOUS
 JOB SEARCH CONTACT VERIFICATION CATEGORIES FOR LOUISIANA:
 1981.2 - 1982.1^L

Category	Point Estimate	Error Factor
Average Number of Job Search Contacts Listed by Claimants	1.2	0.1
Average Number of Job Search Contacts Investigated Per Case	1.2	---
Percentage of Job Search Contacts Investigated That Were: ^m		
Verified as Proper	68.7%	3.5%
Verified as Improper	3.1%	1.1%
Unverifiable	28.2%	3.4%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-16

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND
POPULATION PROPORTIONS FOR NEW JERSEY: 1981.2 - 1982.1^{a, r}

Characteristic	Sample Proportion	Population Proportion
Sex:		
Male	50.1%	55.6%
Female	49.9%	44.4%
Missing	0.0%	0.0%
Age:		
Less than 25 Years	22.7%	23.0%
25-44 Years	51.1%	48.0%
45-64 Years	23.8%	26.1%
65 Years and up	2.4%	2.8%
Missing	0.0%	0.0%
Minority Status:		
White	72.3%	67.5%
Spanish, Black/Other Nonwhite	27.7%	32.5%
Missing	0.0%	0.0%
Amount Paid/Offset:		
Less than \$50	5.8%	6.4%
\$ 50-\$ 99	28.3%	27.2%
\$100-\$124	25.2%	24.7%
\$125-\$149	40.7%	41.7%
\$150 and up	0.0%	0.0%
Missing	0.0%	0.0%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-17

ESTIMATED RATES AND DOLLAR AMOUNTS OF GROUP A (FRAUD)
OVERPAYMENTS, GROUP B (FORMAL ACTIONS) AND GROUP C
(FORMAL/PROHIBITED ACTIONS) PAYMENT ERRORS, AND ESTIMATED
DOLLAR RATES OF GROUP B (FORMAL ACTIONS) OVERPAYMENTS
PLUS FORMAL WARNINGS FOR NEW JERSEY : 1981.2-1982.1 d,s

Measure	Point Estimate	Error Factor
Group A (Fraud) Overpayments:^e		
Percent of Dollars Overpaid	1.9%	0.8%
Amount of Dollars Overpaid	\$12.6m	\$5.6m
Group B (Formal Actions) Payment Errors:^f		
Overpayments Only:		
Percent of Dollars Overpaid	24.3%	3.0%
Amount of Dollars Overpaid	\$163.8m	\$20.4m
Percent of Weeks Overpaid	38.2%	3.3%
Underpayments Only:		
Percent of Dollars Underpaid	1.0%	0.2%
Amount of Dollars Underpaid	\$6.7m	\$1.6m
Percent of Weeks Underpaid	13.9%	2.4%
Overpayments Less Underpayments:		
Percent of Dollars Overpaid on Net	23.3%	3.1%
Amount of Dollars Overpaid on Net	\$157.1m	\$20.7m
Overpayments Plus Underpayments:		
Percent of Weeks Paid with Errors	52.1%	3.4%
Overpayments Plus Formal Warnings:^g		
Percent of Dollars Overpaid or With Formal Warnings	27.9%	3.3%
Group C (Formal/Prohibited Actions) Payment Errors:^h		
Overpayments Only:		
Percent of Dollars Overpaid	24.6%	3.0%
Amount of Dollars Overpaid	\$166.1m	\$20.5m
Percent of Weeks Overpaid	38.7%	3.3%
Underpayments Only:		
Percent of Dollars Underpaid	1.0%	0.2%
Amount of Dollars Underpaid	\$6.7m	\$1.6m
Percent of Weeks Underpaid	13.7%	2.4%
Overpayments Less Underpayments:		
Percent of Dollars Overpaid on Net	23.7%	3.1%
Amount of Dollars Overpaid on Net	\$159.4m	\$20.8m
Overpayments Plus Underpayments:		
Percent of Weeks Paid with Errors	52.4%	3.4%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-18

ESTIMATED FREQUENCY AND MEAN DOLLAR AMOUNT OF CHANGES
 IN THE WBA, MBA OR BASE PERIOD WAGES FOR NEW JERSEY:
 1981.2 - 1982.1⁰

Change Category	Point Estimate	Error Factor
<u>Changes in WBA:</u>		
Percent of Weeks with Increases	19.0%	2.6%
Mean Dollar Amount for Weeks with Increases	\$7.28	\$1.20
Percent of Weeks with Decreases	17.1%	2.5%
Mean Dollar Amount for Weeks with Decreases	\$7.56	\$1.84
<u>Changes in MBA:</u>		
Percent of Weeks with Increases	18.5%	2.5%
Mean Dollar Amount for Weeks with Increases	\$271.00	\$91.00
Percent of Weeks with Decreases	26.9%	3.0%
Mean Dollar Amount for Weeks with Decreases	\$205.00	\$46.00
<u>Changes in Base Period Wages:</u>		
Percent of Weeks with Increases	26.5%	2.9%
Mean Dollar Amount for Weeks with Increases	\$1,045.00	\$281.00
Percent of Weeks with Decreases	45.4%	3.3%
Mean Dollar Amount for Weeks with Decreases	\$784.00	\$163.00

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-21

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND
POPULATION PROPORTIONS FOR WASHINGTON: 1981.2-1982.1^{a,b}

Characteristic	Sample Proportion	Population Proportion
Sex:		
Male	68.6%	68.4%
Female	31.4%	31.5%
Missing	0.0%	0.0%
Age:		
Less than 25 Years	17.3%	19.2%
25-44 Years	57.0%	58.4%
45-64 Years	25.2%	20.8%
65 Years and up	0.4%	1.7%
Missing	0.0%	0.0%
Minority Status:		
White	84.4%	83.1%
Spanish, Black/Other Nonwhite	7.0%	9.6%
Missing	8.5%	7.2%
Amount Paid/Offset:		
Less than \$50	8.6%	7.8%
\$ 50-\$ 99	25.5%	26.8%
\$100-\$124	12.8%	13.3%
\$125-\$149	13.0%	11.4%
\$150 and up	40.0%	40.6%
Missing	0.0%	0.0%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-20

AVERAGE NUMBER OF JOB SEARCH CONTACTS LISTED AND
 INVESTIGATED, AND ESTIMATED PERCENTAGES FOR VARIOUS
 JOB SEARCH CONTACT VERIFICATION CATEGORIES FOR NEW JERSEY:
 1981.2 - 1982.1^{L, t}

Category	Point Estimate	Error Factor
Average Number of Job Search Contacts Listed by Claimants	3.8	0.2
Average Number of Job Search Contacts Investigated Per Case	3.0	---
Percentage of Job Search Contacts Investigated That Were: ^m		
Verified as Proper	31.9%	2.5%
Verified as Improper	19.7%	2.3%
Unverifiable	48.4%	2.6%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-21

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND
POPULATION PROPORTIONS FOR WASHINGTON: 1981.2-1982.1^{a,b}

