

## Calendar Year 2008 Benefit Accuracy Measurement Data Summary

The Benefit Accuracy Measurement (BAM) program is designed to determine the accuracy of paid and denied claims in three major Unemployment Insurance (UI) programs: State UI, Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Service members (UCX). State Workforce Agencies (SWAs) select weekly random samples of UI payments and denied claims. BAM investigators audit these paid and denied claims to determine whether the claimant was properly paid or denied eligibility. The results of the BAM statistical samples are used to estimate accuracy rates for the populations of paid and denied claims. In addition, BAM is a diagnostic tool for Federal and State Workforce Agency (SWA) staff to use in identifying systemic errors and their causes and in correcting and tracking solutions to these problems.

The Improper Payments Information Act (IPIA) of 2002 (Pub. L. No. 107-300) requires agencies to examine the risk of erroneous payments in all programs and activities they administer. An improper payment includes any payment that was made to an ineligible recipient, duplicate payments, and payments that are for the incorrect amount -- both overpayments and underpayments, including inappropriate denials of payment or service. Agencies are required to review all programs and activities they administer and identify those that may be susceptible to significant erroneous payments. The Office of Management and Budget (OMB) has defined "significant erroneous payments" as annual erroneous payments exceeding both 2.5 percent of program payments and \$10 million. UI meets both of these criteria. The Department of Labor (DOL) reports to OMB the Annual Report and Operational Overpayment rates, as well as the underpayment rate and improper denial rates, as part of its IPIA report. It is extremely important that BAM accurately measures the level of improper payments so that performance against the targets can be properly evaluated.

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

UI benefit payments included in BAM in calendar year (CY) 2008 increased to \$41.6 billion, compared with nearly \$32.4 billion in CY 2007. CY 2008 BAM paid claims results are based on the 24,164 sample cases. This represents a completion rate of 99.32 percent. BAM auditors completed claimant interviews for 91.73 percent of the cases. The remaining audits were completed based on information obtained from agency records, the claimants' former employers, and third-party sources, such as labor unions and private employment agencies.

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

**BAM Operational Rate (5.90%)\*** - The BAM operational overpayment rate includes those overpayments that the states are reasonably expected to detect and establish for recovery -- fraud and nonfraud recoverable overpayments, excluding work search, employment service (ES) registration, base period wage issues and miscellaneous causes, such as benefits paid during a period of disqualification, redeterminations, and back pay awards. Nationally, BAM estimates the operational rate dollars overpaid equals \$2.455 billion.

**BAM Annual Report Rate (10.07%)\***- The Annual Report rate includes fraud, nonfraud recoverable overpayments, nonfraud nonrecoverable overpayments, official action taken to reduce future benefits, and payments that are technically proper due to finality or other rules. The rate excludes payments determined to be "technically" proper due to law/rules requiring formal warnings for unacceptable work search efforts. All causes and responsible parties are included in this rate. When overpayments attributed to another SWA are excluded from individual state results, the annual report rate is 10.06%. Nationally, BAM estimates that \$4.192 billion in benefit payments were overpaid.

**Agency Responsibility (2.75%)\*** - This rate includes overpayments for which the state agency was either solely responsible or shared responsibility with claimants, employers, or third parties, such as labor unions or private employment referral agencies. The rate includes fraud, nonfraud recoverable overpayments, nonfraud nonrecoverable overpayments, official action taken to reduce future benefits, and payments that are technically proper due to finality or other rules. Nationally, BAM estimates SWAs had contributory responsibility for \$1.144 billion in benefits overpayments.

**Fraud (2.81%)\*** - The definition of unemployment compensation fraud varies from state to state. Because fraud determination criteria and thresholds vary between states; the individual state rates reflect these differences. The rate includes all causes and responsible parties. Nationally, BAM estimates that \$1.169 billion in benefit payments were fraudulently claimed.

**Underpayment Rate (0.62%)\*** - This rate includes payments that the BAM investigation determines were too small. All causes and responsible parties are included in this rate. It includes errors where additional payment is made or those errors that are technically proper due to finality rules or technically proper due to rules other than finality. As a percentage of UI benefits paid, BAM estimates the underpayment rate was 0.67 percent or \$259.3 million.

**Improper Denial Rates\*** - BAM estimates the adjusted improper denial rates to be 9.60% for monetary denials, 5.39% for separation denials, and 11.55% for nonseparation denials.

For a detailed listing of these rates for each state, click on the following link (note: the

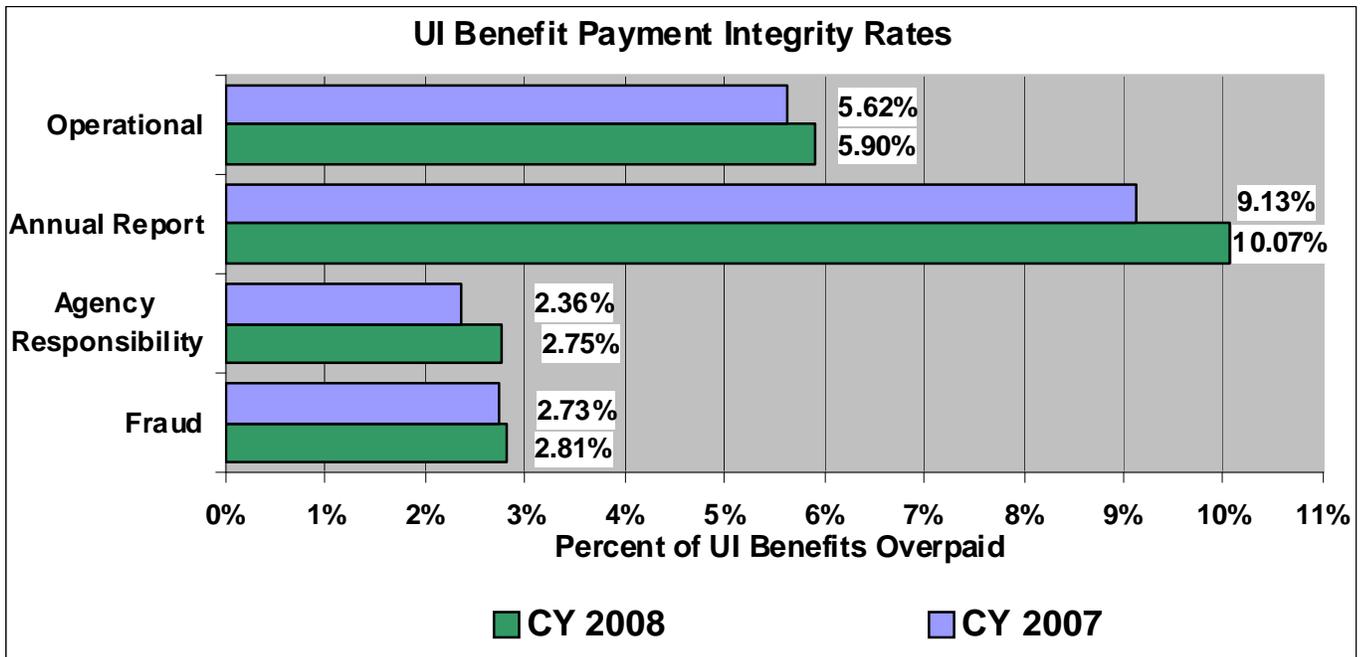
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\* Colorado completed insufficient cases for the period of July through December 2008 to produce valid results; therefore State rates are based on completed cases from January – June, 2008. National rates are based on the calendar year 2008 data, which includes the Colorado population limitation

spreadsheet may have several pages): [Integrity Rates-CY 2008-all states.xls](#).

**I. Paid Claims Accuracy**

BAM captures 110 data elements for each sampled payment or denial and DOL uses these elements to produce the various integrity rates listed. Data for nine of these elements are completed only for erroneous payments or denials. The following chart summarizes four paid claim accuracy (PCA) rates, which are used for calculating overpayment estimates.



Each integrity rate represents a different view of the BAM data set. The BAM data construct provides multiple perspectives; and payment errors may be included or excluded for a specific rate (See [Methodology and Program Description](#) Integrity Rate definitions).

