Benefit Accuracy Measurement State Data Summary
Improper Payment Information Act Year 2014

The Benefit Accuracy Measurement (BAM) program is designed to determine the accuracy of paid and denied claims in three major Unemployment Insurance (UI) programs: State UI, Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Servicemembers (UCX). State Workforce Agencies (SWAs) select weekly random samples of these program payments and denied claims. BAM investigators audit these paid and denied claims to determine whether the claimant was properly paid or denied eligibility. The results of the BAM statistical samples are used to estimate accuracy rates for the populations of paid and denied claims.

The BAM program provides a continuous feedback loop on the state and federal methods of administration. This report is designed to provide additional information for analysis. Based on the errors identified and information gathered, states will be able to develop plans and implement corrective actions to ensure accurate administration of state law, rules, and procedures. The major objectives of the BAM system are to:

- assess the accuracy of UI payments;
- assess improvements in program accuracy and integrity; and,
- encourage more efficient administration of the UI program.

The basis for determining payment and denial accuracy are federal and state law, administrative code/rules, and official policy. Therefore, the system is designed to be comprehensive in coverage by including all areas of the claims process where errors could occur. The BAM program is a diagnostic tool for Federal and SWA staff to use in identifying systemic errors and their causes and in correcting and tracking solutions to these problems.

Under 20 CFR 602.21(g), the U.S. Department of Labor's (Department) Employment Training Administration (ETA) compiles and releases the BAM program calendar year results each year on behalf of the states. The Department accomplishes this requirement by the release of annual results on its Web site: www.dol.gov/dol/maps/map-ipia.htm and the associated data page www.dol.gov/dol/maps/data.htm.

The time period for the analytical report prepared using the BAM data for the 12-month period (July 2013 through June 2014) is aligned with the reporting period used by the UI program in the U.S. Department of Labor's (Department) annual Agency Financial Report (AFR).

The Improper Payments Information Act (IPIA) of 2002 and subsequent amendments in the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 require agencies to examine the risk of erroneous payments in all programs and activities they administer. An improper payment is defined as any payment that was

made to an ineligible recipient, duplicate payments, and payments that are for the incorrect amount -- both overpayments and underpayments, including inappropriate denials of payment or service. Agencies are required to review all programs and activities they administer and identify those that may be susceptible to significant erroneous payments. IPERA defines "significant erroneous payments" as annual erroneous payments exceeding both 2.5 percent of program payments and $10 million. The UI program meets both of these criteria. Additionally, IPERA codifies the requirement for valid statistical estimates of improper payments such as those generated by BAM, and compels actions to reduce improper payments. SWAs make all UI payment decisions. Therefore, the Department requires SWAs to review their BAM improper payment data and report their planned activities to prevent, detect, reduce, and recover improper payments in an UI Integrity Action Plan.[1]

Readers are strongly cautioned that it may be misleading to compare one state's payment accuracy rates with another state's rates. No two states' written laws, regulations, and policies specifying eligibility conditions are identical, and differences in these conditions influence the potential for error. States have developed many different ways to determine monetary entitlement to UI. Additionally, nonmonetary requirements are, in large part, based on how a state interprets its law. Two states may have identical laws, but may interpret them quite differently. States with stringent or complex provisions tend to have higher improper payment rates than those with simpler, more straightforward provisions (See the 2014 "Comparison of State Unemployment Laws," http://www.oui.doleta.gov/unemploy/comparison2014.asp).

Because the BAM data are based on small sample, the estimated improper payment rate is subject to a sampling error. A confidence interval, expressed as +/- x percentage points, is constructed for the estimated improper payment rates. The actual rate is expected to lie within 95 percent of the intervals constructed from repeated samples of the same size and selected in the same manner as the BAM sample.

The Department reports the overpayment and the underpayment rate to the Office of Management and Budget (OMB)[2], as part of its IPIA[3] reporting. The IPIA performance year 2014 (IPIA 2014) includes the period July 2013 through June 2014 (Batch Range 201327 through 201426). It is extremely important that BAM accurately measures the level of improper payments so that performance against the targets can be properly evaluated.

UI benefit payments included in BAM for the IPIA 2014 performance year decreased to $35.99 billion, compared with $40.71 billion in the IPIA 2013 performance year. IPIA

[1] Unemployment Insurance Program Letter (UIPL) No. 21-11;
[2] Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123;
[3] U. S. Department of the Treasury PaymentAccuracy.gov Web Page - Information on improper payments for the Unemployment Insurance program and programs in other Federal agencies is available at: http://www.paymentaccuracy.gov.

2014 BAM paid claims results are based on the 23,666 valid sample cases[4]. This represents a completion rate of 100% percent. BAM auditors completed claimant interviews in 91.64 percent of the cases. The remaining audits were completed based on information obtained from agency records, the claimants' former employers, and third-party sources, such as labor unions and private employment agencies (IPIA_2014_Method_Claimant_Information_Obtained.xlsx).

For the Fiscal Year (FY) 2013 IPIA/IPERA reporting period, the Department developed a new methodology for calculating the UI improper payment rate, which subtracted UI overpayment recoveries for the computation of the estimated improper payment rate. However, the enactment of IPERIA in January 2013 required agencies to include all identified improper payments in the reported estimate and explicitly precluded the netting out of recoveries. Therefore, for the FY 2014 reporting period, the UI program developed a new methodology that no longer nets out recoveries for the computation of the improper payment rate but now excludes improper payments that are determined to be "technically proper" under state UI law.

Technically proper payments are those benefit distributions determined to be due to the claimant. They reflect instances where state law disallows redetermination of benefit eligibility or prohibits establishing overpayments and recovering those benefits in limited circumstances. The payments that are deemed to be "technically proper" by states' audit investigators are those which meet applicable state statutory requirements.

Reasons that certain payments are determined to be "technically proper" under state UI law include:

- Finality Reasons – This includes payments with an eligibility issue(s), but the state cannot take official action to establish an overpayment for recovery because the time elapsed between the decision to pay the claimant and the detection of the eligibility issue exceeds the period established in state law for establishing an improper payment. In other words, such payments are considered final under the state UI law and cannot be legally established for recovery.

  In response to the U.S. Supreme Court California Department of Human Resources Development v. Java decision, many states implemented finality provisions which prohibit changing unemployment insurance determinations to allow payment determinations after providing interested parties an opportunity to be heard. In other words, such payments made under these sorts of determination situations are considered final and payment is due based on the prima facie evidence establishing the claim's original allow payment determination. See link for additional information. http://www.law.cornell.edu/supremecourt/text/402/121

[4] Data excludes Florida – insufficient sampling to produce valid results. States sampled 23,705 payments and deleted 38 payments as being out of the scope of the review, BAM investigators completed 23,666 of the remaining 23,667 valid cases.

- Other Reasons – This category includes payments with an eligibility issue(s), but the state does not take official action to establish and recover the overpayment because the claimant is without fault for the error creating the improper payment, and recovery would be against the state's standard of "equity and good conscience." In other states, their laws contain a provision which requires administrative action in that the awarding of benefits is to be liberally construed and the denial of benefits is to be narrowly constructed.

OMB has determined that the Department's removal of technically proper payments is consistent with its definition of an improper payment. The chart below compares the overpayment and underpayment rates using the current and new measure.

IPIA 2014 Including Technically Proper Payments

Over Payment (OP) Rate	Estimated Amount Overpaid	Under Payment (UP) Rate	Estimated Amount Underpaid
12.360%	$4,448,440,342	0.480%	$172,835,759

IPIA 2014 Excluding Technically Proper Payments

Over Payment (OP) Rate	Over Payment $ Amount	Under Payment (UP) Rate*	Under Payment $ Amount
11.162%	$4,017,049,267	0.414%	$148,935,616

Though the new methodology described above was used for reporting in the annual AFR for FY 2014, the Department is in a transition year with regards to implementation of the new improper payment rate computation methodology for the SWAs.

For FY 2014, the SWAs continued to be measured using the improper payment rate methodology which nets out overpayment recoveries. The new definition and calculation of the improper payment rate becomes effective for SWAs in IPIA 2015. The IPIA 2015 performance period will include BAM batches 201427 to 201526 (July 2014 through June 2015). The Department has issued guidance in UIPL No. 09-13, Change 1.

IPERA requires an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under the IPIA. An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount, including both overpayments and underpayments. The Department uses seven analytical measures to assess SWA payment accuracy and estimate the risk of erroneous denial of benefits. Individual SWA rates reflect state law, administrative code or rules, and policy. National results reflect all SWA findings (the Virgin Islands are exempt from operating a BAM program due to cost benefit considerations).

The Analytical Measures:

IPIA Improper Payment Rate - This improper payment measure takes into account the “net” effect of UI overpayment recoveries. The net improper payment rate includes two components – total estimated overpayments plus total estimated underpayments – and subtracts the actual amount of overpayments recovered by SWAs. This net integrity rate is derived from the BAM program estimates of improper payments and the actual recoveries by state agencies as recorded on the ETA 227 report. As discussed below, beginning with IPIA 2015 (July 2014 through June 2015) this rate is replaced.

BAM Overpayment Rate - The overpayment rate is the broadest measure of payments determined to be overpaid. The rate includes fraud, nonfraud recoverable overpayments, nonfraud nonrecoverable overpayments, official action taken to reduce future benefits, and payments that are technically proper due to finality or other rules. The rate excludes payments determined to be "technically" proper due to law/rules requiring formal warnings for unacceptable work search efforts. All causes and responsible parties are included in this rate.

Agency Responsibility - This rate includes overpayments for which the SWA was either solely responsible or shared responsibility with claimants, employers, or third parties, such as labor unions or private employment referral agencies. The rate includes fraud, nonfraud recoverable overpayments, nonfraud nonrecoverable overpayments, official action taken to reduce future benefits, and payments that are technically proper due to finality or other rules.

Fraud - The definition of unemployment compensation (UC) fraud varies from state to state. Generally fraud involves a knowing and willful act to obtain benefits when benefits are not due. States vary on the level of evidence required to demonstrate a knowing and willful act. An overpayment which is classified as a fraud overpayment in one state might be determined to be a nonfraud overpayment in another state. Also states differ on the implementation fraud administrative penalty determinations; in some states a fraud determination becomes effective with the date of the fraudulent act while in other states the administrative penalty takes effect with the determination date. Since fraud determination criteria and thresholds vary throughout the SWAs, the individual state rates reflect these differences. The rate includes all causes and responsible parties.

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

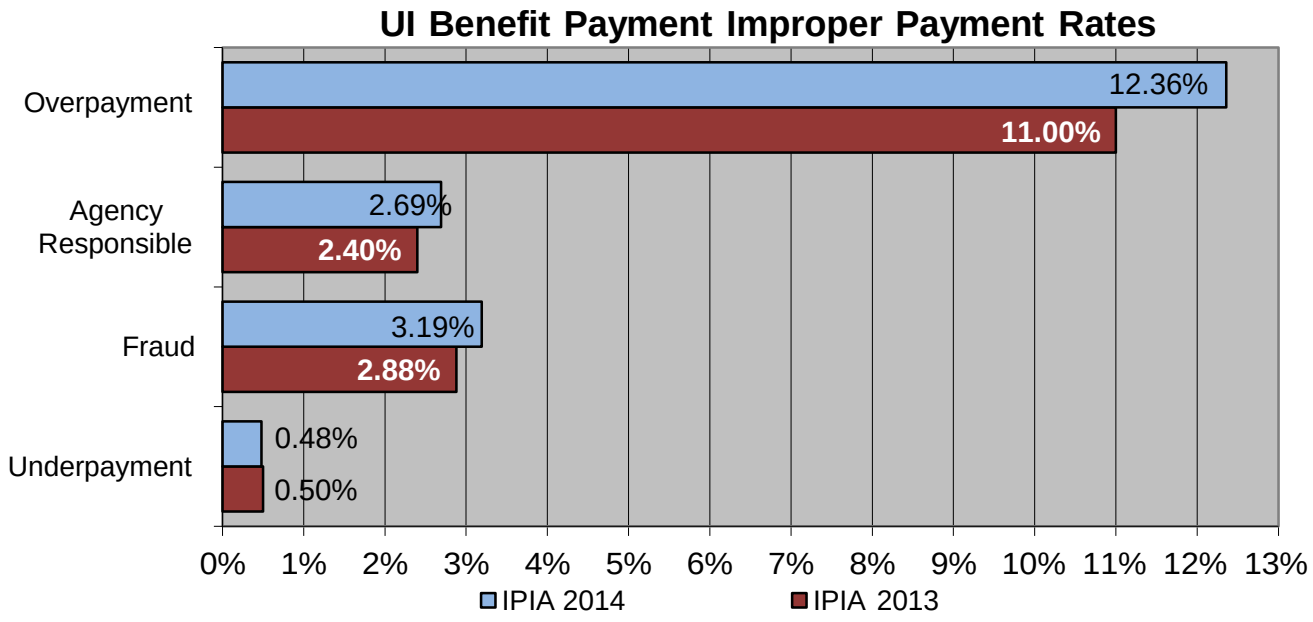
Improper Denial Rates - BAM estimates the percentage of claimants improperly denied benefits. This rate includes three subcategories. These subcategories are monetary denials, separation denials, and nonseparation denials.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): IPIA_2014_Integrity_Rates_All_States.xlsx

I. Paid Claims Accuracy

For each paid UI week investigated, referred to as the Key Week (KW), BAM records whether the payment was proper or improper and, if improper, the type of erroneous payment. Payment errors on the key week are used to generate improper payment estimates. The coding of BAM audit findings is consistent with the laws, rules and written policies of each SWA[5]. BAM captures 110 data elements for each sampled payment or denial. Data for nine of these elements are completed only for erroneous payments or denials. The Department uses these elements to produce the various integrity rates listed.
(ET_395_Handbook_5th_Edition_BAM_State_Operations_Guidance).