Characteristic	Sample Proportion	Population Proportion
Sex:		
Male	68.6%	68.4%
Female	31.4%	31.5%
Missing	0.0%	0.0%
Age:		
Less than 25 Years	17.3%	19.2%
25-44 Years	57.0%	58.4%
45-64 Years	25.2%	20.8%
65 Years and up	0.4%	1.7%
Missing	0.0%	0.0%
Minority Status:		
White	84.4%	83.1%
Spanish, Black/Other Nonwhite	7.0%	9.6%
Missing	8.5%	7.2%
Amount Paid/Offset:		
Less than \$50	8.6%	7.8%
\$ 50-\$ 99	25.5%	26.8%
\$100-\$124	12.8%	13.3%
\$125-\$149	13.0%	11.4%
\$150 and up	40.0%	40.6%
Missing	0.0%	0.0%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-22

ESTIMATED RATES AND DOLLAR AMOUNTS OF GROUP A (FRAUD) OVERPAYMENTS, GROUP B (FORMAL ACTIONS) AND GROUP C (FORMAL/PROHIBITED ACTIONS) PAYMENT ERRORS, AND ESTIMATED DOLLAR RATES OF GROUP B (FORMAL ACTIONS) OVERPAYMENTS PLUS FORMAL WARNINGS FOR WASHINGTON: 1981.2-1982.1 d,s

Measure	Point Estimate	Error Factor
Group A (Fraud) Overpayments:^e		
Percent of Dollars Overpaid	2.1%	1.0%
Amount of Dollars Overpaid	\$8.9m	\$3.9m
Group B (Formal Actions) Payment Errors:^f		
Overpayments Only:		
Percent of Dollars Overpaid	9.3%	1.8%
Amount of Dollars Overpaid	\$38.6m	\$7.4m
Percent of Weeks Overpaid	20.0%	2.7%
Underpayments Only:		
Percent of Dollars Underpaid	1.0%	0.3%
Amount of Dollars Underpaid	\$4.1m	\$1.3m
Percent of Weeks Underpaid	11.7%	2.2%
Overpayments Less Underpayments:		
Percent of Dollars Overpaid on Net	8.3%	1.8%
Amount of Dollars Overpaid on Net	\$34.5m	\$7.6m
Overpayments Plus Underpayments:		
Percent of Weeks Paid with Errors	31.7%	3.2%
Overpayments Plus Formal Warnings:^g		
Percent of Dollars Overpaid or With Formal Warnings	15.4%	2.5%
Group C (Formal/Prohibited Actions) Payment Errors:^h		
Overpayments Only:		
Percent of Dollars Overpaid	12.0%	2.0%
Amount of Dollars Overpaid	\$49.5m	\$8.3m
Percent of Weeks Overpaid	22.1%	2.8%
Underpayments Only:		
Percent of Dollars Underpaid	1.0%	0.3%
Amount of Dollars Underpaid	\$4.1m	\$1.3m
Percent of Weeks Underpaid	11.7%	2.2%
Overpayments Less Underpayments:		
Percent of Dollars Overpaid on Net	11.0%	2.1%
Amount of Dollars Overpaid on Net	\$45.4m	\$8.6m
Overpayments Plus Underpayments:		
Percent of Weeks Paid with Errors	33.8%	3.2%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-23

ESTIMATED FREQUENCY AND MEAN DOLLAR AMOUNT OF CHANGES
 IN THE WBA, MBA OR BASE PERIOD WAGES FOR WASHINGTON:
 1981.2 - 1982.1^{1,0}

Change Category	Point Estimate	Error Factor
<u>Changes in WBA:</u>		
Percent of Weeks with Increases	12.4%	2.2%
Mean Dollar Amount for Weeks with Increases	\$7.29	\$1.50
Percent of Weeks with Decreases	9.2%	1.9%
Mean Dollar Amount for Weeks with Decreases	\$13.18	\$4.96
<u>Changes in MBA:</u>		
Percent of Weeks with Increases	18.1%	2.6%
Mean Dollar Amount for Weeks with Increases	\$252.00	\$55.00
Percent of Weeks with Decreases	11.4%	2.1%
Mean Dollar Amount for Weeks with Decreases	\$384.00	\$128.00
<u>Changes in Base Period Wages:</u>		
Percent of Weeks with Increases	20.2%	2.7%
Mean Dollar Amount for Weeks with Increases	\$765.00	\$160.00
Percent of Weeks with Decreases	11.6%	2.1%
Mean Dollar Amount for Weeks with Decreases	\$985.00	\$273.00

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-24

ESTIMATED DOLLAR RATES OF GROUP B (FORMAL ACTIONS)
 OVERPAYMENTS BY TYPE AND CAUSE FOR WASHINGTON:
 1981.2 - 1982.1^{k,s}

Type/Cause Category	Point Estimate	Error Factor
<u>Dollar Rate of Group B (Formal Actions) Overpayments by Overpayment Type:</u>		
Claimant Fraud:		
Sole Responsibility	2.1%	1.0%
Some Responsibility	2.1%	1.0%
Claimant Nonfraud:		
Sole Responsibility	4.3%	1.2%
Some Responsibility	5.4%	1.4%
UI Agency Nonfraud:		
Sole Responsibility	1.8%	0.8%
Some Responsibility	2.9%	1.1%
<u>Dollar Rate of Group B (Formal Actions) Overpayments by Overpayment Cause:</u>		
All Separation Issues:	1.1%	0.7%
All Eligibility Issues:	5.9%	1.5%
Active Job Search Only	4.6%	1.3%

Table footnotes appear at the end of this appendix.

APPENDIX TABLE H-25

AVERAGE NUMBER OF JOB SEARCH CONTACTS LISTED AND
 INVESTIGATED, AND ESTIMATED PERCENTAGES FOR VARIOUS
 JOB SEARCH CONTACT VERIFICATION CATEGORIES FOR WASHINGTON:
 1981.2 - 1982.1^{L,t}

Category	Point Estimate	Error Factor
Average Number of Job Search Contacts Listed by Claimants	2.8	0.1
Average Number of Job Search Contacts Investigated Per Case	2.7	---
Percentage of Job Search Contacts Investigated That Were: ^m		
Verified as Proper	28.0%	2.4%
Verified as Improper	13.3%	2.5%
Unverifiable	58.7%	3.0%

Table footnotes appear at the end of this appendix.