**BAM Operational Overpayment Rate**

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

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

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

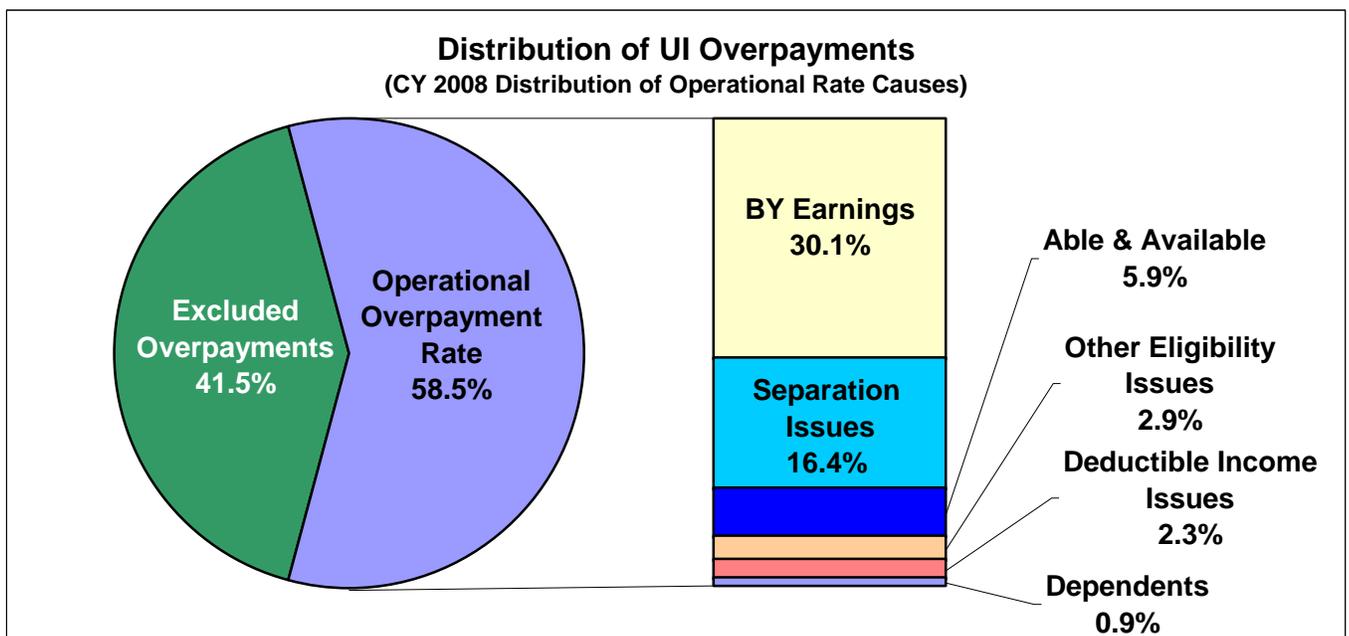
The operational rate represents that portion of total overpayments that state BPC operations should be able to detect and establish for recovery. The operational rate was developed following an extensive analysis of BAM overpayment data. State and national overpayment detection measure data can be found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

GPRM Measure- <http://www.workforcesecurity.doleta.gov/unemploy/gpra.asp>  
 Core Measure - [http://www.workforcesecurity.doleta.gov/unemploy/3yr\\_overpay.asp](http://www.workforcesecurity.doleta.gov/unemploy/3yr_overpay.asp)

The following charts show the cause components of the operational rate and the types of overpayments excluded from the operational rate.

### Operational Overpayments

Overpayments included in the operational rate constitute 58.5 percent of all UI benefit dollars overpaid in CY 2008. Slightly more than half of the operational overpayments involve unreported or misreported benefit year earnings. Separation issues account for approximately three-tenths of the operational overpayments, followed by issues related to the claimant’s ability to work and availability for work (A&A). The “Other Eligibility” category includes refusal of suitable work, self-employment, alien status, identity theft, and reporting issues (failure to appear as requested by the state agency to provide information related to the UI claim).



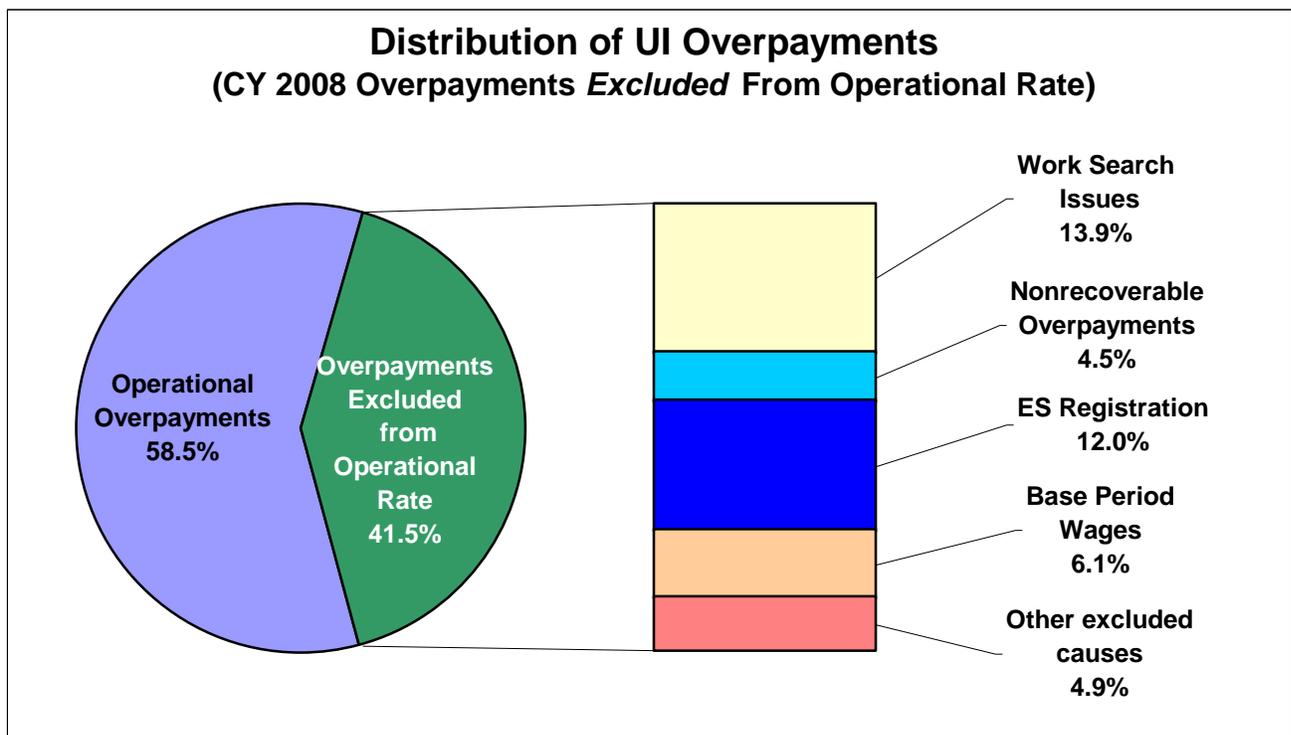
For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[Operational Overpayment by cause all states CY2008.xls](#)

### **Overpayments Excluded from the Operational Rate**

Several overpayment causes are excluded from the operational rate because either 1) state agencies are unlikely to detect these overpayments through the methods commonly employed by BPC (for example, crossmatches of UI claimant Social Security Numbers with wage record and New Hire Directory data, appeals reversals, and tips or leads); or 2) the cost of pursuing these overpayment errors exceeds the amount of benefits that can be recovered. Work search issues (13.9 percent of all overpayments), Employment Service (ES) registration issues (12.0 percent), and base period wage issues (6.1 percent) constitute the majority of the excluded causes.