Each integrity rate represents a different view of the BAM data set. The BAM data construct provides multiple perspectives; and payment errors may be included or excluded for a specific rate (See IPIA_2014_Methodology_and_Program_Description Integrity Rate definitions). The Fraud, and Agency Responsible Rates are subsets of the overpayment rate. The following chart summarizes four paid claim accuracy (PCA) rates, which are used for communicating overpayment estimates.

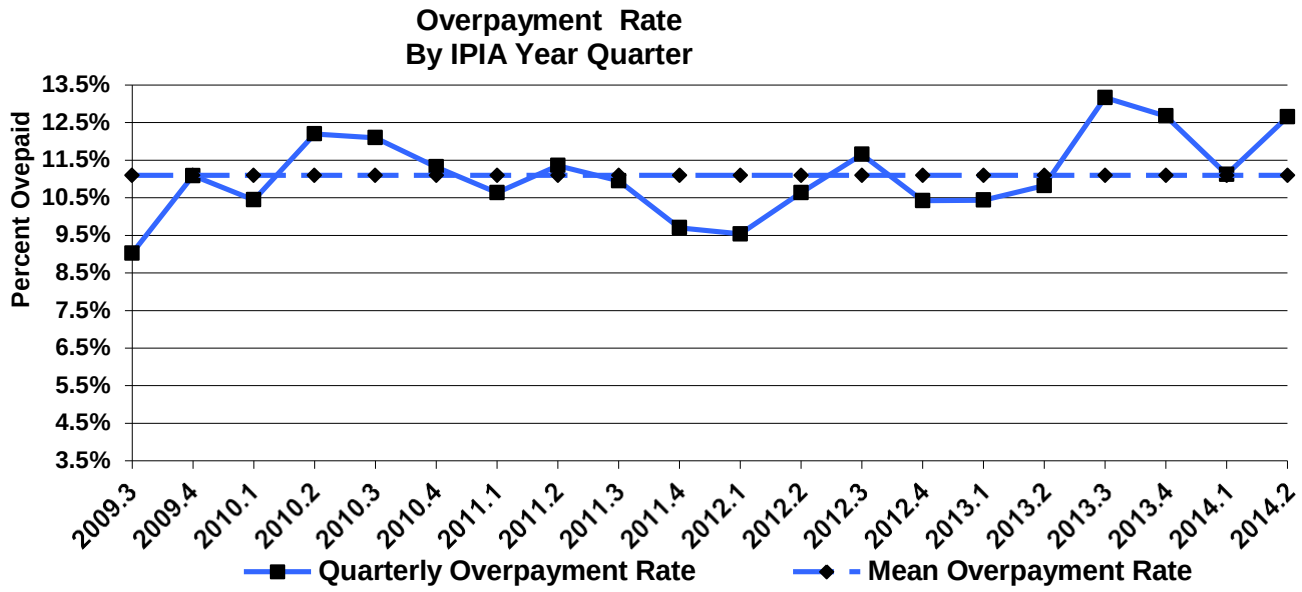


For a detailed listing of these rates for each state, click on the following link (the spreadsheet may have several pages):
IPIA_2013_-_IPIA_2014_Integrity_Rate_Changes.xlsx

[5] Comparison of State Unemployment Laws, http://www.oui.doleta.gov/unemploy/comparison2014.asp

Overpayment Time Series

The following chart displays the overpayment rate by calendar quarter. For the period IPIA 2010 to IPIA 2014, the average overpayment rate was 11.01 percent.



In contrast to the U.S. graph above, SWA rates show a higher degree of volatility from one quarter to the next. The quarterly volatility is in part due to the smaller sample sizes at the state level; the smaller sample size increases the probability of sampling a given number of weeks with payment errors, and seasonal factors. This demonstrates that SWAs should be cautious in making performance assumptions and judging corrective actions effectiveness based on one single calendar quarter of data.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_10_IPIA_14_Overpayment_Rate_by_Quarter_&_State.xlsx

Overpayment Cause by Integrity Rate

The UI initial qualification and continuing eligibility requirements are complex. Benefit payments are limited to weekly and maximum benefit amounts. Benefits are restricted to a specific time period (benefit year). Claimant turnover is high with finite benefit duration and opportunities to return to employment. This complexity lends itself to improper payments; therefore the causes of these improper payments are diverse. Errors can occur at any of the process points discussed below. However, if the error does not affect the key week payment, then it is excluded from the integrity rate estimates.

All states require that a claimant must have earned a specified amount of wages or must have worked a certain number of weeks or calendar quarters in covered employment, or must have met some combination of the wage and employment requirements within his/her base period, to qualify for benefits. The purpose of such qualifying requirements is to restrict benefits to covered workers who are genuinely attached to the labor force.

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

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

To determine improper payments and their causes, the BAM program - as a statistical survey - uses standardized questionnaires to gather information. The BAM investigator applies all facets of state law, administrative code and official policy to the case findings to determine whether a key week payment is proper or improper. Although the legal basis for determining whether a payment is proper or improper may be different from state to state, the causes of errors are common across the nation.

The BAM program relies on a standardized coding system to categorize improper payments[6] into major categories.

Codes	Cause Group Description	Codes	Cause Group Description
100 - 119; 150 -159	Benefit Year Earnings	420 - 429	Work Search Issues
120 -149	Deductible Income	460 -469	Employment Service Reg.
200 - 259	Base Period Wage Issues	430 - 459; 470 - 489	Other Eligibility Issues
300 - 329	Separation Issues	500 - 519	Dependents' Allowances
400 - 419	Able & Available Issues	600 - 639	Other Issues

The distribution of the causes for UI overpayments varies considerably among the three overpayment integrity rates. The elements included or excluded from the various rates

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

influence this distribution (See IPIA_2014_Methodology_and_Program_Description Integrity Rate definitions for inclusion or exclusion from various rates).

IPIA 2014 Overpayment Cause By Integrity Rate Percent of the Estimated Dollars Overpaid			
Cause	Overpayment	Fraud Rate	Agency Responsible
Work Search	33.74%	4.10%	33.74%
Benefit Year Earnings	28.07%	67.93%	28.07%
Separation Issues	16.43%	17.44%	16.43%
Base Period Wage Iss.	5.10%	0.00%	5.10%
Able+Available	4.19%	5.58%	4.19%
ES Registration	4.03%	0.02%	4.03%
Other Issues	3.04%	1.16%	3.04%
Other Eligibility	2.63%	3.18%	2.63%
Sev./Vac./SSI/Pension	2.16%	0.59%	2.16%
Dependent Allowance	0.61%	0.00%	0.61%
Total $ Overpaid by Rate	$4,446,806,977	$1,149,557,995	$969,170,973

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): IPIA_2014_Integrity_Rates_by_Cause.xlsx

Unemployment Insurance Program Letter (UIPL) No. 21-11[7] requires states to analyze their BAM data to identify the top root causes for improper payments and develop strategies that will be effective in reducing or recovering improper payments. Additional analysis follows for the top three causes nationally.

Work Search Issues

Cause Work Search Issues	Overpayment	Fraud Rate	Agency Responsible
Estimated Amount by Cause	$1,500,381,540	$47,154,658	$327,004,577
Estimated $ Overpaid by Rate	$4,446,806,977	$1,149,557,995	$969,170,973
Percent of Total $ Overpaid	33.74%	4.10%	33.74%

As displayed in the IPIA 2014 Overpayment Cause By Integrity Rate table, work search issues are the leading cause for the broadest measure of overpayments, (overpayment rate of 33.74 percent) but are not a significant cause of the fraud overpayments (4.10 percent). However, work search error overpayments (33.74 percent) represent a significant portion of those improper payments for which the agency had full or partial

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

responsibility. Claimants were required to conduct a work search in 18,467 of 23,666 (or 79 percent) of the cases reviewed. The remaining claimants were exempt from the work search requirements for such reasons as being on a temporary layoff or being a member of a union with a hiring hall or in approved training, etc.[8]

The UI program helps workers weather economic downturns by providing wage replacement benefits to eligible individuals. The program is designed to be a temporary support until workers are able to find new employment. A key principle of the program is, therefore, that claimants are actively attempting to obtain employment. However, the Department's contemporaneous interpretation of the original Social Security Act (SSA) in 1935 was that Federal law does not require a work search for the regular UC program.[9] In fact, current Federal regulation in 20 CFR 604.5(h) provides: "The requirement that an individual be available for work does not require an active search for work on the part of the individual. States may, however, require an individual to be actively seeking work to be considered available for work, or states may impose a separate requirement that the individual must actively seek work."

However, IPIA 2014 (July 1, 2013 through June 30, 2014) represents a final transitional year for implementing Federal work search requirement. The Middle Class Tax Relief and Job Creation Act of 2012 (Public Law 112-96), enacted on February 22, 2012, added a new paragraph (12) to section 303(a) of the Social Security Act, to require that a state's law, as a condition of UC administrative grants, provide that "**as a condition of eligibility for regular compensation for any week** [emphasis added], a claimant must be able to work, available to work, and actively seeking work." The law is applicable to weeks beginning after the end of the first session of the State legislature which begins after February 22, 2012.[10] Consequently, states which did not have active work search provisions were required to enact laws and enforce such requirements as a condition of eligibility for any week compensated.

UIPL No. 05-13, issued January 10, 2013, provides "Federal UC law does not specifically define 'actively seeking work,' states have some discretion to establish a reasonable definition. States will exercise their discretion consistent with the strong expectation that UC beneficiaries will be engaged in concerted and effective efforts calculated to find a suitable job in the shortest period of time that is practicable."[11] Thus, states are provided tremendous leeway in meeting this conformity requirement.[12]

States vary with regards to the work search standards. In many states, claimants must make a minimum number of employer contacts each week. Within a state there may be differences on the number contacts required based on local labor market characteristics while in other states the number of contacts is standard throughout the SWA. Some of

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[8] During the review period, the State of Alaska did not require any claimants to conduct an active search for work an active search for work as a condition of eligibility for benefits.
[9] Federal Register /Vol. 72, No. 9 /Tuesday, January 16, 2007 /Rules and Regulations p. 1891
[10] http://www.ssa.gov/OP_Home/ssact/title03/0303.htm#
[11] http://wdr.doleta.gov/directives/attach/UIPL/UIPL_No_5_13_Acc.pdf
[12] http://www.workforcesecurity.doleta.gov/unemploy/conformity-payment.asp

these states may allow certain activities such as attending job search seminars or networking to be considered acceptable work search activities. Depending on the occupation, some states require claimants to contact the employer in person. As a condition of eligibility, many states require a claimant to maintain a log of weekly work search contacts and provide the record for verification purposes. Some states allow a claimant to simply attest without presenting any tangible evidence that they have made an active search for work.