APPENDIX H FOOTNOTES

- ^aPercentages for a characteristic may not add to 100.0% due to rounding.
- ^bInformation for the population was not available for 1981.4. Hence, the sample and population comparisons are based on information for 1981.2, 1981.3 and 1982.1.
- ^cSee the discussion of the reproducibility assumption in the limitations section of the report for cautions on interpreting the empirical results for these states.
- ^dAn error factor is provided for each point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate. With the exception of the "Overpayments Less Underpayments" measure, the lower limits of these confidence intervals are constrained to be greater than zero. An approximate interpretation of an 80% confidence interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix.
- ^eGroup A (Fraud) overpayments include only weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud overpayments detected for the key week. Overpayment rates calculated in terms of dollars reflect the percentage of dollars paid statewide that were overpaid. The precise definition of Group A (Fraud) overpayments is contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service).
- ^fGroup B (Formal Actions) overpayments (underpayments) include only weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud/nonfraud overpayments (nonfraud underpayments) detected for the key week. The "Overpayments Plus Underpayments" measure indicates the percentage of all weeks paid statewide that had some Group B (Formal Actions) net payment error (i.e., either an overpayment or an underpayment), regardless of the dollar amount of the error. Overpayment (underpayment) rates calculated in terms of weeks reflect the percentage of weeks paid statewide with an overpayment (underpayment) of any amount, whereas rates calculated in terms of dollars reflect the percentage of dollars paid statewide that were overpaid (underpaid). The precise definitions of Group B (Formal Actions) overpayments and underpayments are contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service).

^gGroup B (Formal Actions) Overpayments Plus Formal Warnings include only: (1) weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud/nonfraud overpayments detected for the key week; and (2) weeks with no Group A, Group B or Group C payment errors for which a formal warning was issued for potentially disqualifying circumstances that did not constitute an actual violation of written law/policy for the key week. More precise definitions are contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service).

^hGroup C (Formal/Prohibited Actions) overpayments include all weeks for which: (1) the Random Audit team determined that the original key-week payment was too large; and (2) official actions were taken to establish an overpayment or the Random Audit team was prohibited from taking official actions by finality or other rules in the state's written law/policy. Hence, Group C dollar overpayment rates measure the percentage of UI payments made statewide that the Random Audit team believed were overpaid, whether or not the "formal" UI system was willing or able to "sanction" the views of the Random Audit team through official actions taken. The "Overpayments Plus Underpayments" measure indicates the percentage of all weeks paid statewide that had some Group C (Formal/Prohibited Actions) net payment error (i.e., either an overpayment or an underpayment), regardless of the dollar amount of the error. Overpayment (underpayment) rates calculated in terms of weeks reflect the percentage of weeks paid statewide with an overpayment (underpayment) of any amount, whereas rates calculated in terms of dollars reflect the percentage of dollars paid statewide that were overpaid (underpaid). The precise definition of Group C (Formal/Prohibited Actions) overpayments is contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service).

ⁱWhen these estimates were prepared, investigations had not been completed for 2.0% of the sampled cases in New Jersey and 1.3% of the sampled cases in Washington. In addition, the verification of the WBA, MBA and base period wages was not conducted for 3.9% of the cases in Illinois. Because the incomplete cases in these three states were treated as if no changes occurred, the estimates reported would tend to understate the frequency of changes in these states if any changes were found for these incomplete cases.

^jOnly changes of \$1 or more were counted as changes in the calculations presented in this table. The base for calculating the mean dollar amount of each of the six types of changes included only weeks with that type of change, rather than all sampled weeks. Because those cases for which verifications were not performed generally had payments equal to the maximum WBA, the estimate of the mean dollar amount of decreases in the WBA

may be slightly biased. An error factor is shown for each point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of such an interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix.

^kThe estimated dollar rate for a specific type or cause of Group B (Formal Actions) overpayments is reported only if the rate is 1.0% or more. Group B (Formal Actions) overpayments include only weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud/nonfraud overpayments detected for the key week. The "type" classification reflects the Random Audit team's judgment about whether the claimant, employers, the UI agency or some combination of these parties was "responsible" for the Group B (Formal Actions) overpayments that occurred. The "cause" classification indicates the provisions of written law/policy involved in the Group B (Formal Actions) overpayments that occurred. Precise definitions are contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service). An error factor is shown for each point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of such an interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix. The "some responsibility" categories include cases where the Random Audit team believed that the indicated party was either solely or partially responsible for the Group B (Formal Actions) overpayments detected. Thus, each "some responsibility" category includes all cases in the comparable "sole responsibility" category. Also, the same case may be included in more than one "some responsibility" category.

^lFor each of the entries except "The Average Number of Job Search Contacts Investigated Per Case," an error factor is provided with each point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of such an interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix. No error factor is provided for the exception noted above because the value reported is not an estimate of a population value. The average number of job search contacts investigated per case by the Random Audit team is a characteristic of the sample that has no counterpart in the statewide population. Hence, no interval estimates were prepared for this variable.

^mAn important assumption upon which these estimates are based is that an unbiased process was used to determine which of the job search contacts listed by the claimant would be investigated by the Random Audit team. If all (or at least most) of the contacts listed were investigated, it is likely that this assumption would be satisfied. However, if many job search contacts listed were not investigated, the estimates presented in this table could be affected by the procedures utilized by the Random Audit team to determine which of the job search contacts would be investigated. Also, it should be noted that in each state, except for rounding, the percentage verified as proper plus the percentage verified as improper plus the percentage that was unverifiable would sum to 100.0%.

ⁿThe "reproducibility" assumption (discussed in the text section devoted to limitations of the study) clearly was not satisfied in either Illinois or Kansas for some portion of the pilot test period. It is likely that operational problems in these states resulted in underestimates of payment errors for both states. These problems also may have affected these percentages. For example, it seems likely that these problems may have resulted in an underestimation of the percentage of contacts verified as improper in either or both of these states.

^oOnly changes of \$1 or more were counted as changes in the calculations presented in this table. The base for calculating the mean dollar amount of each of the six types of changes included only weeks with that type of change, rather than all sampled weeks. An error factor is shown for each point estimate; the upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this factor to (from) the point estimate, with the exception that any lower limit is constrained to be greater than zero. An approximate interpretation of such an interval is that the likelihood is 80% that it includes the "true" population value; for a more precise explanation, consult the Technical Appendix.

^pThe number of cases with changes in this category is too small to permit a meaningful estimate of the sampling error for the estimated mean dollar amount of the errors in this category. That is, although the mean for this category is accurate for the sample, there is not enough sample information available to determine how accurate this estimate is for the "true" mean of the population.