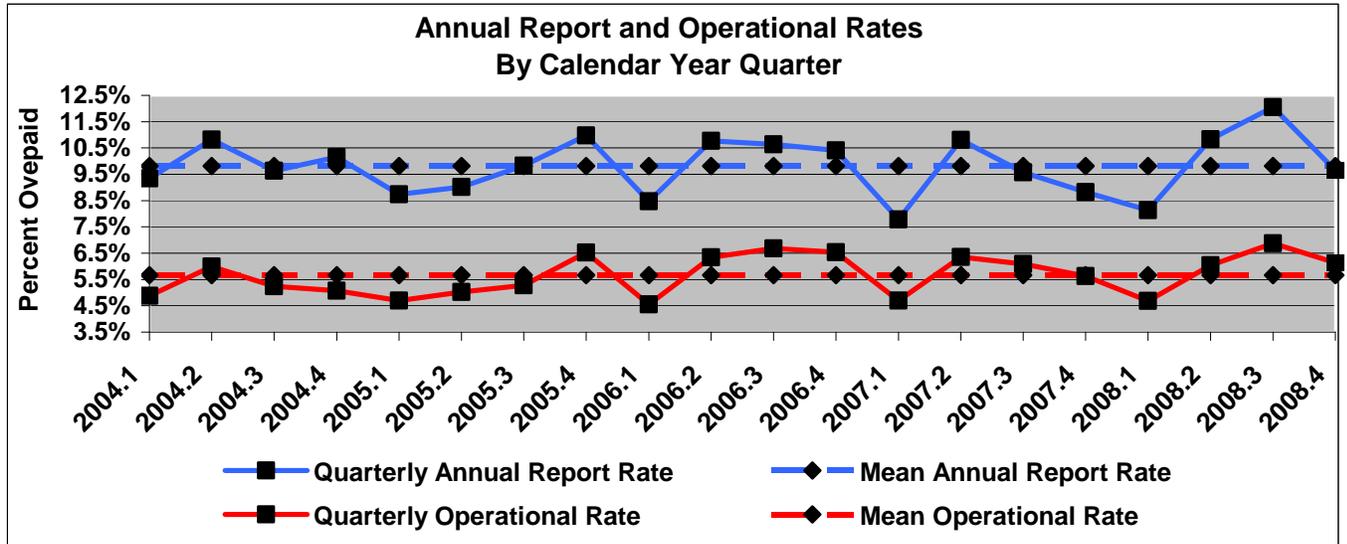
After the exclusions by cause, the residual 4.9 percent of UI overpayments are excluded because they are unrecoverable, because either 1) the time that has elapsed between the overpayment and its detection exceeds the period established in state law in which an erroneous payment can be recovered; or 2) responsibility for the improper payment error rests with the agency, employer, or third party, not the claimant; or 3) state law prohibits the SWA from re-determining an issue that has been previously addressed (finality rule). Most of these nonrecoverable overpayments are separation or continued eligibility issues, such as the requirement that the claimant is able and available for work.



## Annual Report and Operational Rate Time Series

The following chart displays the annual report and operational overpayment rates by calendar quarter. For the period CY 2004 to CY 2008, the average annual report rate was 9.82 percent and the average operational rate was 5.67 percent.

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



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

[CY 2007-CY2008 Integrity Rate changes.xls](#)

## Overpayment Cause by Integrity Rate

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

Unreported or misreported benefit year earnings are the leading cause of UI overpayments. They account for over 59 percent of UI fraud overpayments, just over half (52 percent) of the overpayments defined by the operational rate, and nearly 30 percent of the overpayments included in the Annual Report rate, but only 8 percent of the amount overpaid for which the agency had full or partial responsibility.

Separation issues are the second leading cause of UI overpayments. They account for 28 percent of the operational overpayments, 22 percent of the Annual Report rate, nearly 28

percent of the fraud overpayments, and 29 percent of the of the amount overpaid for which the agency had full or partial responsibility.

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

Work search issues are a significant cause for the broadest measure of overpayments, the Annual Report rate (13.2 percent), but are not a significant cause of either fraud overpayments (1.4 percent) or overpayments for which the agency had full or partial responsibility (2.4 percent).

<b>Overpayment Cause By Integrity Rate</b>				
<b>Percent of the Estimated Dollars Overpaid</b>				
<b>Cause</b>	<b>Annual</b>	<b>Operational</b>	<b>Fraud</b>	<b>Agency</b>
Benefit Year Earnings	30.34%	51.55%	59.81%	8.42%
Separation Issues (Iss.)	22.16%	28.03%	27.78%	29.32%
Work Search Iss.	13.21%	N/A	1.44%	2.41%
ES Registration Iss.	12.05%	N/A	0.39%	34.63%
Able & Available Iss.	6.39%	10.12%	7.65%	2.01%
Base Period Wage Iss.	5.78%	N/A	0.25%	5.66%
Other Eligibility Iss.	2.98%	4.93%	1.48%	3.84%
Deductible Income Iss.	2.52%	3.90%	0.48%	3.31%
Other Issues	3.48%	N/A	0.72%	10.41%
Dependents	0.95%	1.48%	0.00%	0.00%
Total \$ Overpaid by Rate	\$4,185,081,231	\$2,449,328,727	\$1,167,956,030	\$1,144,373,909

Able and available issues account for 10 percent of the amount overpaid included in the operational rate, just over 6 percent of the amount overpaid included in the Annual Report rate, more than 7 percent of the fraud overpayments, and only 2 percent of the agency responsibility rate.

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

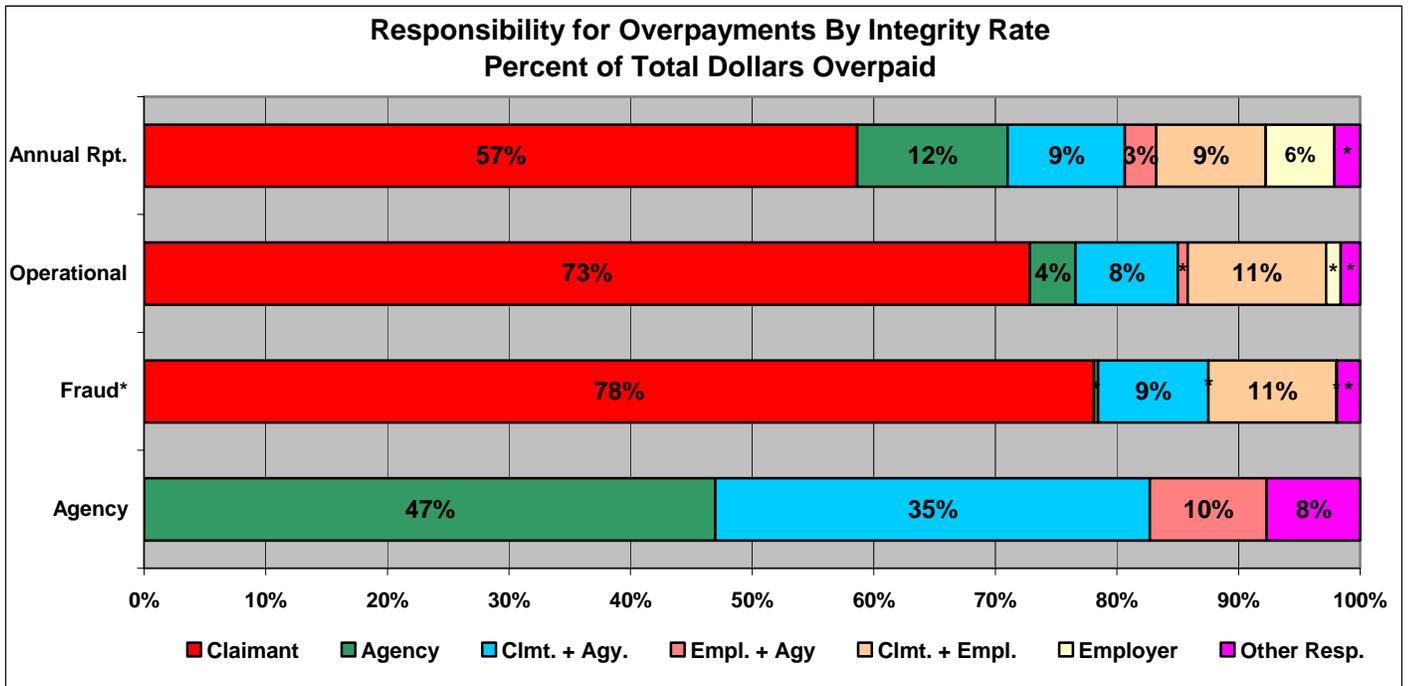
- [Annual Overpayment by cause - all states CY 2008.xls](#),
- [Operational Overpayment by cause - all states CY 2008.xls](#),
- [Fraud Overpayment by cause - all states CY 2008.xls](#),
- [Agency Responsible Overpayment by cause - all states CY 2008.xls](#)

## Overpayment Responsibility by Integrity Rate

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

Claimants alone were responsible for 57 percent of the dollars overpaid included in the Annual Report rate. Errors resulting in overpayments that were attributed exclusively to the state agency accounted for 12 percent of the amount overpaid. The claimant and agency were jointly responsible for an additional 9 percent of the dollars that were overpaid.