As a result of these diverse work search eligibility requirements and enforcement standards, there is tremendous work search error rate variability among states. A lower error rate could reflect a higher rate of work search compliance within the state (which in turn could be due either to greater search efforts by claimants or to less stringent requirements for work search), greater leniency by an SWA in the circumstances under which it considers claimants' lack of compliance in work search or reporting as constituting an improper payment, varying SWA standards for verification of claimant provided contacts/activities, differences in how BAM audits are conducted, or the SWA BAM program's failure to consistently apply state laws in evaluating its cases.

The BAM program captures seven data elements to assist the state investigators in determining claimant work search compliance. Claimants are asked about their work search efforts in question 42 on the claimant questionnaire (ET Handbook No. 395, 5th Edition, Appendix B, page 5). Detailed listings of these elements for each state (for those claimants are required to actively seek work) can be found in the attached spreadsheet:
IPIA_2014_Work_Search_Verification_Outcomes.xlsx

Several things are apparent in the detail data:

- For over 19.6 percent or 3,659 of the 18,467 key weeks investigated where the claimants were required to conduct an active work search, the claimants did not or could not provide employer contacts or work search activities for eligibility verification.
- For eligibility determination purposes it appears that claimants are often given the benefit of doubt when they indicate they do not know the contacts made or activities completed for the week being reviewed.
- When the claimant fails to respond to the BAM investigation, some states reach a conclusion that the claimant made an active work search despite the fact that the individual has not met work search documentation requirements specified in the state's eligibility policy. In contrast, other states interpret the failure to provide work search documentation as mandated under state law as a failure to respond and recording it as a work search error.
- Some states appear not to be complying with their law, administrative code/rules and policies when coding work search compliance and improper payments.

These differences include definitions of the work search effort that UI claimants are required to undertake, divergences in the claimant requirements to record and report

their efforts, and disparities in the SWAs' efforts to verify and enforce adherence to requirements. The states also differ in the conditions under which they categorize a claimant's noncompliance with work search requirements and/or failure to maintain a record or log of work search contact and activities as an improper payment. Those policies and practices are complex or nuanced or sometimes not well documented. Finally, states may assert formal warning policies which does not seem consistent with other operational guidance.

Additionally, the data identifies inconsistencies between BAM coding of work search outcomes and state official policy particularly when a claimant fails to respond to the request for documentary evidence as required under official state policy. These administrative findings affect the accuracy of the improper payment estimates generated from the results of the BAM survey.

Finally in an effort to determine state conformity with new federal work search requirement the Department issued UIPL 26-13 Change 1[13]. In this UIPL, the Department requested that states provide their work search requirements in effect as of January 1, 2014. Submissions were to include state law, statutes, regulations, policy and procedure memoranda, and agency and court precedential decisions and explain state enforcement standards. The Department is reviewing the information collected and plans to publish a comparison of work search standards on its website.

Benefit Year Earnings

Cause Benefit Year Earnings	Overpayment	Fraud Rate	Agency Responsible
Estimated Amount by Cause	$1,248,211,107	$780,854,387	$272,044,633
Estimated $ Overpaid by Rate	$4,446,806,977	$1,149,557,995	$969,170,973
Percent of Total $ Overpaid	28.07%	67.93%	28.07%

As displayed in the IPIA 2014 Overpayment Cause By Integrity Rate table, unreported or misreported benefit year earnings are the leading cause of UI overpayments. They account for almost three-quarters (67.93 percent) of UI fraud overpayments and slightly more than a quarter (28.07 percent) of the overpayments included in the each of the Overpayment rate and the Agency Responsible rate.

The UI system is designed to maintain and to encourage claimant attachment to workforce overall and/or to their previous employers in particular. The system does this by allowing partial payments, which are reduced for benefit year earnings (weekly benefit amount reduced as a result of wages, commissions, bonuses, tips or gratuities, odd jobs or self-employment income) and through workshare programs.[14] Because UI

[13] http://wdr.doleta.gov/directives/attach/UIPL/UIPL_26_13_1_Acc.pdf

[14] Work Share: An alternative to employee layoffs, whereby a group of workers simply work shorter work weeks and are compensated for their lost work time with partial benefits. Workshare program payments are excluded from the BAM sample because many states tend to waive normal eligibility requirements.

benefits only replace a portion of the claimant's previous base period wages, states have devised various earnings disregard and benefit reduction provisions. Ultimately, these payment adjustments require accurate reporting of these benefit year earnings. Generally claimants are required to report this income when earned - not when paid, and claimants are required to report gross earnings - not net earnings. This benefit year earnings reporting procedure is part of the continued claimstaking process (See claim filing methods by state IPIA_2014_Claim_Filing_Methods.xlsx).

BAM collects data for several important UI eligibility criteria before and after the BAM investigation. Claimant earnings and adjustments to the claimant's weekly benefit amount (WBA) for the paid week (referred to as the key week) investigated by BAM can produce useful information related to benefit year earning (BYE) improper payments.

The following table summarizes the earnings and adjustments data after the BAM investigation, that is, it compares the information at the time the claimant received benefits to the findings after the investigation.

IPIA Period July 1, 2013 through June 30, 2014 Benefit Year Earnings Analysis		
23,666		Completed Cases
2,426	10.25%	Total Cases completed initially reported benefit year earnings (BYE)
346	14.26%	Of the 2,426 cases with earnings had BYE over-reported
	$43.97	Average amount BYE over-reported in the key week
	$15.00	Median amount BYE over-reported in the key week
1,211	49.92%	Of the 2,426 cases had BYE amounts accurately reported
	$175.55	Average amount of BYE accurately reported in the key week
	$156.00	Median amount of BYE accurately reported in the key week
869	35.82%	Of the 2,426 cases had BYE under reported
	$109.51	Average amount BYE of under-reported in the key week
	$43.00	Median amount BYE of under-reported in the key week
21,240	89.75%	Number of cases with No BYE initially reported
843	3.97%	Percent completed cases not initially reporting BYE actually had BYE
	$405.90	Average unreported or concealed BYE amount in the key week
	$305.00	Median unreported or concealed BYE amount in the key week

In IPIA 2014, the BAM program reviewed 23,666 key weeks. For these 23,666 paid weeks, 2,426 or 10.68 percent of the weeks investigated had benefit year earnings reported at the time of payment. For these 24,181 paid weeks, 21,598 or 89.32 percent of the weeks investigated had no benefit year earnings reported at the time of payment.

Slightly less than 50 percent (1,211 weeks) of the 2,426 key weeks with benefit year earnings initially reported actually had the earnings reported accurately. However, 869 weeks, representing 35.82 percent of the weeks with earnings initially reported, had under reported earnings (claimant earned more than reported), and 346 weeks (14.26 percent) of the weeks had over reported earnings (claimant earned less than reported).

Additionally, investigators found 843 weeks or 3.97 percent of the 21,240 weeks with no benefit year earnings initially reported actually had earnings income. More than 87 percent of these cases had benefits amounts decreased or reduced completely because the claimant was found to be working part or full time.

These findings with respect to claimant earnings affect the accuracy of adjustments to the claimant's WBA. Furthermore, claimants' accurate reporting of benefit year earnings and timely earning verification with employers are essential in preventing, identifying, and reducing these types of improper payments.

Separation Issues

Cause Separation Issues	Overpayment	Fraud Rate	Agency Responsible
Estimated Amount by Cause	$730,768,436	$200,480,784	$159,269,237
Estimated $ Overpaid by Rate	$4,446,806,977	$1,149,557,995	$969,170,973
Percent of Total $ Overpaid	16.43%	17.44%	16.43%

As displayed in the IPIA 2014 Overpayment Cause By Integrity Rate table, issues involving the claimant's reasons for separating from work (separation issues) are the third leading cause of UI overpayments. They account for 16.43 percent of the overpayment rate and 17.44 percent of the fraud overpayments. Separation issues are the third leading cause (16.43 percent) of the amount overpaid for which the agency had full or partial responsibility.

Being involuntarily unemployed – that is, the claimant is unemployed through no fault of their own - is a basic eligibility requirement. All state laws provide that, to receive benefits, a claimant must be free from disqualification for such acts as voluntary leaving work without good cause, or discharge for misconduct connected with the work. Such disqualifying acts may occur prior to the initial claim for benefits or at any point during the benefit year. The SWAs have the crucial responsibility of identifying and pursuing separation issues, conducting fair and impartial fact finding hearings, and determining whether the employment separation is disqualifying. Separation fact finding hearings involve input from both employers and claimants and the facts may be disputed. The Benefits Timeliness and Quality (BTQ) guide sheets 1 and 2 in the ET Handbook No. 301, 5th Edition, show the complexities of fact finding and the central role SWAs play in determining eligibility. However, the process demands employers and claimants provide complete and timely facts to separation adjudicators so the state can appropriately apply the law.

The SWA's central role in separation eligibility determinations is reflected in the agency responsible rate. BAM investigators found separation errors in 689 of the 23,666 cases investigated. In 283 (or 41.07 percent) of the 689 separation error cases, the SWA's action or inaction contributed to the error. But in only 94 (or 33.21 percent) of the 283 cases did the agency have exclusive responsibility; in the remaining 189 cases the agency shared responsibility with another party.

Although the BTQ data does not determine whether a payment is proper or improper, it reflects determination due process requirements and therefore reflects the BAM program's assignment of agency responsibility. The table below shows the BAM program's finding for "allow payment separation determinations".

Determination Description	Percent of Total # where all relevant and critical facts were obtained or a reasonable attempt was made to obtain them and the nonmonetary determination is clearly correct	Percent of Total # where some critical facts were not obtained and in their absence correct or incorrect application of law cannot be established	Percent of Total # where all relevant critical facts obtained or a reasonable attempt was made to obtain the facts and the nonmonetary determination law is wrong
Quit	71.57%	23.83%	4.60%
Discharge	71.46%	25.39%	3.15%

Further insight is gained on improper payments due to separation issues by examining the sections "Agency Action Prior to Sample Selection for Overpayments", "Employer Action Prior to Sample Selection for Overpayments", and "Claimant Action Prior to Sample Selection for Overpayments" sections below.

Overpayment Responsibility by Integrity Rate

The BAM program identifies the party or parties responsible for all payment errors. As with cause, the distribution of overpayment responsibility varies considerably by integrity rate. A fundamental aspect of payment "when due," for purposes of Section 303(a)(1), SSA, is that UC is due to claimants who are eligible under state law. Eligibility for UC is determined on a week-by-week basis. During a continued claim series, a claimant must certify continuing eligibility for each week. If information provided by the claimant or others establishes eligibility, the state agency manifests its determination of eligibility for that week by issuing compensation to the claimant. Once initial eligibility is established, the SWA must make continued payments unless a question concerning continued eligibility for benefits for a given week arises. In other words, the SWA makes continued benefit payments based on the presumption of eligibility and the claimant's ongoing certification that requirements have been met. However, when a question arises, the SWA is required to conduct an investigation of the facts and make a determination of eligibility or ineligibility.[15] Such a determination may affect past, present or future benefit payments.