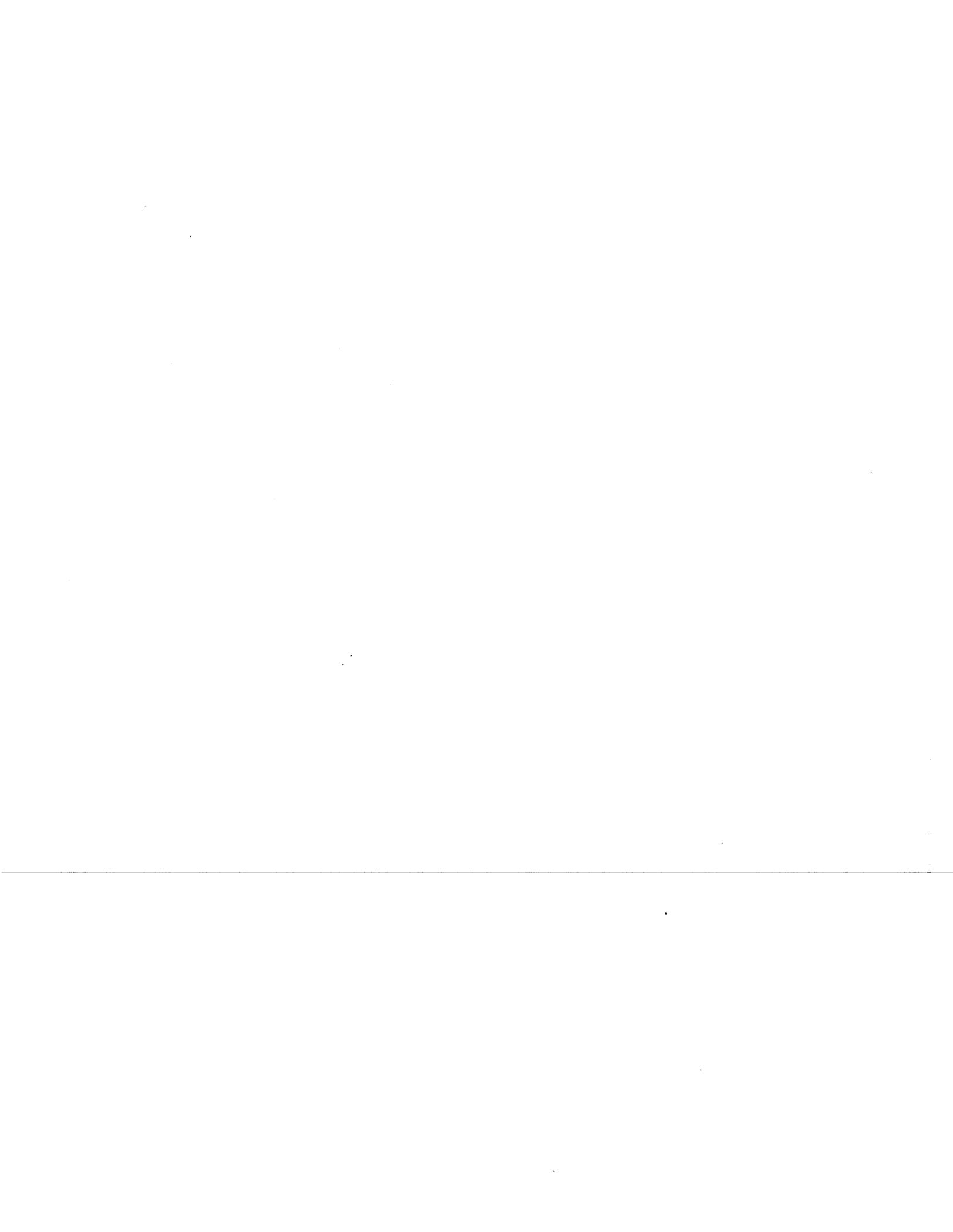
^qThe components of this category sum to more than the total for this category only due to rounding.

^rIn New Jersey both the sample and the population originally had entries in the missing categories. Comparisons of the sample and population proportions for the distributions with cases in the missing categories showed that some differences (primarily those for the missing categories) were significant. The percentage distributions for the population were then recomputed by using a base that excluded cases with missing values in particular

categories. Also, the percentage distributions for the sample were recomputed by using information from the Random Audit investigations to complete all missing information. Comparisons of sample and population proportions for these recomputed distributions showed that no difference for any category was significant. Revising the distributions in this manner seems appropriate since it is very unlikely that the cases in the population with missing values are distributed differently from cases in the population with known values.

^sWhen these estimates were prepared, investigations had not been completed for 2.0% of the sampled cases in New Jersey and 1.3% of the sampled cases in Washington. Because incomplete cases are treated as proper payments in all calculations, the estimates reported would tend to understate the "true" population error rates in these states if any payment errors were found for these incomplete cases.

^tAt the time these estimates were prepared, investigations had not been completed for 2.0% of the sampled cases in New Jersey and 1.3% of the sampled cases in Washington; these incomplete cases were excluded in calculating all job-search estimates reported for each state.



APPENDIX I
FOOTNOTES FOR TEXT TABLES

TABLE 1

^aPercentages for a characteristic may not add to 100.0% due to rounding.

^bInformation for the population was not available for 1981.4. Hence, the sample and population comparisons are based on information for 1981.2, 1981.3 and 1982.1.

^cIn New Jersey both the sample and the population originally had entries in the missing categories. Comparisons of the sample and population proportions for the distributions with cases in the missing categories showed that some differences (primarily those for the missing categories) were significant. The percentage distributions for the population were then recomputed by using a base for each category that excluded cases with missing values in that category. Also, the percentage distributions for the sample were recomputed by using information from the Random Audit investigations to complete all missing information. Comparisons of sample and population proportions for these recomputed distributions showed that no difference for any category was significant. Revising the distributions in this manner seems appropriate since it is very unlikely that the cases in the population with missing values are distributed differently from cases in the population with known values.

TABLE 2

^aGroup B (Formal Actions) overpayments (underpayments) include only weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud/nonfraud overpayments (nonfraud underpayments) detected for the key week. The precise definitions of Group B (Formal Actions) overpayments and underpayments are contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service). The case error rates reported reflect the percent of weeks paid statewide that had some Group B (Formal Actions) net payment error (i.e., either an overpayment or an underpayment), regardless of the dollar amount of the error. Overpayment (underpayment) rates calculated in terms of weeks reflect the percent of weeks paid statewide with an overpayment (underpayment) of any amount.

^bSee the discussion of the reproducibility assumption in the limitations section of the report for cautions on interpreting the empirical results for these states.

^cWhen these estimates were prepared, investigations had not been completed for 2.0% of the sampled cases in New Jersey and 1.3% of the sampled cases in Washington. Because incomplete cases were treated as proper payments in all calculations, the estimates reported would tend to understate the "true" population error rates in these states if any payment errors were found for these incomplete cases.

TABLE 3

^aGroup B (Formal Actions) overpayments (underpayments) include only weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud/nonfraud overpayments (nonfraud underpayments) detected for the key week. The precise definitions of Group B (Formal Actions) overpayments and underpayments are contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service). Overpayment (underpayment) rates calculated in terms of weeks reflect the percent of weeks paid statewide with an overpayment (underpayment) of any amount, whereas rates calculated in terms of dollars reflect the percent of dollars paid statewide that were overpaid (underpaid).

^bSee the discussion of the reproducibility assumption in the limitations section of the report for cautions on interpreting the empirical results for these states.

^cWhen these estimates were prepared, investigations had not been completed for 2.0% of the sampled cases in New Jersey and 1.3% of the sampled cases in Washington. Because incomplete cases were treated as proper payments in all calculations, the estimates reported would tend to understate the "true" population error rates in these states if any payment errors were found for these incomplete cases.