Claimants alone were responsible for 73 percent of the amount overpaid included in the operational rate. The claimant and agency were jointly responsible for 8 percent of the UI benefits overpaid under the operational rate definition, and the claimant and employer were jointly responsible for an additional 11 percent of the operational rate overpayments.



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

Claimants alone were responsible for 78 percent of the fraud overpayments. Claimants along with employers or agencies were responsible for nearly all of the remainder.

The agency rate is defined by responsible party. The agency was solely responsible for 47 percent of the amount overpaid included in this rate. Agencies shared responsibility with claimants, employers, or third parties for the remainder.

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

[Integrity Rates by Responsibility - all states CY 2008.xls](#)

[Annual Report Rate Cause and Responsibility - US Total CY 2008.xls](#)

## Claimant Action Prior to Sample Selection for Overpayments

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

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

Continuing eligibility for UI is determined on a week-by-week basis. During a continued claim series, a claimant must certify as to 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. When a question concerning continued eligibility for benefits for a given week arises, the State agency conducts an investigation of the facts and makes a determination of eligibility or ineligibility.

Errors can occur anywhere in this business process. BAM assigns a code to indicate action(s) taken by the claimant affecting the payment error issue by recording the following actions:

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

Depending on the cause, BAM often finds claimants responsible for overpayments, because they are a principal source of information. Prior claimant action provides insight into this coding. For example, in 83.4 percent of the benefit year earnings overpayments and 64.8 percent of the separation overpayments, the claimant provided inadequate but timely information contributing to \$1.62 billion overpaid in these two cause categories.

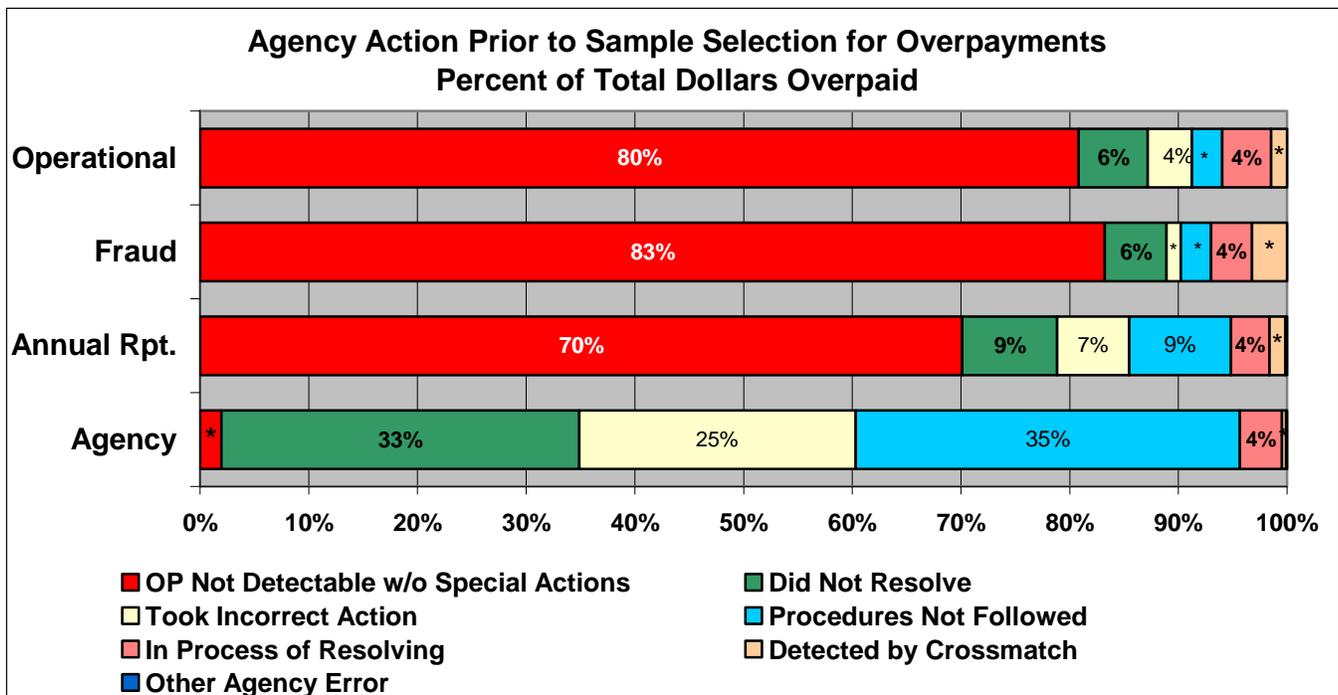
For a detailed listing of this rate, click on the following link (note: the spreadsheet may have several pages):

[Prior Claimant Action and Cause CY2008.xls](#)

## Agency Action Prior to Sample Selection for Overpayments

In the case of payment errors, BAM identifies the action that the SWA took prior to the sample's selection. Prior agency action provides additional details on improper payment responsibility and helps prioritize ways to prevent, reduce, or detect overpayments. At the time the SWA made payment, BAM found most overpayments were not detectable through *normal agency procedures*. For example, without special actions 80 percent of the operational rate's \$2.45 billion overpaid was not detectable.

However, BAM determined that 20 percent of the operational overpayments were detectable at the time the payment was made. BAM found that at the time sample was selected the agency had resolved or was in the process of resolving just over 4.5 percent of the operational overpayments and identified an additional 2.5 percent of benefit year earnings overpayments through crossmatch with new hire or wage records investigation. For the remainder (13 percent or \$319.5 million) of the operational dollars overpaid, the agency had sufficient information to identify the overpayment issue but did not resolve the issue, identified the overpayment issue but took the incorrect action, or did not follow the prescribed procedures thereby precluding the SWA's ability to detect the error.



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

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

For overpayments included in the Annual Report rate, a little over 70 percent of the amount of UI benefits overpaid were not detectable through normal agency procedures. The agency had sufficient information but did not resolve the issue for 8.7 percent of the amount overpaid and the agency identified the overpayment issue but took the incorrect action for 6.7 percent of dollars overpaid. At the time BAM selected the sample, the agency had resolved or was in the process of resolving improper payments constituting 3.5 percent of the amount overpaid. Additionally, the agency identified 1.4 percent of these overpayments using crossmatches. The agency failed to follow its own procedures, which precluded the ability to prevent the overpayment for 9.4 percent of the annual rate dollars overpaid. Finally, a small portion of dollars overpaid are caused by another SWA.

BAM determined state agencies were responsible (agency rate) for \$1.14 billion because they had full or partial responsibility for the overpayment. Of these, the agency had sufficient information to identify the overpayment issue but did not resolve the issue for 33 percent of the amount overpaid; took the incorrect action for 38 percent, and did not follow procedures for 25 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.

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

[Prior agency action for all integrity rates CY2008.xls](#)

[Prior Agency Action and Cause CY2008.xls](#)

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

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

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

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

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

Because the state agency uses employer provided information in its eligibility determinations, the accuracy and timeliness of this information affect whether benefits were properly paid.