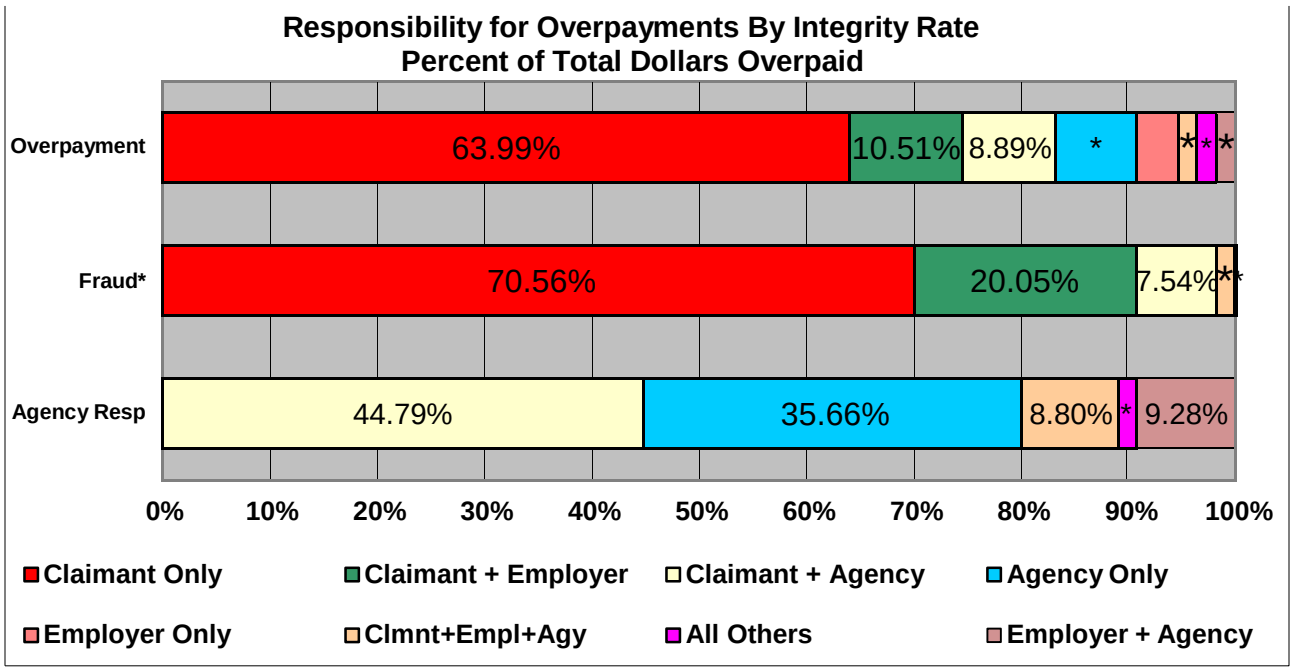
[15] UIPL No. 04-01, "Payment of Compensation and Timeliness of Determinations during a Continued

The overpayment rate is the broadest measure of overpayments. Since claimants control much of the information used to determine weekly eligibility, they alone were responsible for almost 64 percent of the dollars overpaid included in the overpayment rate.

Errors resulting in overpayments that were attributed exclusively to the SWA accounted for 7.57 percent of the amount overpaid. The claimant and agency were jointly responsible for an additional 8.89 percent of the dollars overpaid, and the claimant and employer were jointly responsible for an additional 10.51 percent of the annual rate overpayments.

Claimants alone were responsible for 70.55 percent of the fraud overpayments. Claimants along with employers were responsible for 20.05 percent. Nearly all of the remainder of the fraud includes claimant and agency responsibility.

The agency rate is defined by responsible party. The SWA was solely responsible for 35.66 percent of the amount overpaid included in the agency rate. Agencies shared responsibility with claimants, employers, or third parties for the remainder.



* Less than 5 percent of the overpayments were classified as this responsibility.

For a detailed listing of these rates for each state, click on the following links (note: spreadsheets may have several pages):
IPIA_2014_Integrity_Rates_by_Responsibility.xlsx
IPIA_2014_Overpayment_Rate_Cause_and_Responsibility.xlsx

Claims Series" http://wdr.doleta.gov/directives/attach/UIPL4-01.cfm

Claimant Action Prior to Sample Selection for Overpayments

In the case of payment errors, BAM identifies the action that the claimant took prior to the sample's selection. Prior claimant action provides additional details on improper payment responsibility and helps prioritize ways to prevent, reduce, and detect overpayments.

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

Continuing eligibility for UI is determined on a week-by-week basis. During a continued claim series, a claimant must certify their continuing eligibility for each week. Errors can occur anywhere in this business process. BAM assigns a code to indicate action(s) taken by the claimant affecting the payment error issue by recording the following actions:

- Claimant provided adequate and timely information to SWA for determination.
- Claimant provided adequate information to SWA after due date for determination.
- Claimant provided timely but inadequate information to SWA for determination.
- Claimant provided inadequate/incorrect information to SWA after due date for determination.
- Claimant did not respond to SWA request for information.
- SWA did not request the claimant to provide information.

Depending on the cause, BAM often finds claimants responsible for overpayments because they are a principal source of information. Prior claimant action provides insight into this coding. For example, in 88.2 percent of the benefit year earnings overpayments and 68.7 percent of the separation issues overpayments, the claimant provided inadequate but timely information contributing to $1.6 billion overpaid in these two cause categories. The data further emphasizes the importance of verifying separation and earnings information with employers and conducting these verification actions.

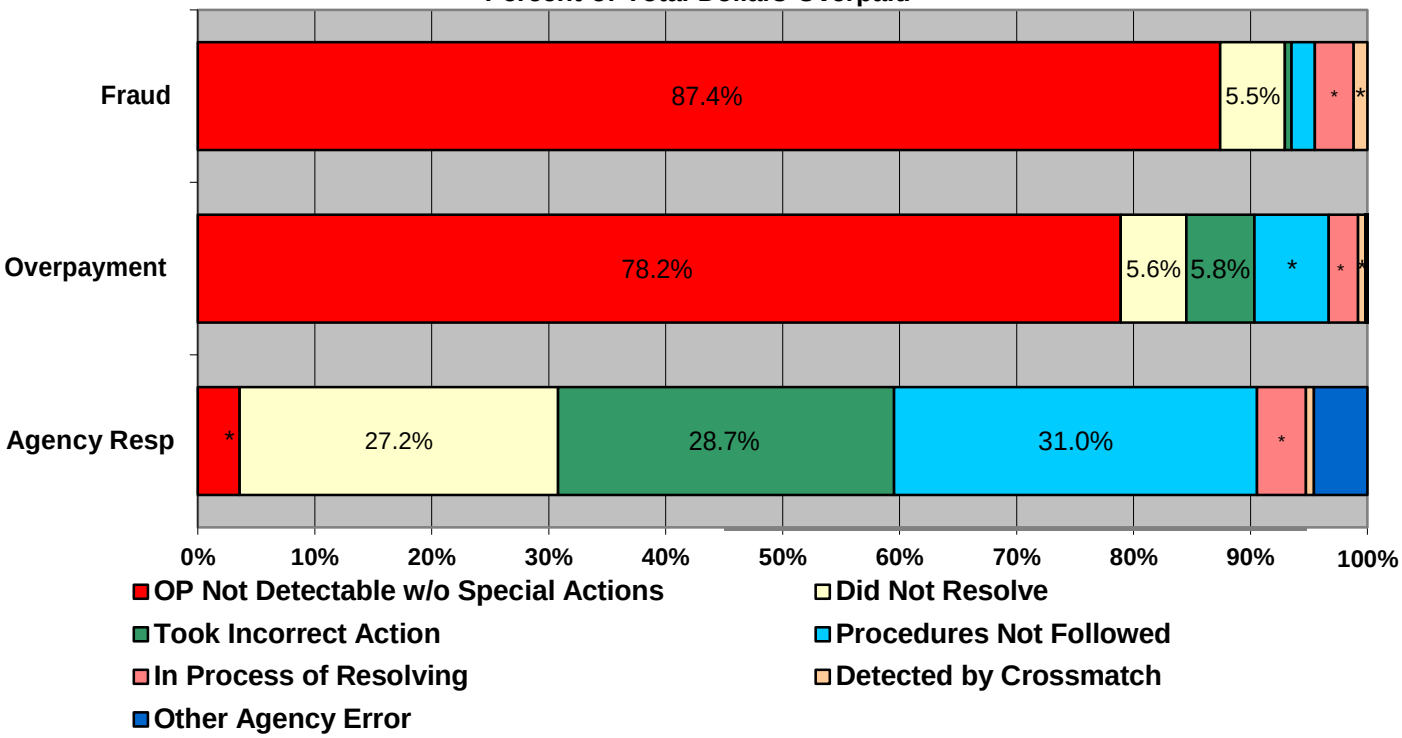
For a detailed listing of this rate, click on the following link (note: the spreadsheet may have several pages): IPIA_2014_Cause_x_Prior_Claimant_Action.xlsx

Agency Action Prior to Sample Selection for Overpayments

In the case of payment errors, BAM identifies the action that the SWA took prior to the sample's selection. Prior agency action provides additional details on improper payment responsibility and helps prioritize ways to prevent, reduce, and detect overpayments. At the time the SWA made payment, BAM found most overpayments were not detectable through normal agency procedures.

Just over 87.4 percent of the overpayments determined to be due to fraud were not detectable through normal agency procedures at the time the payment was made. Again, BAM found that special agency actions (e.g., crossmatching with the National Directory of New Hires or taking additional steps to secure employer information) were required to prevent or detect these overpayments. The remaining fraud overpayments were distributed among the other prior agency action categories.

IPIA 2014 Agency Action Prior to Sample Selection for Overpayments
Percent of Total Dollars Overpaid



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

For overpayments included in the overpayment rate, just more than 78.2 percent of the 4.45 billion dollars of UI benefits overpaid was not detectable through normal agency procedures. The agency had sufficient information but did not resolve the issue for 5.56 percent of the amount overpaid, and the agency identified the overpayment issue but took the incorrect action for 5.80 percent of dollars overpaid. The agency failed to follow its own procedures, which precluded the ability to prevent the overpayment, for

5.64 percent of the overpayment rate dollars overpaid. At the time BAM selected the sample, the agency had resolved or was in the process of resolving improper payments constituting 2.51 percent of the amount overpaid. Additionally, the agency identified 1.67 percent of these overpayments using crossmatches. Finally, a small portion of dollars overpaid are caused by another SWA (0.12 percent).

For the agency rate, BAM determined SWAs were responsible for $969.17 million because they had full or partial responsibility for the overpayment. Of these, the agency had sufficient information to identify the overpayment issue but did not resolve the issue for 27.23 percent of the amount overpaid; took the incorrect action for 28.72 percent, and did not follow procedures thereby precluding the SWA's ability to detect the payment error for 28.18 percent of the amount overpaid. The remaining overpayments for which the agency had full or partial responsibility were either not detectable through normal procedures at the time the payment was made or the agency had resolved or was in the process of resolving improper payments or the error was committed by another SWA.

For a detailed listing of these rates for each state, click on the following links (note: spreadsheets may have several pages):
IPIA_2014_Integrity_Rates_Cause_x_Prior_Agency_Action.xlsx

Employer Action Prior to Sample Selection for Overpayments

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

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

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

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

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

IPIA 2014 Integrity Rates - Dollars Overpaid by Prior Employer Action

Employer action as of the time that the payment was selected for audit	Overpayment Rate	Fraud Rate Overpayments	Agency Rate Overpayments
Not An Employer Issue	$2,058,392,739	$212,838,163	$355,801,312
Agency Did Not Request	$868,839,539	$439,129,329	$97,070,608
Adequate & Timely Information	$696,105,008	$242,664,323	$333,754,906
Did Not Respond to request	$334,348,966	$118,080,309	$97,171,410
Inadequate information	$302,231,065	$23,549,048	$65,302,421
Not Timely information	$33,525,801	$8,998,705	$11,214,498
Inadequate & Untimely	$21,054,341	$11,112,355	$6,607,015
Did Not Report New Hire	$132,931,132	$92,035,445	$2,248,803
Estimated dollars overpaid where a different employer action may have produced a different outcome	$824,091,305	$253,775,862	$182,544,147
Percent of Total Dollars overpaid where a different employer action may have produced a different outcome	18.53%	22.10%	18.84%
Total Estimated Overpaid	$4,448,440,342	$1,148,407,678	$969,170,973

The highlighted sections show estimated overpayments where a different employer action in response to a claim may have produced a different outcome. BAM estimates that employer actions contribute 18.53 percent of the overpayments included in the overpayment rate, 22.10 percent to the fraud rate dollars overpaid, and 18.84 percent of the overpayments included in the agency responsible rate.

For example, over $337.0 million overpaid in the annual rate involved verification difficulties dealing with employment separations. A significant portion of these improper payments involved situations where the employer did not respond to the agency's request for separation information. An additional $179.9 million overpaid involved employer verification problems and benefit year earnings. These overpayments may have been prevented or reduced if timely or accurate information had been provided.

One element stands out in the agency responsible error rate. For 10.02 percent of the total dollars overpaid or approximately $97.1 million, BAM found that the SWAs did not request information from employers who were an interested party to a determination.

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

For a detailed listing of these rates for each state, click on the following links (note: spreadsheets may have several pages):
IPIA_2014_Integrity_Rates_Cause_x_Prior_Employer_Action.xlsx

Point of Detection

BAM records the point in its audit process at which it first detects a payment error. BAM detects most payment errors by verifying base period wages, benefit year earnings, and separation information with employers. The data suggest that taking additional steps to secure employer information or to conduct more in-depth claimant interviews may influence overpayment amounts. For example, a cross tabulation displaying the joint distribution of the point of detection and overpayment cause shows that BAM found significant errors when payment information is corroborated with employers and through extensive claimant interviews.