TABLE 4

^aOnly changes of \$1 or more were counted as changes in the calculations presented in this table. The base for calculating the mean dollar amount of each of the six types of changes included only weeks with that type of change, rather than all sampled weeks.

^bThe accuracy of the WBA, MBA and base period wages was not verified for approximately 3.9 percent of the cases sampled in Illinois during the year-long pilot test period. Usually, this happened for claimants who qualified for the maximum WBA available. Hence, the estimates of the percentage of cases with such errors likely are underestimates of the "true" population values. Moreover, because those cases for which such verifications were not performed generally had payments equal to the maximum WBA, the estimate of the mean dollar amount of decreases in the WBA may be slightly biased.

^cThe number of cases with changes in this category is too small to permit a meaningful estimate of the sampling error. That is, although the mean for this category is accurate for the sample, there is not enough sample information available to determine how accurate this estimate is for the "true" mean of the population.

^dWhen these estimates were prepared, investigations had not been completed for 2.0% of the sampled cases in New Jersey and 1.3% of the sampled cases in Washington. Because incomplete cases were treated as if no changes occurred, the estimates reported would tend to understate the frequency of monetary changes in these states if any changes were found for these incomplete cases.

TABLE 5

^aGroup B (Formal Actions) overpayments include only weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud/nonfraud overpayments detected for the key week. The precise definition of Group B (Formal Actions) overpayments is contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service).

^bGroup A (Fraud) overpayments include only weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud overpayments detected for the key week. The precise definition of Group A (Fraud) overpayments is contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service).

^cGroup B (Formal Actions) Overpayments Plus Formal Warnings include: (1) weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud/nonfraud overpayments detected for the key week; and (2) weeks with no Group A, Group B or Group C payment errors for which a formal warning was issued for potentially disqualifying circumstances that did not constitute an actual violation of written law/policy for the key week. More precise definitions are contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service).

^dGroup C (Formal/Prohibited Actions) overpayments include all weeks for which: (1) the Random Audit team determined that the original key-week payment was too large; and (2) official actions were taken to establish an overpayment or the Random Audit team was prohibited from taking official actions by finality or other rules in the state's written law/policy. Hence, Group C dollar overpayment rates measure the percentage of UI payments made statewide that the Random Audit team believed were overpaid, whether or not the "formal" UI system was willing or able to "sanction" the views of the Random Audit team through official actions taken. The precise definition of Group C (Formal/Prohibited Actions) overpayments is contained

in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service).

^eSee the discussion of the reproducibility assumption in the limitations section of the report for cautions on interpreting the empirical results for these states.

^fWhen these estimates were prepared, investigations had not been completed for 2.0% of the sampled cases in New Jersey and 1.3% of the sampled cases in Washington. Because incomplete cases were treated as proper payments in all calculations, the estimates reported would tend to understate the "true" population error rates in these states if any payment errors were found for these incomplete cases.

TABLE 6

^aGroup B (Formal Actions) overpayments include only weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud/nonfraud overpayments detected for the key week. The "type" classification reflects the Random Audit team's judgment about whether the claimant, employers, the UI agency or some combination of these parties was "responsible" for the Group B (Formal Actions) overpayments that occurred. Precise definitions are contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service).

^bThe "some responsibility" columns include cases where the Random Audit team believed that the indicated party was either solely or partially responsible for the Group B (Formal Actions) overpayments detected. Thus, for each state the "some responsibility" column includes all cases in the comparable "sole responsibility" column. Also, for each state the same case may be included in more than one "some responsibility" column.

^cSee the discussion of the reproducibility assumption in the limitations section of the report for cautions on interpreting the empirical results for these states.

^dWhen these estimates were prepared, investigations had not been completed for 2.0% of the sampled cases in New Jersey and 1.3% of the sampled cases in Washington. Because incomplete cases were treated as proper payments in all calculations, the estimates reported would tend to understate the "true" population error rates in these states if any payment errors were found for these incomplete cases.

TABLE 7

^aGroup B (Formal Actions) overpayments include only weeks for which there was complete agreement (or, perhaps in a few cases, partial agreement) between the Random Audit team and the "formal" UI system as to the net dollar result of the official actions taken on fraud/nonfraud overpayments detected for the key week. The "cause" classification indicates the provisions of written law/policy involved in the Group B (Formal Actions) overpayments that occurred. Precise definitions are contained in "Key-Week Action, Type and Cause Definitions and Codes" dated October, 1981 (available from the National Office of the Unemployment Insurance Service).

^bDepending on the state's written law/policy, cases with unreported days/hours of work for the key week also could be included.

^cDepending on the state's written law/policy, cases with errors in reporting/recording weeks/days/hours of work for the base period also could be included.

^dSee the discussion of the reproducibility assumption in the limitations section of the report for cautions on interpreting the empirical results for these states.

^eThe components of this category sum to more than the total for the category only due to rounding.

^fWhen these estimates were prepared, investigations had not been completed for 2.0% of the sampled cases in New Jersey and 1.3% of the sampled cases in Washington. Because incomplete cases were treated as proper payments in all calculations, the estimates reported would tend to understate the "true" population error rates in these states if any payment errors were found for these incomplete cases.

TABLE 8

^aAn important assumption upon which these estimates are based is that an unbiased process was used to determine which of the job search contacts listed by the claimant would be investigated by the Random Audit team. If all (or at least most) of the contacts listed were investigated, it is likely that this assumption would be satisfied. However, if many job search contacts listed were not investigated, the estimates presented in this table could be affected by the procedures utilized by the Random Audit team to determine which of the job search contacts would be investigated. Also, it should be noted that in each state the percentage verified as proper plus the percentage verified as improper plus the percentage that was unverifiable would sum to 100.0%, except for rounding.

^bSee the discussion of the reproducibility assumption in the limitations section of the report for cautions on interpreting the empirical results for these states.