<b>CY 2008 Integrity Rates - Dollars Overpaid by Prior Employer Action</b>				
Employer action as of the time that the payment was selected for audit	Annual Report \$ Overpaid by Prior Employer Action	Operational Rate \$ Overpaid by Prior Employer Action	Fraud Rate \$ Overpaid by Prior Employer Action	Agency Rate \$ Overpaid by Prior Employer Action
Not An Employer Issue.	\$2,071,067,969	\$946,914,461	\$476,132,530	\$532,055,903
Agency Did Not Request	\$635,203,565	\$585,840,312	\$281,044,776	\$103,791,901
Adequate & Timely	\$565,586,631	\$435,268,309	\$222,260,827	\$303,006,499
Did Not Respond	\$397,895,555	\$266,178,072	\$107,006,275	\$82,627,782
Inadequate	\$321,498,355	\$68,699,775	\$14,549,971	\$85,053,778
Not Timely	\$154,250,163	\$125,033,838	\$55,969,063	\$5,432,795
Inadequate & Untimely	\$20,686,056	\$702,864		\$5,432,795
Did Not Report New Hire	\$18,892,937	\$20,691,095	\$10,992,589	\$1,850,958
<b>Total Estimated Overpaid</b>	<b>\$4,185,081,231</b>	<b>\$2,449,328,726</b>	<b>\$1,167,956,031</b>	<b>\$1,144,373,907</b>
Estimated \$ overpaid where a different employer action may have produced a different outcome	\$913,223,066	\$460,614,549	\$177,525,309	\$178,547,150
Percent prior employer action \$ which contribute to OP Rates	21.8%	18.8%	15.2%	15.6%

BAM estimates that employer actions may contribute to 21.8 percent of the overpayments included in the annual report rate, 18.8 percent of the operational rate dollars overpaid, 15.2 percent to the fraud rate dollars overpaid, and 15.6 percent of the overpayments included in

the agency rate. The highlighted sections show estimated overpayments where a different employer action in response to a claim may have produced a different outcome. For example, over 500 million dollars overpaid in the annual rate involved verification difficulties dealing with employment separations and benefit year earnings. This is shown in a cross tabulation of "[Prior Employer Action and Cause.](#)" Overpayments may have been prevented or reduced, with different actions.

One element stands out in Agency Responsible error rates. For 9.1 percent of the total dollars overpaid or approximately \$103.8 million, BAM found that the SWAs did not request information from employers who were an interested party to a determination.

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

[Prior Employer Action for all integrity rates - all states CY2008.xls](#)  
[Prior Employer Action and Cause CY2008.xls](#)

### Point of Detection

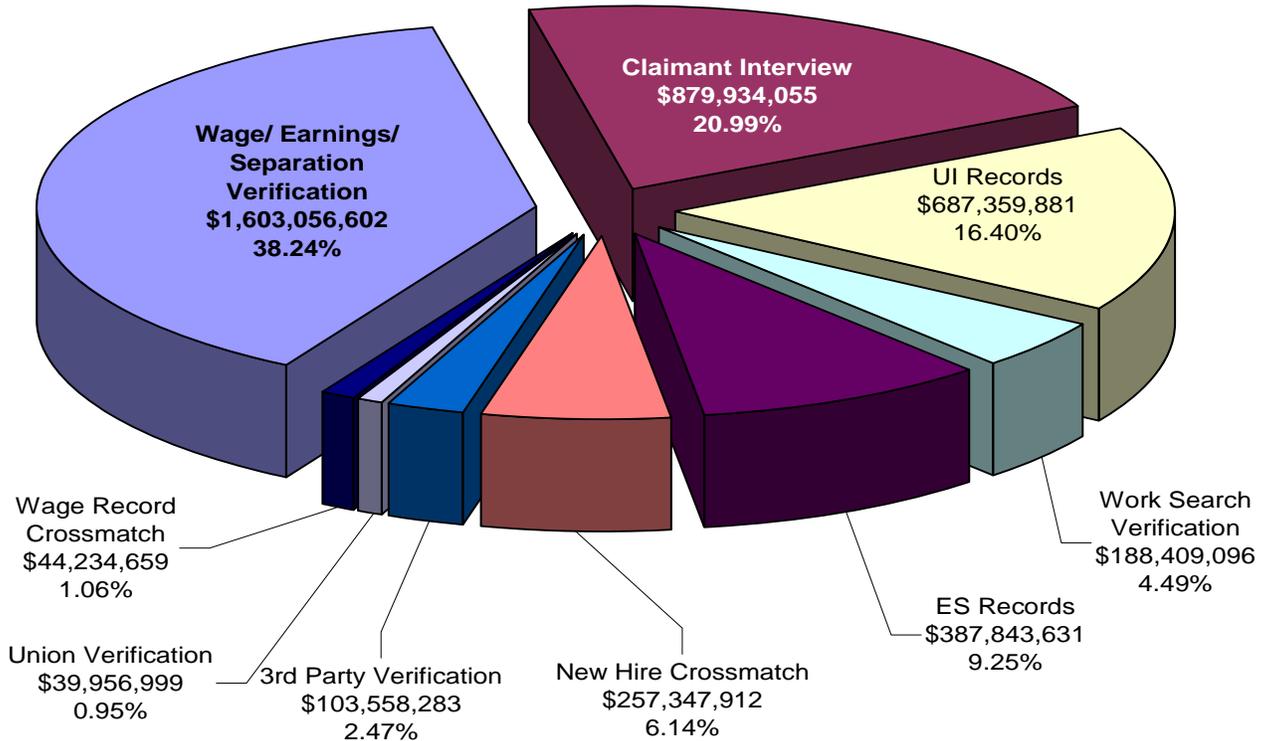
BAM records the point in its audit process at which it first detects a payment error. BAM detects most payment errors by verifying base period wages, benefit year earnings, and separation information with employers. The data suggest that taking additional steps to secure employer information or to conduct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

Point of Detection - Annual rate	Benefit Year Earnings	Separation Issues
Wage/ Earnings/ Separation Verification	\$753,961,307	\$487,044,705
Claimant Interview	\$135,635,430	\$100,531,257

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

Aggregate CY 2008 Point of Detection data for all states are displayed in the following chart.

### Annual Report Overpayments by Point of Detection -- CY 2008



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

[Annual Rate Point of Detection - all states CY 2008.xls](#)

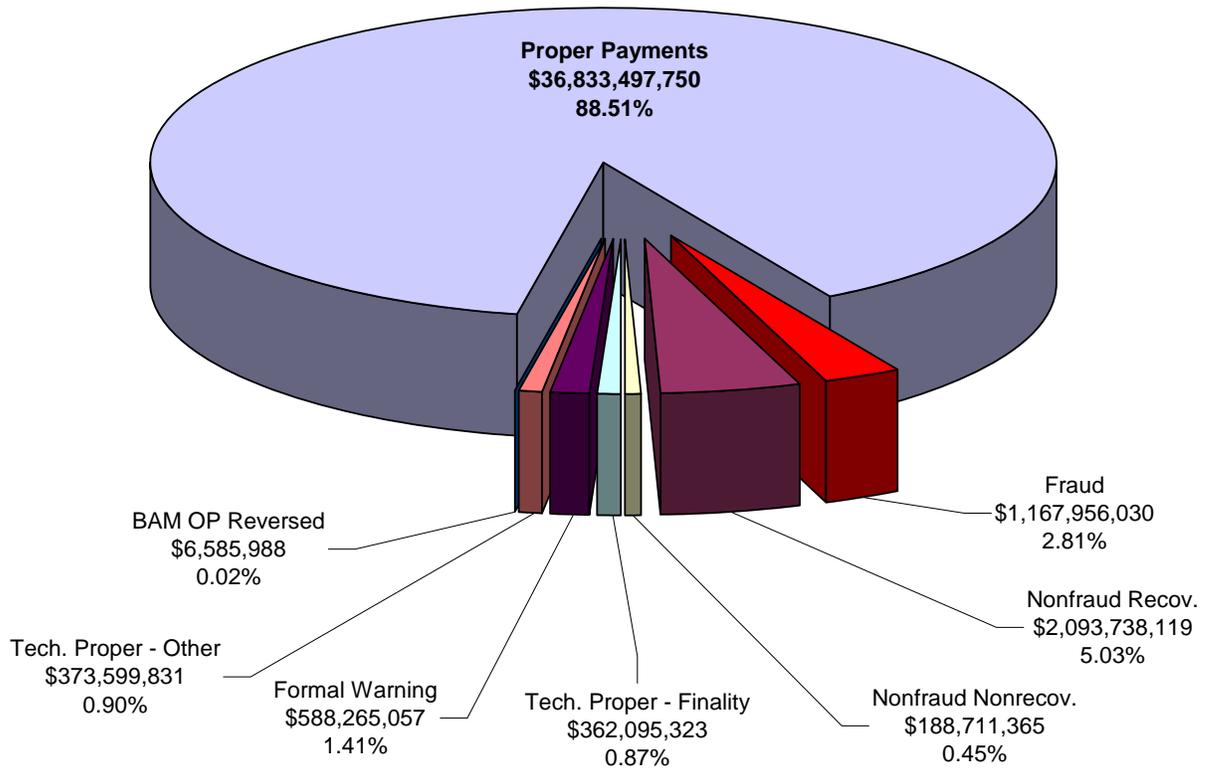
[Annual & Operational Overpaid By Point of Detection and Cause CY2008.xls](#)

### Key Week Action Rates

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

Key week action overpayment rates highlight differences in state laws. For example, state laws on work search requirements and determination finality provisions differ significantly. States may also differ in the way they interpret and apply seemingly identical work search and other UI eligibility requirements. State agency administrators and legislators may use key week action error overpayment rates in setting policy priorities or identifying procedural constraints that affect claimstaging. Aggregate CY 2008 data for all states are displayed in the following chart.