Point of Detection - Overpayment rate	Benefit Year Earnings	Separation Issues
Wage/ Earnings/ Separation Verification	$817,619,129	$312,448,084
Claimant Interview	$102,979,063	$93,020,325

BAM identified an additional $712,656,759 of overpayments in agency "UI Records." Such overpayments may be displayed as erroneous prior agency actions.

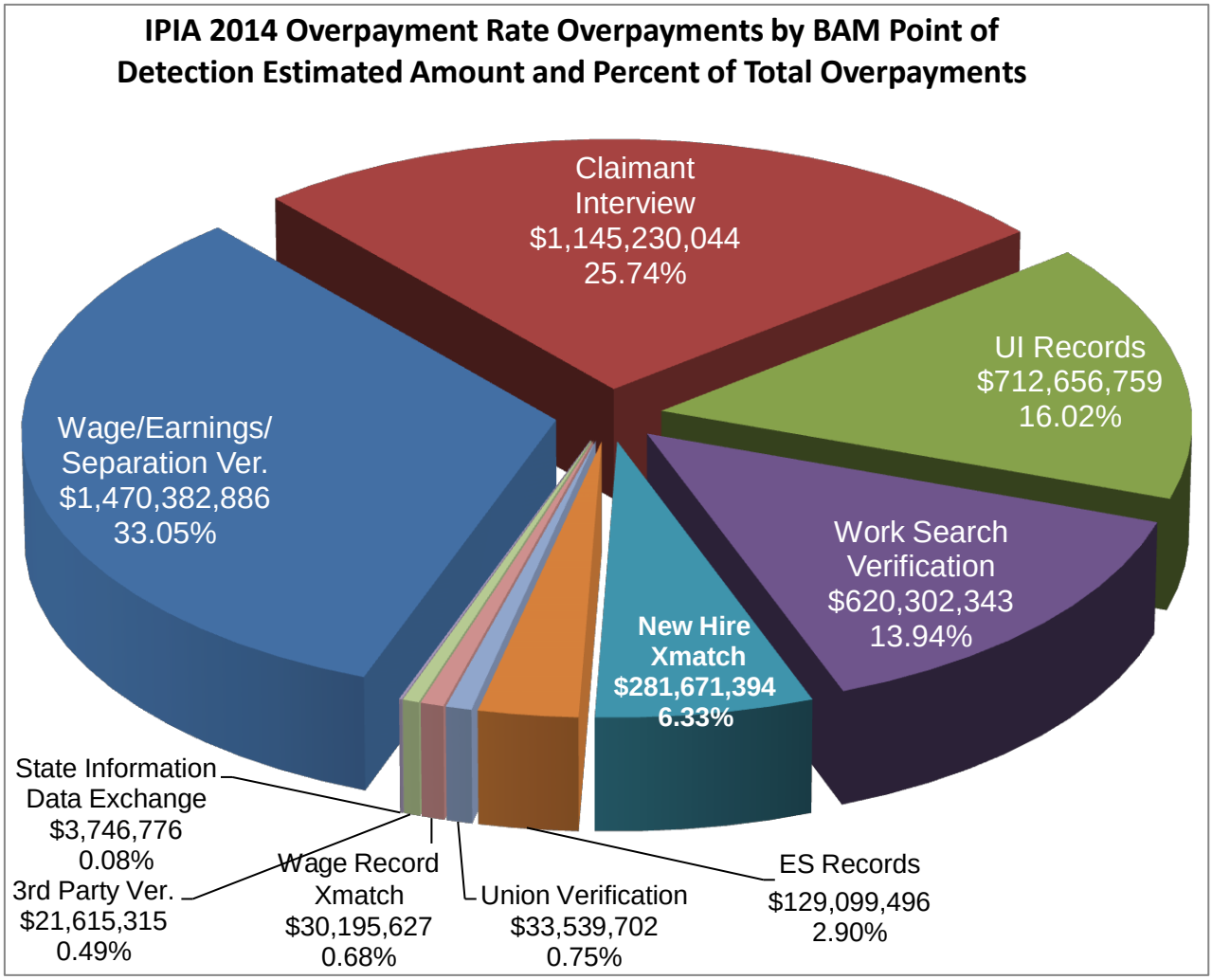
Agency Actions	SWA identified KW issue prior to KW selection but took incorrect action.	SWA had sufficient documentation to identify that there was a KW issue but did not resolve the issue.
$ by Prior Agency Action	$257,817,172	$247,116,599

This information taken together suggests that inadequate staff training and insufficient investigational time may be issues contributing to benefits being improperly paid. Also, benefit system limitations might influence these agency actions.

Within this framework, it is important to note that the audit process differs substantially from normal UI operations in terms of cost, time, and effort. BAM exhausts all avenues in obtaining information while UI operations make reasonable attempts. This procedural difference may contribute to BAM identifying some of these overpayments. However, Section 303(a)(1) of the SSA requires "[s]uch methods of administration . . . to insure full payment of unemployment compensation when due." Application of this "when due" provision requires the balancing of the dual concerns of promptness and accuracy. The Department has always interpreted "when due" to include accuracy to ensure that payments are not made when they are not due.

BAM identified an estimated $226.5 million in benefit year earnings and $42.6 million in separation overpayments using the National Directory of New Hires (NDNH) crossmatch. These overpayments are identified with a specific detection point code. BAM also captures whether the agency had identified the overpayment at the time of sample selection. In many cases, the SWA has not taken action on the new hire hit when BAM selects its case. This strongly suggests that SWA should review and improve their crossmatch workflow processes and adjust their crossmatch parameters to optimize new hire detections. The following spreadsheet shows these results by state for benefit year earning and separation overpayments:
IPIA_2014_BAM_&_SWA_NDNH-SDNH_Crossmatch_Detections_on_cases.xlsx

Aggregate IPIA 2014 Point of Detection data for all states are displayed in the following chart.

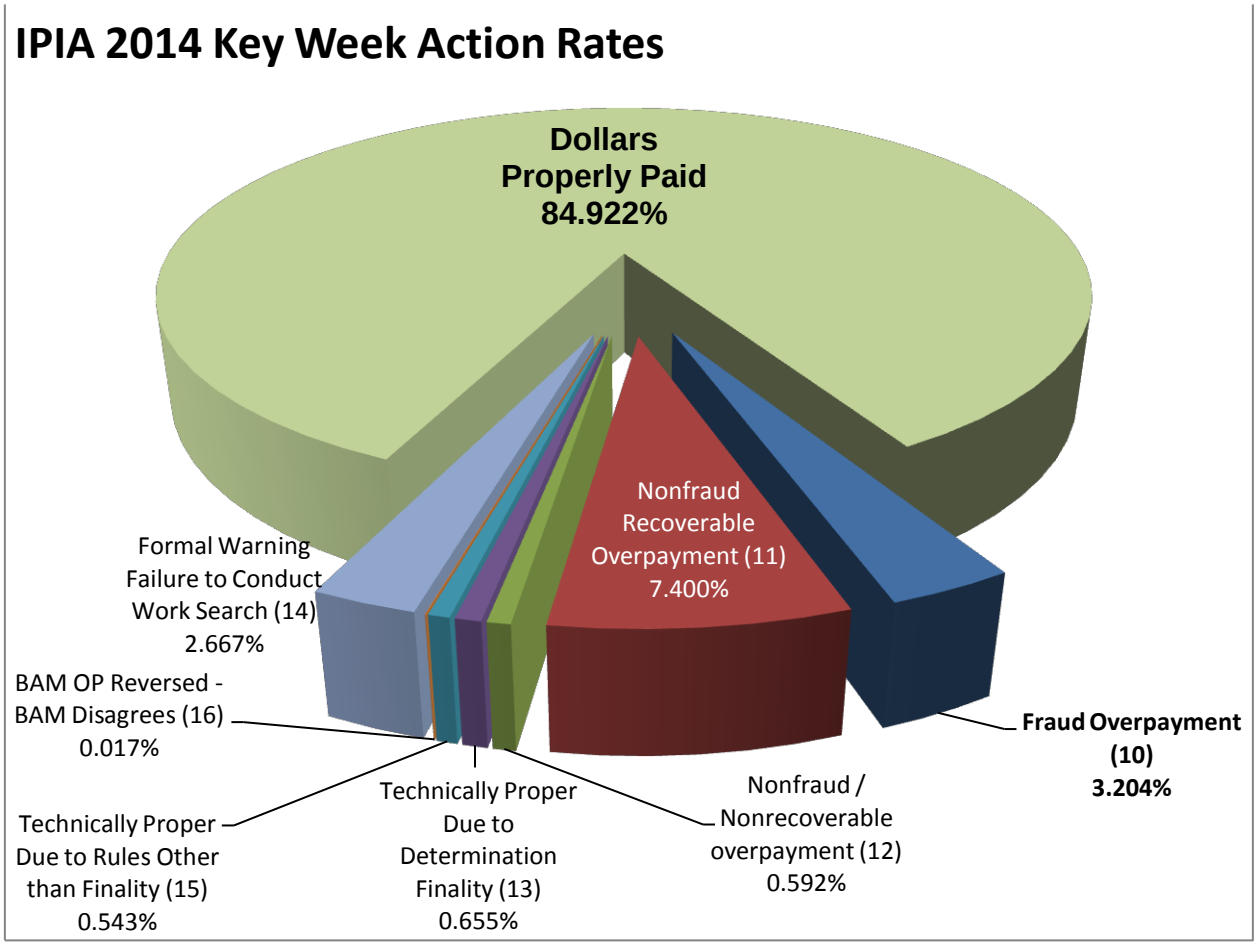


For a detailed listing of these rates for each state, click on the following links (note: spreadsheets may have several pages):
IPIA_2014_Integrity_Rates_by_Point_of_Detection.xlsx

Key Week Action Rates

For each paid UI week investigated, referred to as the Key Week (KW), BAM records whether the payment was proper or improper and, if improper, the type of erroneous payment. The coding of BAM audit findings must be consistent with the laws, rules and written policies of the SWA. The Department uses these KW action codes to develop the payment integrity rates discussed throughout this paid claim accuracy analysis. These integrity rates are defined in IPIA_2014_Methodology_and_Program_Description.

Differences in state laws are highlighted by the KW action rates. For example, work search requirements differ significantly in that some states require a formal warning before holding a claimant ineligible. Another example involves states with legal provisions making determinations final or unchangeable after a given period. States may also differ in the way they interpret and apply seemingly identical work search and other UI eligibility requirements. SWA administrators and legislators may use KW action error overpayment rates in setting policy priorities or identifying procedural constraints that affect claimstaking or limit overpayment establishment. Aggregate IPIA 2014 data for all states are displayed in the chart below.



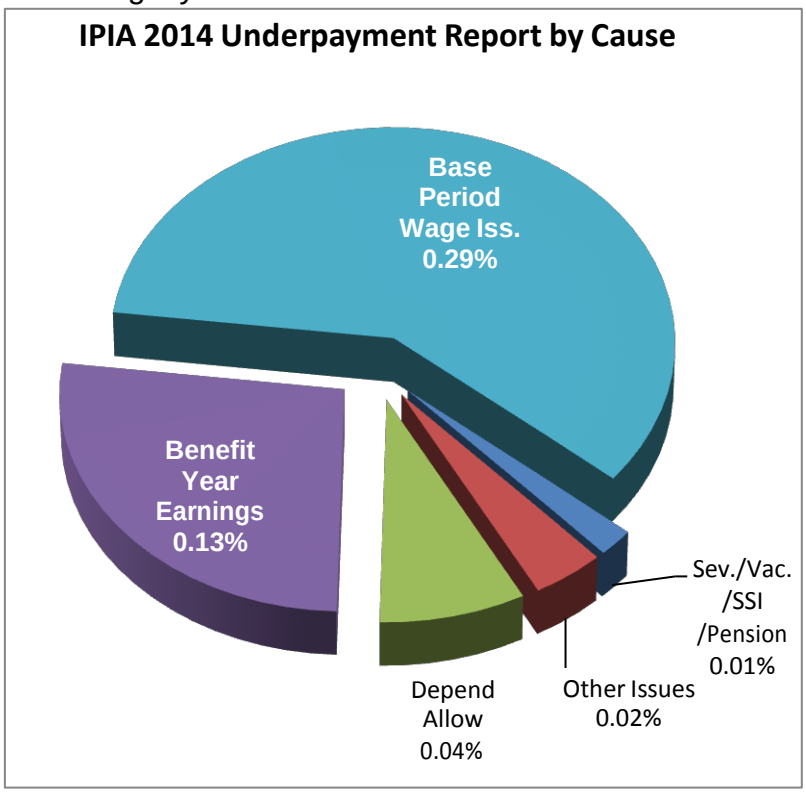
Key Week Action state-level data highlights how state laws vary and why integrity rates are displayed with warnings not to compare individual state rates.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2014_Key_Week_Action_on_Payments.xlsx

II. Underpayments and Denied Claims Accuracy

Underpayment Rate

IPIA requires estimates of underpayment rates, in addition to overpayments. BAM estimates that $172.84 million was underpaid in IPIA 2014, compared with $203.5 million underpaid in IPIA 2013. As a percentage of UI benefits paid, the IPIA 2014 national underpayment rate of 0.48 percent is slightly lower than the IPIA 2013 rate of 0.50 percent. State underpayments ranged from 0.006 percent in Alabama to 1.75 percent in New Jersey.