^cAt the time these estimates were prepared, investigations had not been completed for 2.0% of the sampled cases in New Jersey and 1.3% of the sampled cases in Washington; these incomplete cases were excluded in calculating all job search estimates reported for each state.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: LOUISIANA PERIOD: 1982.2-1983.1[b] DATE PREPARED: 03/22/84

TYPE	RATE	PLUS or MINUS
FRAUD	2.65	1.41
Claimant Fraud	2.65	1.41
NON-FRAUD	5.92	1.80
Claimant solely responsible	5.49	1.79
Employer solely responsible	0.11	0.08
Agency solely responsible	0.22	0.22
Claimant and Employer responsible	0.08	0.14
<hr/>		
CAUSE		
UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK	0.37	0.47
ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK	1.11	0.74
Reporting of Net VS Gross earnings	0.02	0.03
Underestimation of earnings or days/hours of work	0.01	0.01
Earnings (or days/hours of work) reported when paid rather than when earned (or when work was performed)	0.39	0.46
Other Causes related to reporting or recording of earnings or days/hours of work for the key week	0.67	0.57
ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD	0.11	0.08
SEPARATION ISSUES	0.34	0.42
ELIGIBILITY ISSUES	6.35	2.05
Availability for work	0.34	0.41
Active Job Search	6.00	2.02
DEPENDENTS ALLOWANCE INCORRECT	0.00	0.00
ILLEGAL ALIEN STATUS CATEGORY	0.00	0.00
OTHER CAUSES	0.29	0.24

a) Not reported if the point estimate is less than 1.0%.

b) Incomplete cases are treated as proper payments in all calculations.

c) The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: Kansas

PERIOD: 1982.2-1983.1[b]

DATE PREPARED: 03/22/84

TYPE	RATE	PLUS or MINUS
FRAUD	1.09	0.81
Claimant Fraud	1.09	0.81
NON-FRAUD	10.22	2.52
Claimant solely responsible	9.42	2.44
Employer solely responsible	0.04	0.05
Agency solely responsible	0.66	0.71
Claimant and Agency responsible	0.09	0.15
<hr/> CAUSE <hr/>		
UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK	1.06	0.79
Concealed Employment	1.06	0.79
ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK	0.18	0.17
ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD	0.36	0.52
SEPARATION ISSUES	0.00	0.00
ELIGIBILITY ISSUES	9.64	2.48
Ability to work	0.59	0.69
Availability for work	0.60	0.70
Active Job Search	8.15	2.26
Other Causes related to eligibility issues	0.28	0.47
DEPENDENTS ALLOWANCE INCORRECT	0.00	0.00
ILLEGAL ALIEN STATUS CATEGORY	0.00	0.00
OTHER CAUSES	0.05	0.09

a) Not reported if the point estimate is less than 1.0%.

b) Incomplete cases are treated as proper payments in all calculations.

c) The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: WASHINGTON PERIOD: 1982.2-1983.1[o] DATE PREPARED: 03/22/84

TYPE	RATE	PLUS or MINUS
FRAUD	6.68	2.20
Claimant Fraud	6.68	2.20
NON-FRAUD	5.26	1.62
Claimant solely responsible	2.84	1.16
Employer solely responsible	0.04	0.03
Agency solely responsible	0.07	0.04
Claimant and Employer responsible	0.13	0.18
Claimant and Agency responsible	1.64	0.96
Claimant, Employer & Agency responsible	0.52	0.64
<hr/> CAUSE <hr/>		
UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK	1.96	1.15
Commission Sales	0.35	0.59
Concealed Employment	1.23	0.93
Other Causes related to unreported earnings or days/hours of work in the key week	0.37	0.35
ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK	0.98	0.57
ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD	1.63	0.95
Earnings or weeks/days/hours of work incorrectly reported by employers	0.07	0.05
Reporting forms are inconsistent with legal provisions: employers are asked to report wages or weeks/days/hours of work when paid, but law specifies monetary determination is to be based on when wages were earned or work was performed	1.56	0.95

SEPARATION ISSUES	0.74	0.74
ELIGIBILITY ISSUES	6.60	2.13
Ability to work	0.09	0.16
Availability for work	0.84	0.72
Active Job Search	5.66	2.01
DEPENDENTS ALLOWANCE INCORRECT	0.00	0.00
ILLEGAL ALIEN STATUS CATEGORY	0.00	0.00
OTHER CAUSES	0.00	0.00

a) Not reported if the point estimate is less than 1.0%.

b) Incomplete cases are treated as proper payments in all calculations.

c) The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: Illinois PERIOD: 1982.2-1983.1[b] DATE PREPARED: 03/22/84

TYPE	RATE	PLUS or MINUS
FRAUD	0.00	0.00
NON-FRAUD	6.34	2.01
Claimant solely responsible	4.67	1.73
Agency solely responsible	1.42	1.04
Claimant and Employer responsible	0.01	0.02
Claimant and Agency responsible	0.16	0.19
Employer and Agency responsible	0.07	0.11
<hr/> CAUSE <hr/>		
UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK	1.05	0.86
Concealed Employment	1.05	0.86
ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK	0.09	0.13
ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD	0.07	0.11
SEPARATION ISSUES	0.89	0.86
ELIGIBILITY ISSUES	3.02	1.43
Ability to work	0.37	0.40
Availability for work	0.09	0.16
Active Job Search	2.25	1.27
Other Causes related to eligibility issues	0.29	0.48
DEPENDENTS ALLOWANCE INCORRECT	0.48	0.31
ILLEGAL ALIEN STATUS CATEGORY	0.00	0.00
OTHER CAUSES	0.71	0.74

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JOHN SHARKEY

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: NEW JERSEY PERIOD: 1982.2-1983.1[b] DATE PREPARED: 03/22/84

TYPE	RATE	PLUS or MINUS
FRAUD	1.99	1.35
Claimant Fraud	1.99	1.35
NON-FRAUD	14.50	3.03
Claimant solely responsible	9.59	2.68
Employer solely responsible	1.45	0.71
Agency solely responsible	2.26	1.25
Claimant and Agency responsible	1.03	0.78
Employer and Agency responsible	0.15	0.26
<hr/> CAUSE <hr/>		
UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK	2.93	1.62
Concealed Employment	2.77	1.60
Vacation/Holiday Pay	0.16	0.27
ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK	0.00	0.00
ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD	1.17	0.52
Earnings or weeks/days/hours of work incorrectly reported by employers	1.15	0.52
Earnings or weeks/days/hours of work incorrectly recorded by UI Agency	0.01	0.02
SEPARATION ISSUES	0.50	0.58
ELIGIBILITY ISSUES	11.45	2.82
Availability for work	0.92	0.87
Active Job Search	10.52	2.71
DEPENDENTS' ALLOWANCE INCORRECT	0.00	0.00
ILLEGAL ALIEN STATUS CATEGORY	0.00	0.00
OTHER CAUSES	0.42	0.54

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b) Incomplete cases are treated as proper payments in all calculations.

c) The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: Alabama PERIOD: 1982.2-1983.1[b] DATE PREPARED: 03/22/84

TYPE	RATE	PLUS or MINUS
FRAUD	2.42	1.23
Claimant Fraud	2.42	1.23
NON-FRAUD	3.41	1.42
Claimant solely responsible	1.34	0.91
Employer solely responsible	0.01	0.01
Agency solely responsible	0.90	0.74
Claimant and Agency responsible	0.50	0.56
Employer and Agency responsible	0.40	0.48
Claimant, Employer & Agency responsible	0.23	0.38
<hr/> CAUSE <hr/>		
UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK	0.61	0.60
ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK	0.52	0.51
ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD	0.64	0.60
SEPARATION ISSUES	1.55	1.01
Voluntary Quits	0.62	0.65
Discharges for misconduct	0.92	0.77
ELIGIBILITY ISSUES	2.51	1.26
Ability to work	0.52	0.60
Availability for work	0.25	0.42
Active Job Search	1.73	1.03
DEPENDENTS ALLOWANCE INCORRECT	0.00	0.00
ILLEGAL ALIEN STATUS CATEGORY	0.00	0.00
OTHER CAUSES	0.00	0.00

a) Not reported if the point estimate is less than 1.0%.