## CY 2008 Key Week Action Rates



For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): [Key\\_week\\_action\\_overpayments\\_CY2008.xls](#)  
 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.

## II. Underpayments and Denied Claims Accuracy

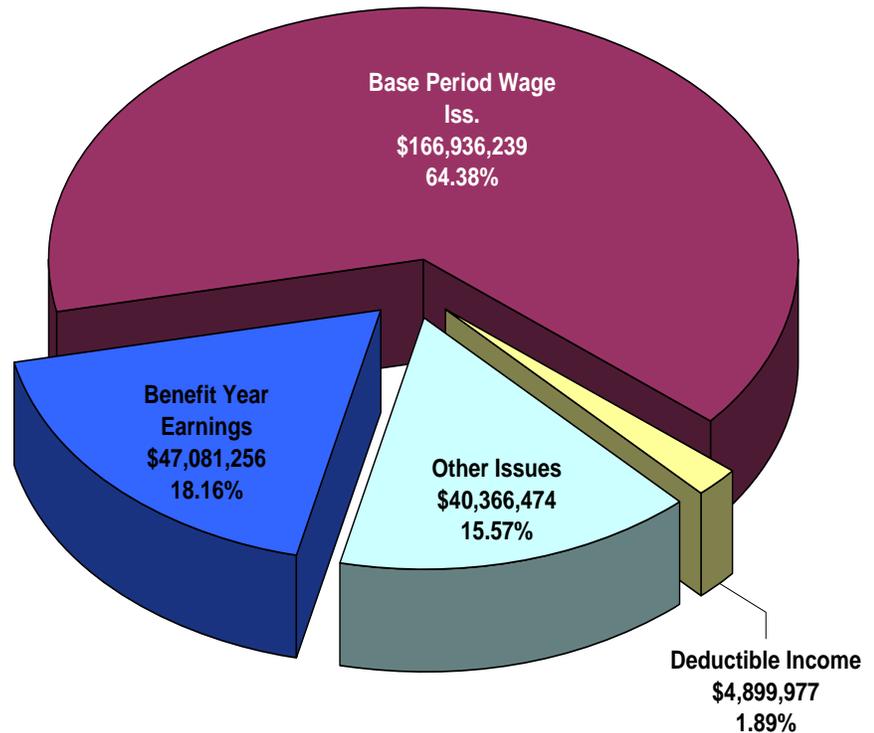
### Underpayment Rate

*IPIA* requires estimates of underpayment rates, as well as overpayments. BAM estimates that \$259.3 million was underpaid in CY 2008, compared with \$210.9 million in CY 2007. As a percentage of UI benefits paid, the CY 2008 national underpayment rate of 0.62 percent is essentially unchanged from CY 2007 rate of 0.65 percent. State underpayments ranged from 0.02 percent in Wyoming to 2.11 percent in Massachusetts.

Errors in reporting or recording base period wages accounted for just over 64 percent of the amount underpaid and represented 0.4 percent of the amount of UI benefits paid. Employers report employee wages to SWAs each calendar quarter. State agencies use these wages to establish a claimant's base period, which in turn is used in the calculation of weekly benefit amounts and maximum benefit amounts (See [Base Period Wage Report](#) for individual state findings).

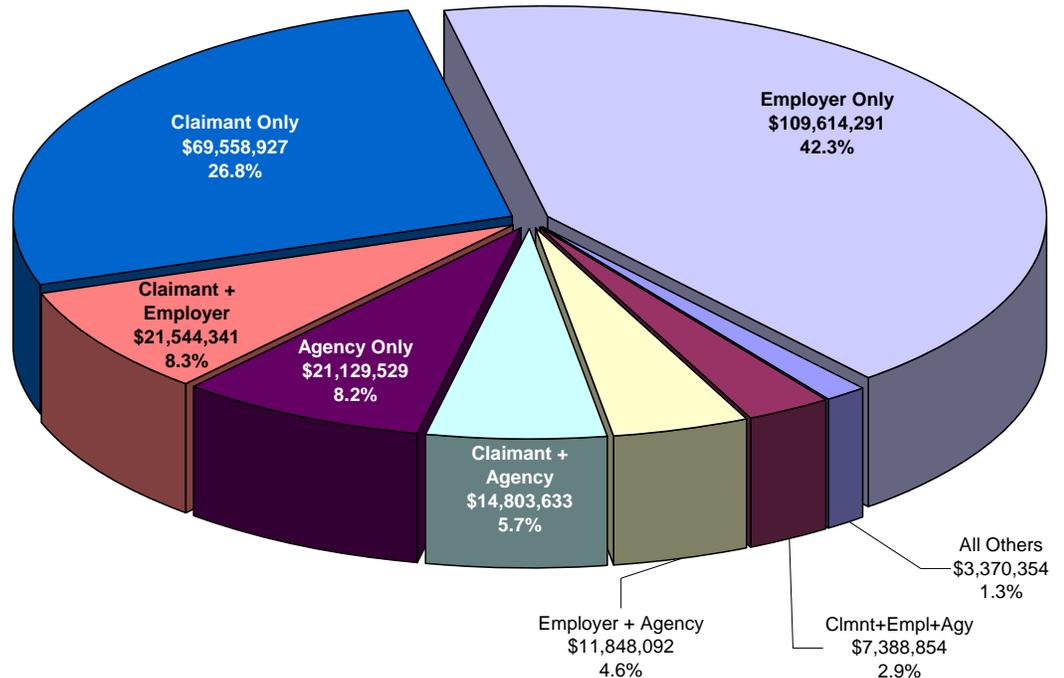
Errors in reporting or recording benefit year earnings were the second leading cause of underpayments – 18.2 percent of all underpayments and 0.11 percent of UI benefits paid. Generally, claimants can work and earn wages while collecting UI benefits as long as they report their earnings. However, weekly UI payments may be adjusted downward based on claimant reported earnings. For many of these underpayments, the claimant may have over reported their weekly earnings and because of this error, BAM found that UI benefit amount paid was too small.

**CY2008 Estimated Underpayment by Cause**



Employers alone were responsible for almost 42 percent of amount underpaid, which represented 0.26 percent of the amount of UI benefits paid. Claimants alone were responsible for an additional 26.8 percent of the amount underpaid, which represented 0.17 percent of the amount of UI benefits paid. Because SWAs often send out confirmations to the

**CY 2008 Estimated Underpayments by Responsibility**



claimant and base period employers at the time of monetary determination, responsibility for these types of underpayments are highly distributed.

For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages): [Underpayments CY 2008.xls](#).

The underpayments estimated from BAM paid claims samples represent underpayments only for those claimants eligible for unemployment compensation. Underpayments also result when claims for UI are erroneously denied. Each week, BAM units in the SWAs select samples of denied UI claims from three populations, defined by the type of issue on which a benefit denial was based -- monetary, separation, and nonseparation (continued claim filing eligibility). Denied Claim Accuracy (DCA) measures the accuracy of disqualifying monetary, separation, and nonseparation determinations for both intrastate and interstate claims.

### **Denied Claims Accuracy Rates**

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

### **Monetary Denials**

State workforce agencies determine the monetary eligibility of claimants when they file a new initial claim or a transitional claim. In CY 2008, SWAs determined that 87.2 percent of the 15.16 million new initial and transitional claims were monetarily eligible.