Errors in reporting or recording base period wages accounted for slightly less than 60 percent of the amount underpaid, and represented 0.29 percent of the amount of UI benefits paid. Employers report employees' wages to SWAs each calendar quarter. SWAs use these wages to establish a claimant's base period, which in turn is used in the calculation of weekly benefit amounts and maximum benefit amounts (see IPIA_2014_Base_Period_Wages_Report.xlsx for individual state findings). Instances where the weekly benefit amount increases after the investigation represent underpayments used to produce the estimate.

Type	Base Period Wages			Weekly Benefit Amount			Maximum Benefit Amount		
	# of Cases	% of Cases	Avg. Error	# of Cases	% of Cases	Avg. Error	# of Cases	% of Cases	Avg. Error
Correct	20,679	87.38%		22,453	94.87%		22,075	93.28%	
Understated	1,734	7.33%	($5,180.03)	698	2.95%	($29.27)	929	3.93%	($915.67)
Overstated	1,253	5.29%	$3,726.77	515	2.18%	$52.82	662	2.80%	$1,230.21
Total	23,666	100.00%		23,666	100.00%		23,666	100.00%	

Understated

- Number of cases where base period wages (BPW) before investigation (e3) were less than the base period wages after investigation (e4); "(e3 < e4)",
- Number of cases where the weekly benefit amount (WBA) before investigation (e9) was less than the weekly benefit amount after investigation (e10); "(e9 < e10)",
- Number of cases where the maximum benefit amount (MBA) before investigation (e11) was less than the

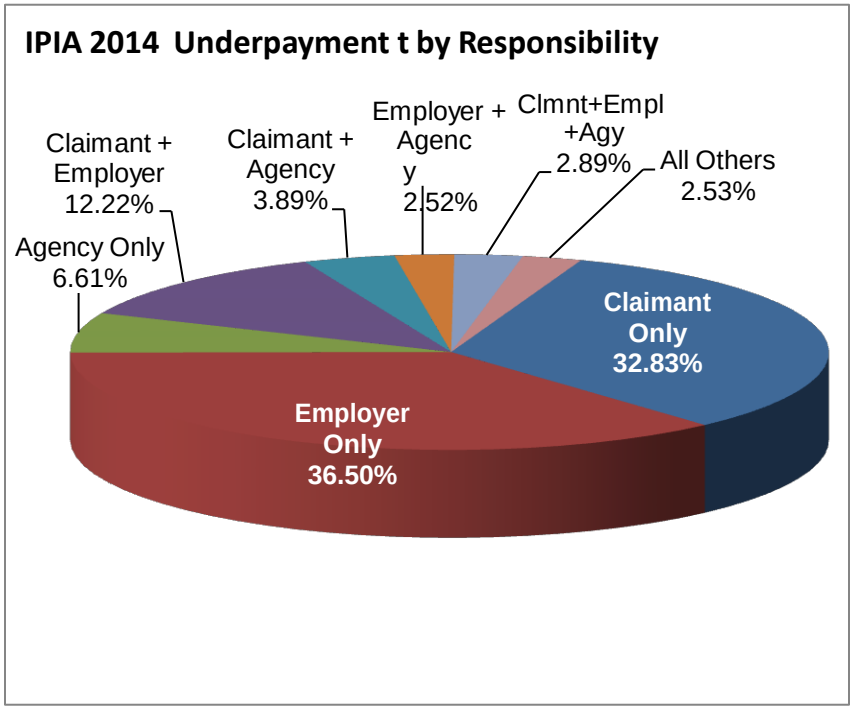
maximum benefit amount after investigation (e12); “(e11 < e12)”

Overstated - Number of cases where “e3 > e4” for BPW, “e9 > e10” for WBA, and “e11 > e12” for MBA.

Errors in reporting or recording benefit year earnings were the second leading cause of underpayments – 26.2 percent of all underpayments and 0.13 percent of UI benefits paid. Generally, claimants can work and earn wages while collecting UI benefits as long as they report their earnings. However, weekly UI payments may be adjusted downward based on claimant reported earnings. For many of these underpayments, the claimant may have over reported their weekly earnings and because of this error, BAM found that UI benefit amount paid was too small.

IPIA Period July 1, 2013 through June 30, 2014 Benefit Year Earnings Analysis		
23,666		Completed Cases
2,426	10.25%	Total Cases completed initially reported benefit year earnings (BYE)
346	14.26%	Of the 2,426 cases with earnings had BYE over-reported
	$43.97	Average amount BYE over-reported in the key week
	$15.00	Median amount BYE over-reported in the key week

Employers alone were responsible for 36.50 percent of amount underpaid, which represented 0.18 percent of the amount of UI benefits paid. Claimants alone were responsible for an additional 32.83 percent of the amount underpaid, which represented 0.16 percent of the amount of UI benefits paid. Because SWAs often send out confirmations to the claimant and base period employers at the time of monetary determination, responsibility for these types of underpayments are highly distributed.



The underpayments estimated from BAM paid claims samples represent underpayments only for those claimants eligible for UC. Underpayments also result when claims for UI are erroneously denied. Each week, BAM units in the SWAs select samples of denied UI claims from three populations, defined by the type of issue on which a benefit denial was based --

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

Denied Claims Accuracy Rates

Unlike the investigation of paid claims, in which all prior determinations affecting claimant eligibility for the compensated week are evaluated, the investigation of denied claims is limited to the issue upon which the denial determination is based. DCA investigators verify facts contained in the case file, obtain any missing information, and conduct new and original fact-finding that may be relevant to the denial determination. The DCA audits record error information in a manner similar to paid claim accuracy: Dollar Amount of Error, Error Issue Action Code, Error Cause, Error Responsibility, Error Detection Point, Prior Agency Action, Prior Employer Action, DCA Action Appealed, and Prior Claimant Action.

Monetary Denials

SWAs determine the monetary eligibility of claimants when they file a new initial claim or a transitional claim (to establish a new benefit year). In IPIA 2014, SWAs determined that 84.31 percent of the 11.67 million new initial and transitional claims were monetarily eligible.

BAM estimates that 15.35 percent of the 1.5 million monetary denials included in the BAM DCA population were improper. This compares to an improper denial rate of 12.04 percent in IPIA 2013. These UI claims were denied because the agency had initially determined that the claimant had not earned sufficient wages in employment prior to being unemployed or failed to meet other requirements for monetary eligibility, such as sufficient earnings in a minimum number of weeks. The BAM DCA audit identified additional wage credits or an alternate or extended base period for these claimants that had not been included in the original monetary determination or identified other errors in the original determination.

For many of these improper monetary denials, the SWA had identified the additional wages and issued a redetermination establishing eligibility independent of the BAM investigation, or the initial denial was reversed on appeal. When the improper monetary denial rate is adjusted for these agency initiated redeterminations or appeals reversals, the improper denial rate for monetary determinations drops to 12.15 percent. This represents approximately 182,160 of the 1.5 million claimants who were monetarily denied. This rate is higher than the adjusted improper denial rate of 8.85 percent in IPIA 2013.

Separation Denials

In order to be eligible for UC, claimants must be unemployed due to no fault of their own, discharged for non-disqualifying reasons, or must have voluntarily left employment

for a non-disqualifying reason provided in state law, such as workplace harassment, unsafe working conditions, domestic violence, or to relocate with a spouse. Agencies conduct determinations of eligibility when a separation issue has been identified. The agency gathers information from the claimant, employer, and relevant third parties. Based on the findings of fact and the application of state laws, SWAs issue a determination of eligibility.

Separation issues normally are identified when a new initial claim or an additional claim is filed. In IPIA 2014, there were approximately 9.84 million monetarily eligible new initial claims and approximately 6.15 million additional claims. No separation determinations were conducted for nearly 76.9 percent of these claims, because the reason for separation was lack of work or reduction in workforce. SWAs completed slightly more than 3.70 million separation investigations and found disqualifying circumstances in 1.88 million of these determinations that resulted in denial of benefits.

In IPIA 2014, BAM estimated that 9.51 percent of the 1.85 million separation denials included in the BAM DCA population were improper, compared with 10.49 percent estimated for IPIA 2013. When redeterminations and appeal reversals are taken into account, the improper denial rate for separations decreases to 5.92 percent, compared with 5.86 percent in IPIA 2013. Nationally, BAM estimates that approximately 109,289 of the 1.85 million employment separation denials subject to audit were incorrectly denied benefits.

Nonseparation Denials

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

In IPIA 2014 claimants requested payment or "claimed" 144.21 million weeks of benefits. Approximately 12.48 percent of UI weeks claimed were not paid, and no nonseparation determinations were conducted. These unpaid weeks primarily involved claims where the claimant earnings from work exceeded SWA payment limits.[16] SWAs

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

made payments for 123.42 million weeks. SWAs completed 3.39 million nonseparation determinations and concluded that 2.77 million of those investigations should result in denial of benefits.

For the 2.60 million nonseparation denials included in the DCA population, BAM estimates an improper denial rate of 14.11 percent and when redeterminations and appeals reversals are taken into account, the adjusted improper denials rate is 10.11 percent.

Overpayments and Proper Denials

BAM determined that small percentages of the separation (0.13 percent) and nonseparation (1.04 percent) denials resulted in overpayments. Overpayments can occur if the period of disqualification for UI benefits was less than it should have been, and the claimant received compensation during the period that he or she should have been ineligible for benefits. Overpayments can also occur if the claimant received a partial payment that was too large. A partial payment is a reduction in the claimant's weekly benefit amount and is issued when the claimant has earnings or other deductible income (such as pension, vacation, severance, and SSI) for weeks that he or she claims UI benefits. For some of these compensated weeks, the BAM audit identified additional income that reduced benefits further or in some cases eliminated eligibility for benefits entirely.

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

DCA Rate Table

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

IPIA 2014 US Denied Claims Accuracy Rates

Denial Type	BAM Population of Denials	Improper Rate*	Adjusted Improper Rate**	Over-Payment	Proper Denial***
Monetary	1,499,260	17.31%	15.35%	12.15%	0.00%
Separation	1,846,105	16.11%	9.51%	5.92%	0.13%
Nonseparation	2,596,413	21.45%	14.11%	10.11%	1.04%

DCA Rate Table Notes:

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

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

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

*** Properly denied, but BAM identified a procedural error, such as basing the determination on the wrong reason or section of the law or applying an incorrect period of denial.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2014_Denied_Claims_Accuracy_&_Error Rates.xlsx

Monetary Denials and Alternative Base Period Redeterminations

Only 37.62 percent or 438,913 of the 1.04 million claimants in alternative base period (ABP) states that were monetarily denied received alternative base period consideration. Using a regular base period definition, a worker filing a UI claim cannot use wages earned in the current calendar quarter (filing quarter) or the most recent completed quarter (lag quarter) toward monetary eligibility or in calculating his or her UI weekly benefit amount. When states use an ABP, the worker who fails to qualify using the regular base period can use his or her more recent wages to meet the base period earnings requirement.