b) Incomplete cases are treated as proper payments in all calculations.

c) The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: Arizona PERIOD: 1982.2-1983.1[b] DATE PREPARED: 03/22/84

TYPE	RATE	PLUS or MINUS
FRAUD	2.56	1.31
Claimant Fraud	2.56	1.31
NON-FRAUD	12.78	2.76
Claimant solely responsible	10.39	2.55
Employer solely responsible	0.04	0.04
Agency solely responsible	1.11	0.84
Claimant and Employer responsible	0.20	0..33
Claimant and Agency responsible	0.98	0.82
Employer and Agency responsible	0.02	0.03
Claimant, Employer & Agency responsible	0.01	0.02
<hr/> CAUSE <hr/>		
UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK	0.62	0.63
ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK	0.25	0.39
ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD	0.39	0.33
SEPARATION ISSUES	1.07	0.82
Voluntary Quits	0.75	0.63
Other Causes related to separation issues	0.32	0.52
ELIGIBILITY ISSUES	12.21	2.75
Availability for work	0.64	0.62
Active Job Search	11.56	2.69
DEPENDENTS ALLOWANCE INCORRECT	0.00	0.00
ILLEGAL ALIEN STATUS CATEGORY	0.00	0.00
OTHER CAUSES	0.78	0.75

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UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: Iowa PERIOD: 1982.2-1983.1[b] DATE PREPARED: 03/22/84

TYPE	RATE	PLUS or MINUS
FRAUD	3.51	1.46
Claimant Fraud	3.51	1.46
NON-FRAUD	1.88	0.80
Claimant solely responsible	0.82	0.52
Employer solely responsible	0.11	0.07
Agency solely responsible	0.28	0.32
Claimant and Employer responsible	0.37	0.43
Claimant and Agency responsible	0.13	0.15
Employer and Agency responsible	0.13	0.22
<hr/> CAUSE <hr/>		
UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK	0.17	0.19
ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK	0.29	0.27
ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD	0.11	0.07
SEPARATION ISSUES	0.31	0.37
ELIGIBILITY ISSUES	4.08	1.54
Ability to work	0.88	0.78
Availability for work	0.40	0.47
Active Job Search	2.78	1.27
DEPENDENTS ALLOWANCE INCORRECT	0.16	0.08
ILLEGAL ALIEN STATUS CATEGORY	0.00	0.00
OTHER CAUSES	0.26	0.32

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UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: Missouri PERIOD: 1982.2-1983.1[d] DATE PREPARED: 03/22/84

TYPE	RATE	PLUS or MINUS
FRAUD	1.98	1.16
Claimant Fraud	1.98	1.16
NON-FRAUD	11.46	2.57
Claimant solely responsible	10.35	2.46
Employer solely responsible	0.48	0.58
Claimant and Employer responsible	0.60	0.57
Claimant and Agency responsible	0.01	0.01
<hr/> CAUSE <hr/>		
UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK	1.07	0.84
Commission Sales	0.25	0.42
Concealed Employment	0.78	0.73
Other Causes related to unreported earnings or days/hours of work in the key week	0.03	0.05
ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK	0.63	0.57
ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD	0.68	0.67
SEPARATION ISSUES	0.64	0.63
ELIGIBILITY ISSUES	10.28	2.49
Availability for work	0.78	0.69
Active Job Search	9.24	2.38
Self-employment	0.25	0.42
DEPENDENTS ALLOWANCE INCORRECT	0.00	0.00
ILLEGAL ALIEN STATUS CATEGORY	0.00	0.00
OTHER CAUSES	0.11	0.16

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c) The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: Nevada

PERIOD: 1982.2-1983.1[b]

DATE PREPARED: 03/22/84

TYPE	RATE	PLUS or MINUS
FRAUD	10.97	2.72
Claimant Fraud	10.97	2.72
NON-FRAUD	3.00	1.41
Claimant solely responsible	1.66	1.08
Employer solely responsible	0.13	0.08
Agency solely responsible	0.14	0.24
Claimant and Employer responsible	0.08	0.11
Claimant and Agency responsible	0.98	0.88
<hr/> CAUSE <hr/>		
UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK	1.12	0.92
Concealed Employment	0.55	0.64
Other Causes related to unreported earnings or days/hours of work in the key week	0.57	0.66
ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK	0.19	0.20
ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD	0.13	0.08
SEPARATION ISSUES	0.63	0.55
ELIGIBILITY ISSUES	11.05	2.77
Availability for work	0.31	0.50
Active Job Search	9.69	2.60
Refusal of Suitable work	0.25	0.41
Other Causes related to eligibility issues	0.79	0.81
DEPENDENTS ALLOWANCE INCORRECT	0.00	0.00
ILLEGAL ALIEN STATUS CATEGORY	0.14	0.24
OTHER CAUSES	0.68	0.67

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b) Incomplete cases are treated as proper payments in all calculations.

c) The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: Oklahoma PERIOD: 1982.2-1983.1[b] DATE PREPARED: 03/22/84

TYPE	RATE	PLUS or MINUS
FRAUD	3.11	1.53
Claimant Fraud	3.11	1.53
NON-FRAUD	9.90	2.54
Claimant solely responsible	6.60	2.06
Employer solely responsible	0.33	0.27
Agency solely responsible	0.98	0.90
Claimant and Employer responsible	0.15	0.18
Claimant and Agency responsible	1.81	1.22
<hr/> CAUSE <hr/>		
UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK	1.69	0.95
Concealed Employment	1.67	0.95
Other Causes related to unreported earnings or days/hours of work in the key week	0.02	0.03
ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK	0.15	0.21
ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD	0.56	0.39
SEPARATION ISSUES	0.92	0.80
ELIGIBILITY ISSUES	9.67	2.66
Availability for work	0.97	0.96
Active Job Search	7.40	2.32
Refusal of Suitable work	0.09	0.16
Other Causes related to eligibility issues	1.18	0.16
DEPENDENTS ALLOWANCE INCORRECT	0.00	0.00
ILLEGAL ALIEN STATUS CATEGORY	0.00	0.00
OTHER CAUSES	0.00	0.00

a) Not reported if the point estimate is less than 1.0%.

b) Incomplete cases are treated as proper payments in all calculations.

c) The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: NEW YORK PERIOD: 1982.2-1983.1[b] DATE PREPARED: 03/22/84