BAM estimates that 13.42 percent of the 1.45 million monetary denials included in the BAM DCA population were improper. This compares to an improper denial rate of 15.8 percent in CY 2007. 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 state agency had identified the additional wages and issued a redetermination establishing eligibility independent of the BAM investigation, or the initial denial was reversed on appeal. When the rate is adjusted for these redeterminations and appeals reversals, the improper denial rate for monetary determinations drops to 9.6 percent, and this represents approximately 139,200 of the 1.45 million claimants who were monetarily denied. This rate compares with an adjusted improper denial rate of 10.7 percent in CY 2007.

## **Separation Denials**

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

Separation issues normally are identified when a new initial claim or an additional claim is filed. In CY 2008, there were approximately 13.2 million monetarily eligible new initial claims and approximately 8 million additional claims. No separation determinations were conducted for nearly four-fifths of these claims, because the reason for separation was lack of work. State agencies completed just over 4.6 million separation investigations and found disqualifying circumstances in 2.2 million of these determinations that resulted in denial of benefits.

In CY 2008, BAM estimated that 8.1 percent of the 2.08 million separation denials included in the BAM DCA population were improper, compared with 8.0 percent estimated for CY 2007. When redeterminations and appeals reversals are taken into account, the improper denial rate for separations decreases to 5.4 percent, compared with 5.2 percent in CY 2007. Neither difference is statistically significant. Nationally, BAM estimates that approximately 112,000 of the 2.08 million separation denials subject to audit were incorrectly decided.

## **Nonseparation Denials**

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

In CY 2008, claimants requested payment or "claimed" 179.7 million weeks. Approximately 13.6 percent of UI weeks claimed were not paid, and no nonseparation determination was conducted. These include weeks for which the claimant did not contest the conclusion of the UI claims taker that the week should not be paid. SWAs made payments for 151.6 million weeks. SWAs completed 3.49 million nonseparation determinations and concluded that 2.48 million of those investigations should result in denial of benefits.

For the 2.1 million nonseparation denials included in the DCA population, BAM estimates an improper denial rate of 15.0 percent and the adjusted improper denials rate of 11.52 percent.

### Overpayments and Proper Denials

BAM determined that small percentages of the separation (0.17 percent) and nonseparation (1.43 percent) denials resulted in overpayments. Overpayments can occur if the period of disqualification for UI benefits was less than it should have been, and the claimant received compensation during the period that he or she should have been ineligible for benefits. Overpayments can also occur if the claimant received a partial payment that was too large. A partial payment is a reduction in the claimant's weekly benefit amount and is issued when the claimant has earnings or other deductible income for weeks that he or she claims UI benefits. For some of these compensated weeks, the BAM audit identified additional income that reduced benefits further or in some cases eliminated eligibility for benefits entirely.

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

### DCA Rate Table

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

**CY 2008 US Denied Claims Accuracy Rates**

Denial Type	BAM Population of Denials	Sample of Denials	Improper Rate*	Adjusted Improper Rate**	Over Payment	Proper Denial***
Monetary	1,450,479	7,526	13.42%	9.57%	0.00%	0.53%
Separation	2,078,180	7,864	8.09%	5.39%	0.17%	5.13%
Nonseparation	2,102,749	7,855	15.00%	11.52%	1.43%	4.41%

Notes:

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

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

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

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

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

[Denied Claims Accuracy & Error Rates CY 2008.xls](#)

### **Agency Action for Improper Denials**

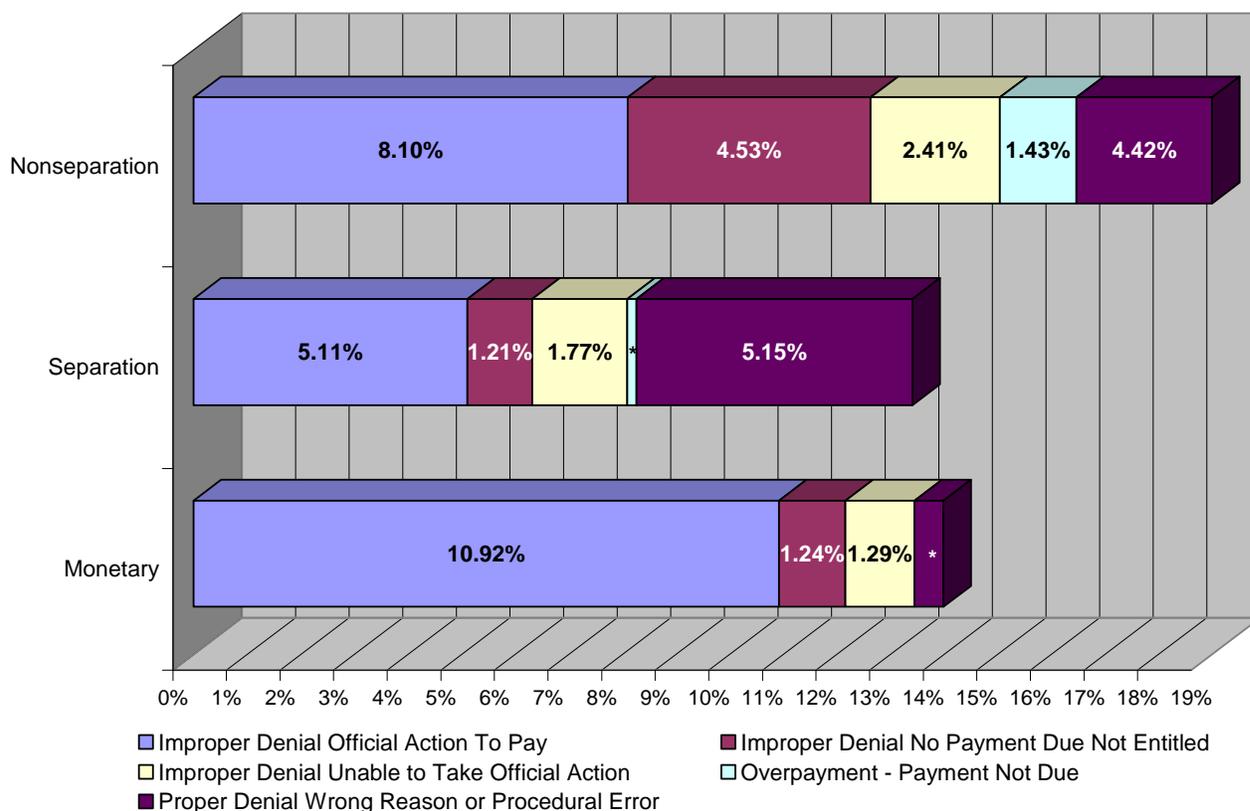
Not every improper denial results in the agency issuing a payment to the claimant (or increasing the claimant's weekly benefit amount, maximum benefit amount, or dependents' allowance). Agencies or BAM took action to insure that benefits were paid for just over 78 percent of the improper monetary denials. However, 38 percent and 39 percent of the claimants improperly denied for separation and nonseparation issues respectively, received benefits. In some cases claimants are ineligible for payment due to other disqualifying issues. In other cases the agency is precluded from taking action because of the time that has elapsed since the denial was issued (determination finality rules) or by other provisions of the law.