Through the enactment of the American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. 111-5) on February 17, 2009, 41 SWAs (including the Virgin Islands) received incentive funding for implementation of ABPs. Each state's application for incentive payments contained a certification that the application was submitted in good faith with the intention of providing benefits to unemployed workers who meet the eligibility provisions on which the application was based.

For a state to qualify for a UI Modernization incentive payment through ARRA, the state must determine whether an individual is eligible under an ABP if they do not have sufficient wage credits using the regular base period. Section 2003 of Pub. L. 111-5 provided:

> The state law of a state meets the requirements of this paragraph if such State

law—

> "(A) uses a base period that includes the most recently completed calendar quarter before the start of the benefit year for purposes of determining eligibility for unemployment compensation; or
>
> (B) provides that, in the case of an individual who would not otherwise be eligible for unemployment compensation under the state law because of the use of a base period that does not include the most recently completed calendar quarter before the start of the benefit year, **eligibility shall be determined** [emphasis added] using a base period that includes such calendar quarter."

Because the law says "eligibility **shall** be determined", it is the agency's responsibility to make the determination and the agency cannot put the onus on the individual to request that they do so.

Furthermore, Appendix A or B to the Code of Federal Regulations 20 CFR Parts 602, 614, 617, and 625, which is commonly known as the "Standard for Claim Determinations" provides a number of administrative actions to ensure payment when payment is due. This standard requires that the State must take the initiative to obtain the information necessary to make a determination, a record of facts considered must be maintained, and a monetary determination or redetermination notice must be issued. One would expect the standard for claim determinations to be applied to alternative base period monetary determinations in the same manner that it applies to regular base period monetary determinations.

Administratively, ABP monetary redeterminations pose significant challenges during the first 40 days after the end of a calendar quarter. Under normal circumstances, employers are not required to report the wages until 30 days after the end of quarter and those wages may not be posted for claim use for another 10 days. Based on this timing, the most recent quarter wages are often not available for an ABP determination. In such circumstances, the agency must take special administrative actions to obtain information for new initial claims filed during this 40 day period. In other words, the monetary issue cannot be resolved from a review of the agency's records. Furthermore, internet claimstaking automation adds further complexity at detecting lag quarter wages.

However, BAM monetary denial case reviews have revealed that SWAs have adopted standards which vary from the Standard for a Claim Determinations and ARRA grant requirement.

IPIA 2014 States with Alternative Base Period Provisions – Agency Action				
Count of Sample Monetary Redetermination type	Cases Completed in the Sample	Percent of total sample completed	Estimated Population of Determination type	Monetary Redetermination Description* Alternative Base Period (ABP) Extended Base Period (EBP)
3,179	6,042	52.62%	492,547	No Monetary Redetermination
2,273	6,042	37.62%	438,913	Yes ABP or EBP Redetermination
590	6,042	9.76%	112,045	Monetary Redetermination-Not ABP
Total Estimated Population in ABP states*			1,043,505	

*Includes denials made eligible by agency action prior to and during the investigation.

BAM data indicates that approximately 604,592 of the nearly 1.04 million (57.94 percent) of the monetarily denied claimants in ABP states who should have received alternative base determination may not have received such consideration or the state agency had no record of consideration or that an ABP monetary (re)determination notice was never issued to the claimant. The BAM investigator captures the agency action until the denial case is closed.

In most cases, employer information is essential in situations where the state makes a monetary determination unless the claimant has provided sufficient and convincing information to enable the State agency to make a determination of eligibility (or ineligibility) without further inquiry.

Finally, the Standard for Claim Determinations stipulates: The agency must give each claimant a written notice of **any** monetary determination with respect to his benefit year." (Emphasis added)

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2014_Monetary_Redeterminations_ABP_states.xlsx

Agency Action for Improper Denials

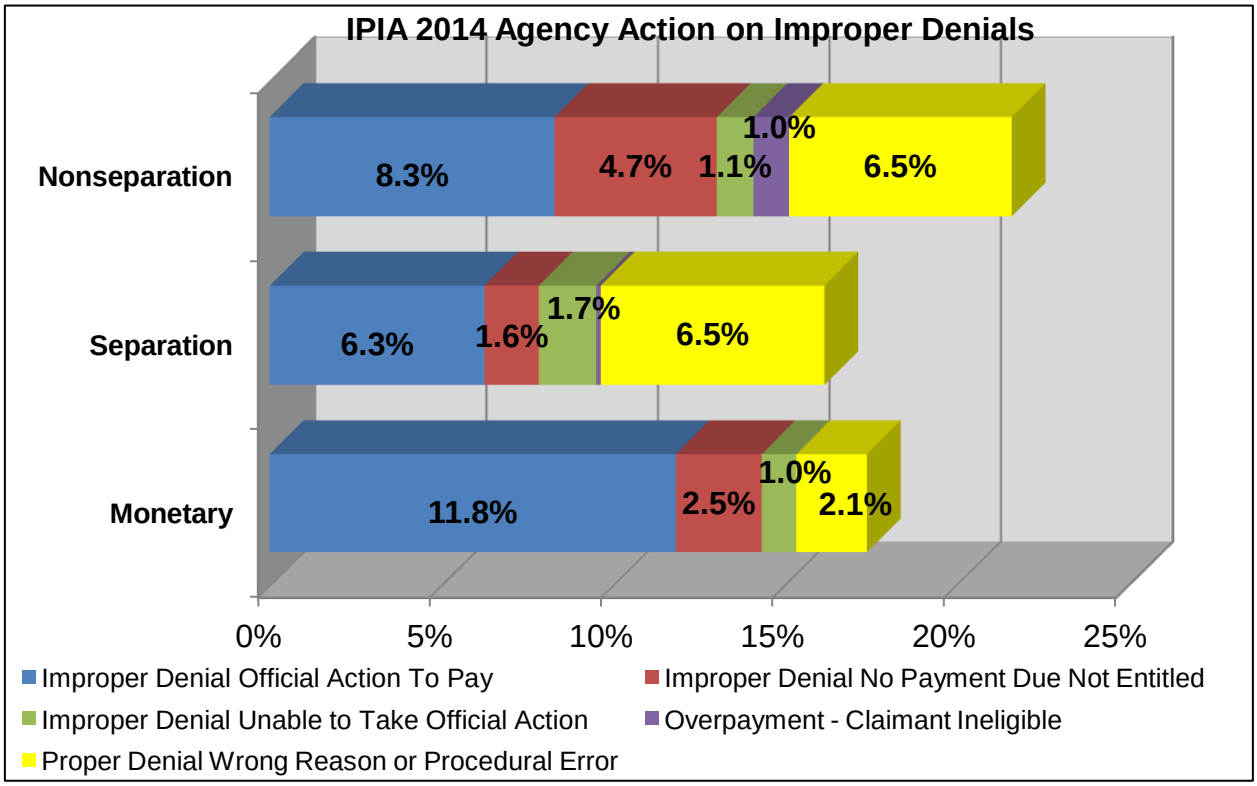
Not every improper denial results in the agency issuing a payment to the claimant (i.e., increasing the claimant's weekly benefit amount, maximum benefit amount, or dependents' allowance). Agencies or BAM took action to ensure that benefits were paid for just over 77.13 percent of the improper monetary denial cases reviewed. Additionally, in the other types of denials reviewed, 65.76 percent and 58.87 percent of the claimants improperly denied for separation and nonseparation issues respectively, received benefits. In some cases, claimants are ineligible for payment due to other disqualifying issues. In other cases, the agency is precluded from taking action

because of the time that has elapsed, since the denial was issued (determination finality rules) or by other provisions of the law. Data shows that finality applies to 6.50 percent of the monetary denials, 17.65 percent of the separation denials, and 7.59 percent of the nonseparation denials.

BAM records the following agency actions:

- Official Action - Agency or BAM took action to issue payment;
- No Payment Due - Claimant was not entitled to payment due to other disqualifying issue or the claimant did not file a claim for the week(s), which were improperly denied;
- Other Improper - No official action could be taken due to finality or other provisions of state law prohibiting redetermination;
- Overpayment - Claimant received payment for weeks of unemployment to which he or she was not entitled; and
- Procedural Error - Claimant properly denied, but BAM identified a procedural error on the part of the agency such as applying the wrong section of the law.

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



For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2014_Agency_Action_on_Improper_Denials_By_Denial_Type.xlsx

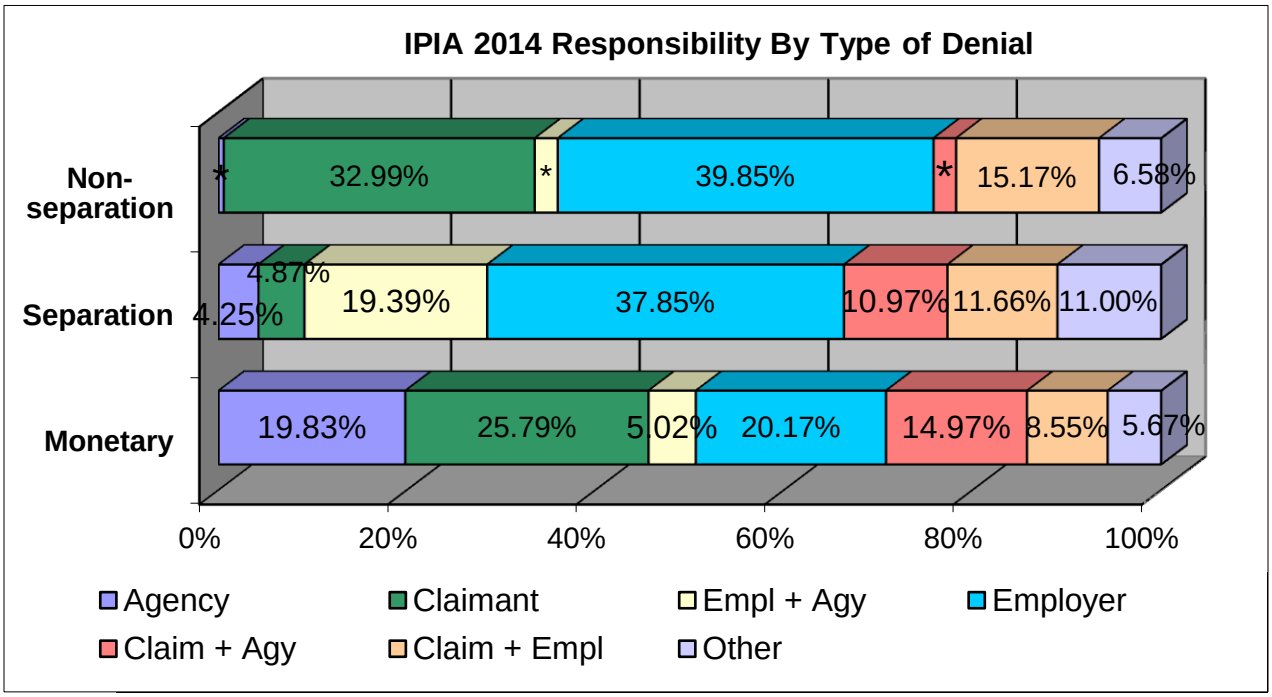
Cause for Improper Denials

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

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): IPIA_2014_Improper_Denials_by_Cause.xlsx

Responsibility for Improper Denials

The party responsible for erroneous denials varies by type of denial determination. Employers were solely responsible for almost 20.17 percent of the erroneous monetary denials due to misreporting or underreporting employees' wages. A small percentage of these improper monetary denials involved employers misclassifying claimants as independent contractors during the base period. Claimants were responsible for another 25.79 percent of the erroneous monetary denials, and agency error accounted for approximately 19.83 percent of the improper monetary denials.



* Less than three percent

The SWAs were solely responsible for 4.25 percent of the incorrect separation denials and 0.57 percent of the improper nonseparation denials. Employers and the SWAs were jointly responsible for just over 19.39 percent of the erroneous separation denials.

Claimants were responsible for approximately 32.99 percent of the erroneous nonseparation denials.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2014_Improper_Denials_by_Responsibility.xlsx

Improper Denials by Prior Agency Action

Because the SWAs, either solely or jointly with other parties, are responsible for the majority of the erroneous nonmonetary denials and for a significant proportion of the monetary denials, it is instructive to examine agency action prior to the DCA investigation. Agencies had resolved or were in the process of resolving 10.2 percent of the erroneous monetary denials. However, 47.42 percent of the improper monetary denials could not be detected through the normal claims taking procedures. Typically, these are claims for which the employer incorrectly reported the wages or the claimant failed to inform the agency that he or she had out-of-state wage credits. Therefore, the agency issued the monetary denial based on the best information available at the time of the initial determination. For improper nonmonetary denials, the agency identified the issue but took the incorrect action for 59.33 percent of the improper separation determinations and 37.69 percent of the erroneous nonseparation determinations.