<u>TYPE</u>	RATE	PLUS or MINUS
<u>FRAUD</u>	3.33	1.54
Claimant Fraud	3.33	1.54
<u>NON-FRAUD</u>	3.14	1.24
Claimant solely responsible	0.94	0.63
Employer solely responsible	0.35	0.15
Agency solely responsible	0.84	0.81
Claimant and Employer responsible	0.20	0.18
Claimant and Agency responsible	0.42	0.52
Employer and Agency responsible	0.29	0.43
Claimant, Employer & Agency responsible	0.07	0.10
<hr/> <u>CAUSE</u> <hr/>		
<u>UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK</u>	0.20	0.33
<u>ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK</u>	0.30	0.50
<u>ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD</u>	0.93	0.42
<u>SEPARATION ISSUES</u>	2.14	1.35
Voluntary Quits	1.81	1.24
Discharges for misconduct	0.32	0.53
<u>ELIGIBILITY ISSUES</u>	2.48	1.21
Ability to work	0.45	0.43
Availability for work	1.59	1.01
Refusal of Suitable work	0.15	0.26
Self-employment	0.27	0.45

<u>CAUSE</u>		
<u>DEPENDENTS ALLOWANCE INCORRECT</u>	0.00	0.00
<u>ILLEGAL ALIEN STATUS CATEGORY</u>	0.00	0.00
<u>OTHER CAUSES</u>	0.41	0.33

a) Not reported if the point estimate is less than 1.0%.

b) Incomplete cases are treated as proper payments in all calculations.

c) The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: UTAH PERIOD: 1982.2-1983.1[b] DATE PREPARED: 03/22/84

<u>TYPE</u>	<u>RATE</u>	<u>PLUS or MINUS</u>
<u>FRAUD</u>	1.70	1.05
Claimant Fraud	1.70	1.05
<u>NON-FRAUD</u>	9.89	2.44
Claimant solely responsible	6.24	2.03
Employer solely responsible	0.76	0.60
Agency solely responsible	0.76	0.85
Claimant and Employer responsible	0.70	0.53
Claimant and Agency responsible	0.41	0.45
Employer and Agency responsible	0.61	0.71
Claimant, Employer & Agency responsible	0.38	0.42
<hr/> <u>CAUSE</u> <hr/>		
<u>UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK</u>	1.53	1.09
Concealed Employment	1.16	0.90
Vacation/Holiday Pay	0.37	0.61
<u>ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK</u>	0.49	0.40
<u>ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD</u>	2.34	1.19
Earnings or weeks/days/hours of work incorrectly reported by employers	1.35	0.84
Earnings or weeks/days/hours of work incorrectly recorded by UI Agency	0.39	0.60
Incorrect estimation of earnings or weeks/days/hours of work by claimant	0.07	0.07
Other Causes related to errors in reporting or recording earnings or weeks/days/hours of work for the base period	0.52	0.60

<u>CAUSE</u>		
<u>SEPARATION ISSUES</u>	0.81	0.69
<u>ELIGIBILITY ISSUES</u>	5.27	1.89
Ability to work	0.28	0.36
Availability for work	1.11	0.84
Active Job Search	3.56	1.61
Refusal of Suitable work	0.30	0.50
<u>DEPENDENTS ALLOWANCE INCORRECT</u>	0.00	0.00
<u>ILLEGAL ALIEN STATUS CATEGORY</u>	0.14	0.23
<u>OTHER CAUSES</u>	0.99	0.83

a) Not reported if the point estimate is less than 1.0%.

b) Incomplete cases are treated as proper payments in all calculations.

c) The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: PENNSYLVANIA PERIOD: 1982.2-1983.1[b] DATE PREPARED: 03/22/84

<u>TYPE</u>	<u>RATE</u>	<u>PLUS or MINUS</u>
<u>FRAUD</u>	0.54	0.59
<u>NON-FRAUD</u>	1.23	0.74
Claimant solely responsible	0.15	0.14
Employer solely responsible	0.09	0.09
Agency solely responsible	0.33	0.36
Claimant and Agency responsible	0.54	0.60
Employer and Agency responsible	0.03	0.05
Claimant, Employer & Agency responsible	0.08	0.13
<hr/>		
<u>CAUSE</u>		
<u>UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK</u>	0.57	0.60
<u>ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK</u>	0.52	0.47
<u>ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD</u>	0.14	0.12
<u>SEPARATION ISSUES</u>	0.00	0.00
<u>ELIGIBILITY ISSUES</u>	0.25	0.42
<u>DEPENDENTS ALLOWANCE INCORRECT</u>	0.05	0.03
<u>ILLEGAL ALIEN STATUS CATEGORY</u>	0.00	0.00
<u>OTHER CAUSES</u>	0.22	0.34

a) Not reported if the point estimate is less than 1.0%.

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c) The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.

UNEMPLOYMENT INSURANCE RANDOM AUDIT
ESTIMATED GROUP B DOLLAR OVERPAYMENTS RATES BY TYPE AND CAUSE[a]

STATE: OHIO PERIOD: 1982.2-1983.1[b] DATE PREPARED: 03/22/84

<u>TYPE</u>	RATE	PLUS or MINUS
<u>FRAUD</u>	0.83	0.65
<u>NON-FRAUD</u>	3.57	1.15
Claimant solely responsible	1.57	0.94
Employer solely responsible	0.62	0.17
Agency solely responsible	0.36	0.30
Claimant and Employer responsible	0.02	0.02
Claimant and Agency responsible	0.91	0.60
Employer and Agency responsible	0.08	0.13
<hr/> <u>CAUSE</u> <hr/>		
<u>UNREPORTED EARNINGS OR DAYS/HOURS OF WORK IN THE KEY WEEK</u>	0.55	0.56
<u>ERRORS IN REPORTING/RECORDING EARNINGS OR DAYS/HOURS OF WORK FOR THE KEY WEEK</u>	0.59	0.47
<u>ERRORS IN REPORTING/RECORDING EARNINGS OR WEEKS/DAYS/HOURS OF WORK FOR THE BASE PERIOD</u>	0.78	0.22
<u>SEPARATION ISSUES</u>	0.13	0.22
<u>ELIGIBILITY ISSUES</u>	2.04	1.04
Ability to work	0.05	0.08
Availability for work	0.33	0.39
Active Job Search	1.54	0.94
Refusal of Suitable work	0.14	0.23
<u>DEPENDENTS ALLOWANCE INCORRECT</u>	0.00	0.00
<u>ILLEGAL ALIEN STATUS CATEGORY</u>	0.00	0.00
<u>OTHER CAUSES</u>	0.29	0.25

a]Not reported if the point estimate is less than 1.0%.

b]Incomplete cases are treated as proper payments in all calculations.

c]The upper and lower limits of an 80% confidence interval may be determined by adding (subtracting) this number to (from) the point estimate. An approximate interpretation of this interval is that the likelihood is 80% that this interval actually includes the 'true' population value. The width of a confidence level indicates the 'precision' of the point estimate. It accounts for the sampling error that results because the point estimate for the entire population is based on a single (small) sample. Except for the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals for positive point estimates are constrained to be greater than zero. For the 'Overpayments Less Underpayments' estimates, the lower limits of the confidence intervals may be zero or less.