Prior Agency Action For Improper Denials -- IPIA 2014
July 1, 2013 through June 30, 2014 (Batch Range 201327 - 201426)

Sample Type	Not Detect	Agency Resolved	Incorrect Action	Not Resolved	Procedure Not Followed	Detected by XMatch	Provided incorrect Info	Other SWA Error
Monetary	47.42%	18.77%	10.20%	16.34%	7.20%	0.00%	0.07%	0.00%
Separation	20.80%	8.09%	59.33%	6.16%	5.62%	0.00%	0.00%	0.00%
Nonseparation	33.09%	18.17%	37.69%	4.55%	5.53%	0.00%	0.53%	0.40%

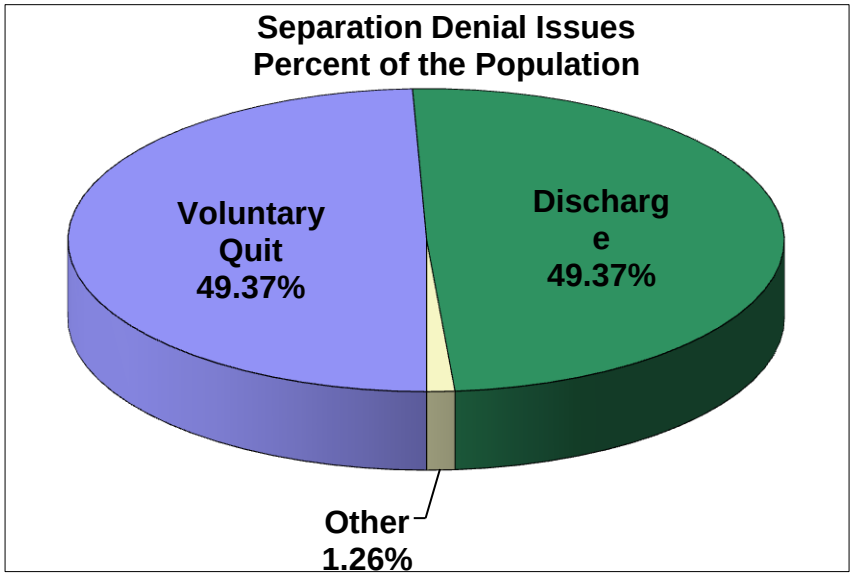
Although the agency followed its procedures, the issue or information was undetectable for 20.80 percent of the improper separation determinations and slightly more than 33 percent of the erroneous nonseparation determinations. For these claims the agency issued its determination to deny eligibility based on information that, although incomplete, was the best available under normal procedures at the time of its decision.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2014_Improper_Denials_by_Prior_Agency_Action.xlsx

Separation Issues

A very slight majority of the separation denials concerned voluntary quits (VQ), almost in balance with number of discharges, other separation issues accounted for the balance.

"Other" separation denials include a small number of labor disputes, military separations, or claimants who were still job attached (partial unemployment). Claims that were denied for VQ issues were somewhat less likely to be in error (9.05 percent) than denials issued for discharge (10.01 percent). Separation denials that were based on "Other" issues were incorrect at a lower rate (8.25 percent)

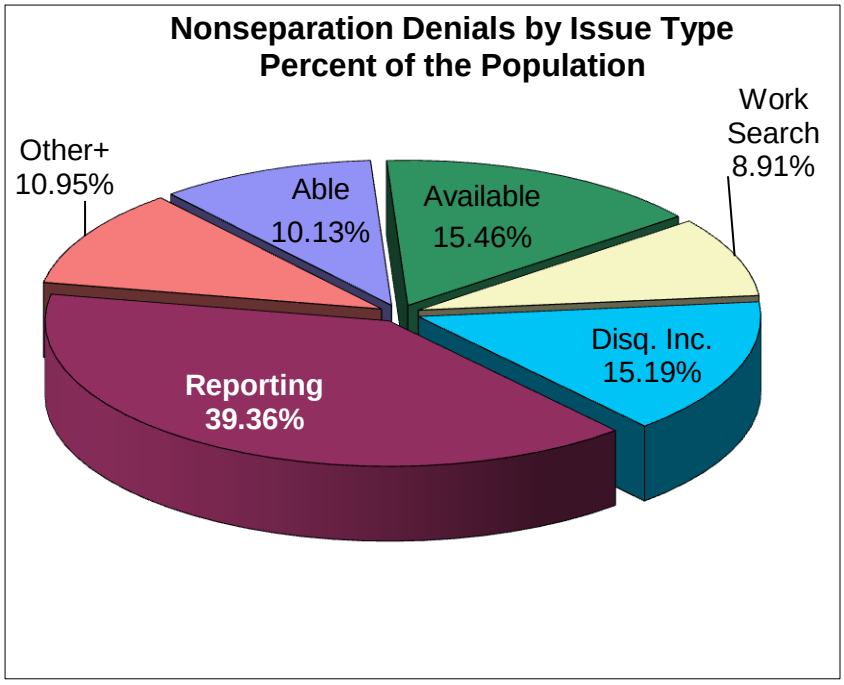


The following table displays sample and population classification of these separation denial determinations and improper denial rates by type.

Separation Type	Sample Cases	Population of separation type denial	Percentage of Type in Population	Improper Denials
Voluntary Quit	4,004	911,434	49.37%	9.05%
Discharge	3,747	911,355	49.37%	10.01%
Other	128	23,316	1.26%	8.25%
Total	7,879	1,846,105	100.00%	
% Improper				9.51%

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2014_Denied_Claims_Accuracy_Separation_Determinations.xlsx

Nonseparation Issues



The largest category of nonseparation denials in IPIA 2014 concerns claimants failing to report when SWAs require them to provide information related to the UI claim or to receive reemployment services. Failing to report is followed by issues involving disqualifying income and availability.

The remaining nonseparation denials are distributed among several issues, such as being unable to work, failing to conduct an active search for work, and other issues. The "Other" nonseparation denial category includes issues such as refusal of suitable work, alien, athlete, school, and seasonality.

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

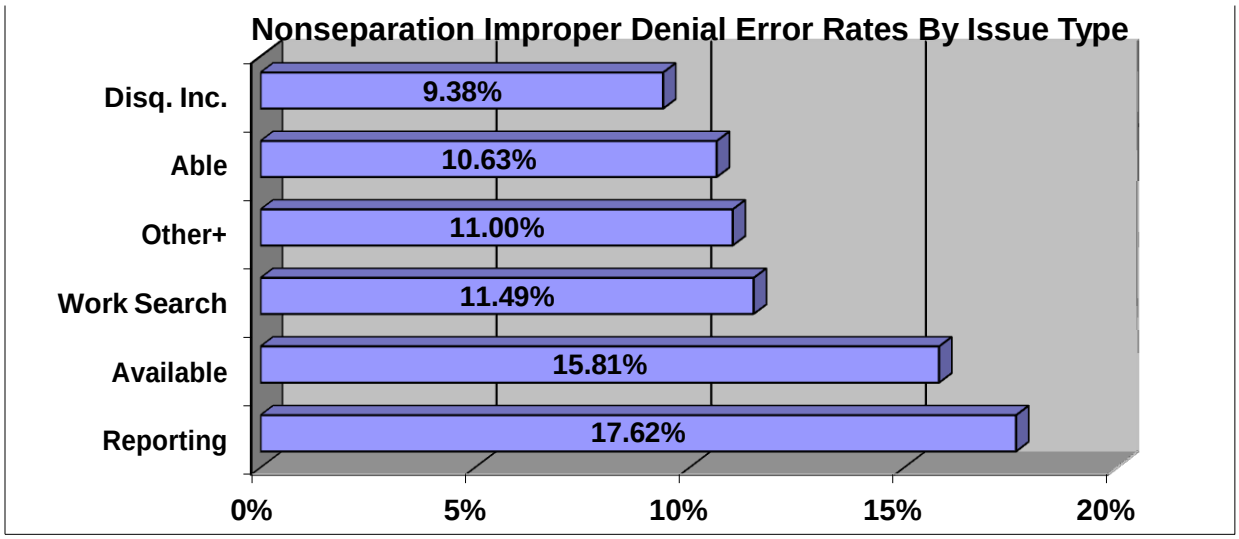
Nonseparation Denial Type	Sample Cases	Population of Denials	Percentage of Denial Type in Population	Improper Denials
Able	780	263,030	10.13%	10.63%
Available	1,011	401,355	15.46%	15.81%
Work Search	700	231,468	8.91%	11.49%
Disq. Inc.	1,666	394,385	15.19%	9.38%
Reporting	2,733	1,021,969	39.36%	17.62%
Other+	962	284,205	10.95%	11.00%
Total	7,852	2,596,412	100.00%	
% Improper				14.11%

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

Determinations that denied eligibility because the claimant failed to meet the state's reporting requirements had the highest error rate (17.62 percent), and represent the largest portion of denial population. Denials based on the claimant's work search efforts

represented the smallest part of the denial population although the investigation found claimants were improperly denied 11.49 percent of the time.

The following chart shows improper nonseparation denial error rates by the type of issue.



For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):
IPIA_2014_Denied_Claims_Accuracy_Nonseparation_Determinations.xlsx

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

Integrity Rates*

- IPIA_2014_Integrity_Rates_all_states.xlsx
- IPIA_2013_-_IPIA_2014_Integrity_Rate_Changes.xlsx

Integrity Rates - Cause / Responsibility*

- IPIA_2014_Integrity_Rates_x_Cause.xlsx
- IPIA_10_IPIA_14_Overpayment_Rate_by_Quarter_&_State.xlsx
- IPIA_2014_Work_Search_Verification_Outcomes.xlsx
- IPIA_2014_Integrity_Rates_by_Responsibility.xlsx
- IPIA_2014_Overpayment_Rate_Cause_and_Responsibility.xlsx

Integrity Rates - Prior Action / Point of Detection*

- IPIA_2014_Integrity_Rates_Cause_x_Prior_Agency_Action.xlsx
- IPIA_2014_Cause_x_Prior_Claimant_Action.xlsx
- IPIA_2014_Integrity_Rates_Cause_x_Prior_Employer_Action.xlsx
- IPIA_2014_Integrity_Rates_by_Point_of_Detection.xlsx
- IPIA_2014_BAM_&_SWA_NDNH-SDNH_Crossmatch_Detections_on_cases.xlsx
- IPIA_2014_Claim_Filing_Methods.xlsx

Key Week Action Rates*

- IPIA_2014_Key_Week_Action_on_Payments.xlsx

Underpayments and Denied Claim Accuracy*

- IPIA_2014_Base_Period_Wages_Report.xlsx
- IPIA_2014_Denied_Claims_Accuracy_&_Error Rates.xlsx
- IPIA_2014_Monetary_Redetminations_ABP_states.xlsx
- IPIA_2014_Agency_Action_on_Improper_Denials_By_Denial_Type.xlsx
- IPIA_2014_Improper_Denials_by_Cause.xlsx
- IPIA_2014_Improper_Denials_by_Prior_Agency_Action.xlsx
- IPIA_2014_Denied_Claims_Accuracy_Separation_Determinations.xlsx
- IPIA_2014_Denied_Claims_Accuracy_Nonseparation_Determinations.xlsx
- IPIA_2014_Improper_Denials_by_Responsibility.xlsx

BAM Methodology

- IPIA_2014_Methodology_and_Program_Description
- IPIA_2014_Method_Claimant_Information_Obtained.xlsx
- BAM State Contacts
- ET_395_Handbook_5th_Edition_BAM_State_Operations_Guidance
- Code_of_Federal_Regulations-Quality_Control_in_the_Federal_State_UI_System

Other References

- Comparison_of_State_Unemployment_Insurance_Laws_IPIA_2014
- Significant_Provisions_of_State_UI_Laws
- Benefits_Timeliness_and_Quality_Nonmonetary_Determinations_Guide_Sheets.pdf

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

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