BAM records the following agency actions:

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

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

### Improper Denial Error Rates - Agency Action



\*Less than one percent

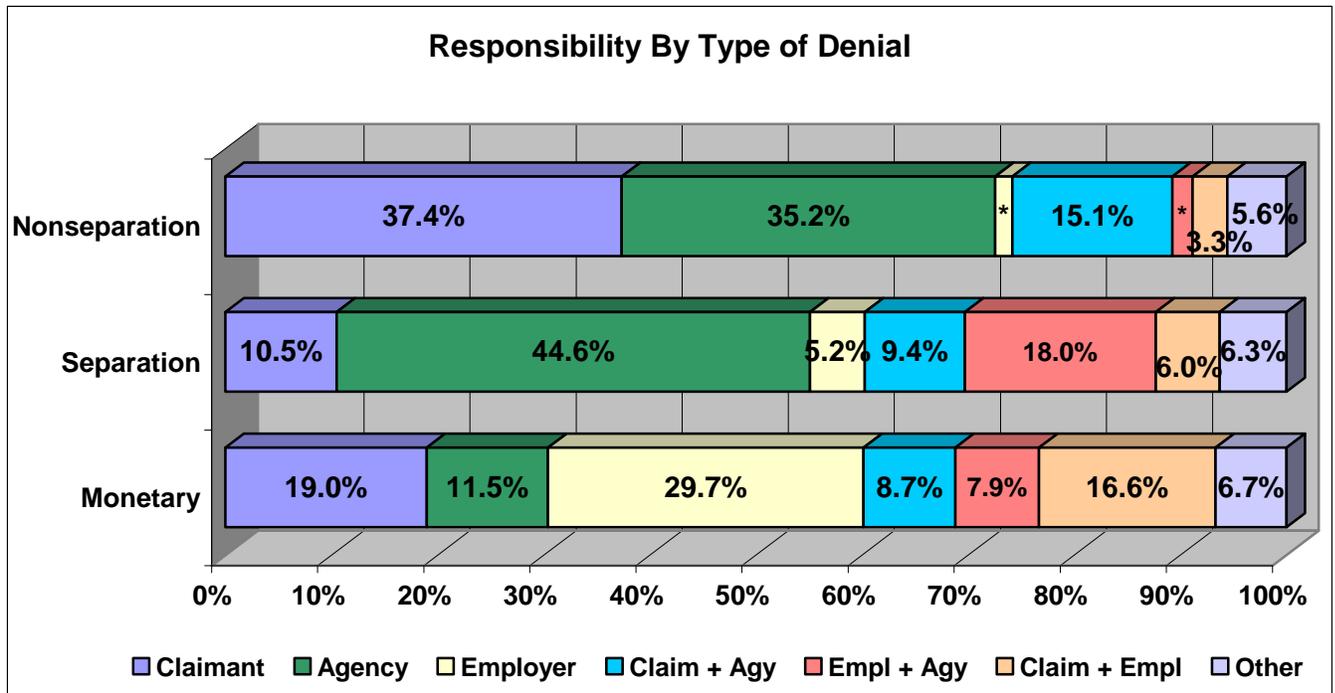
For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[Agency Action for Improper Denials CY 2008.xls](#)

### Responsibility for Improper Denials

The party responsible for erroneous denials varies by type of denial determination. Employers were solely responsible for almost 30 percent of the erroneous monetary denials due to misreporting or underreporting employees' wages. Claimants were responsible for another 19 percent of the erroneous monetary denials, and agency error accounted for 11 percent of the improper monetary denials.

The state agencies were solely responsible for approximately 45 percent of the incorrect separation denials and 35 percent of the improper nonseparation denials. Employers and the state agencies were jointly responsible for 18 percent of the erroneous separation denials. Claimants were responsible for over a third of the erroneous nonseparation denials.



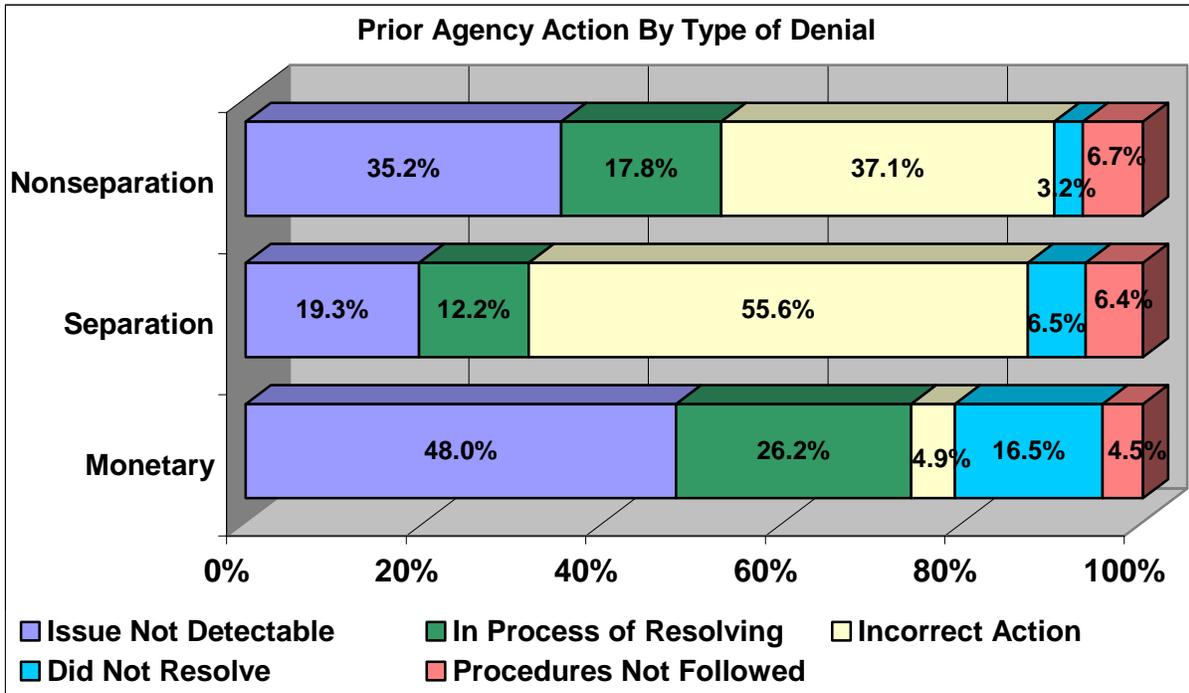
For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[Responsibility For Improper Denials CY 2008.xls](#)

### Prior Agency Action for Improper Denials

Because the state agencies, 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 26 percent of the erroneous monetary denials. However, 48 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 56 percent of the improper separation determinations and 37 percent of the erroneous nonseparation determinations.

Although the agency followed its procedures, the issue or information was undetectable for 19 percent of the improper separation determinations and 35 percent of the erroneous nonseparation determinations. For these claims the agency issued its determination to deny eligibility based on information that, although incomplete, was the best available under normal procedures at the time of its decision.



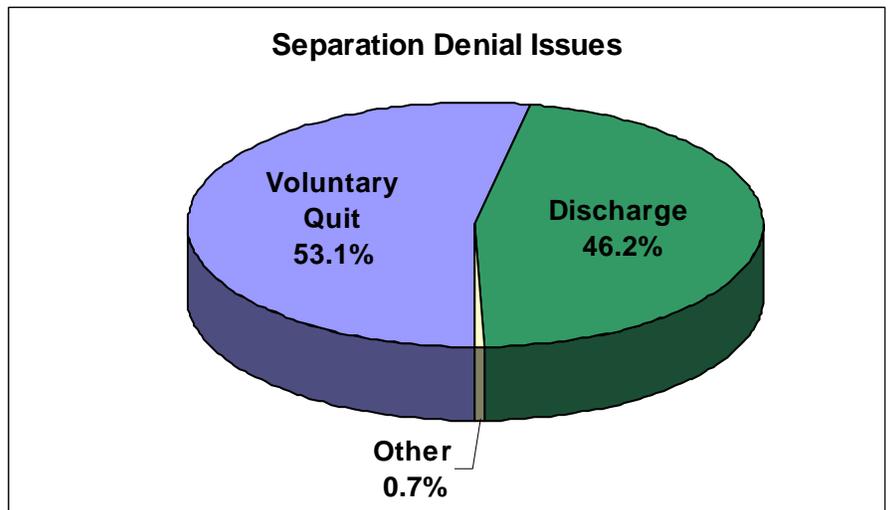
For a detailed listing of these rates for each state, click on the following link (note: the spreadsheet may have several pages):

[Prior Agency Action For Improper Denials CY 2008.xls](#)

**Separation Issues**

A majority of the separation denials concerned voluntary quits (VQs), while discharges accounted for most of the balance. "Other" includes a small number of labor disputes, military separations, or claimants who were still job attached (partial unemployment).

Claims that were denied for VQs issues were somewhat more likely to be in error than denials issued for discharge. Slightly more than 8.2 percent of VQ denials were improper, compared with 7.98 percent of the discharge denials. Just over five percent of the separation denials that were based on "Other" issues were incorrect. The following table displays these separation error rates by type.



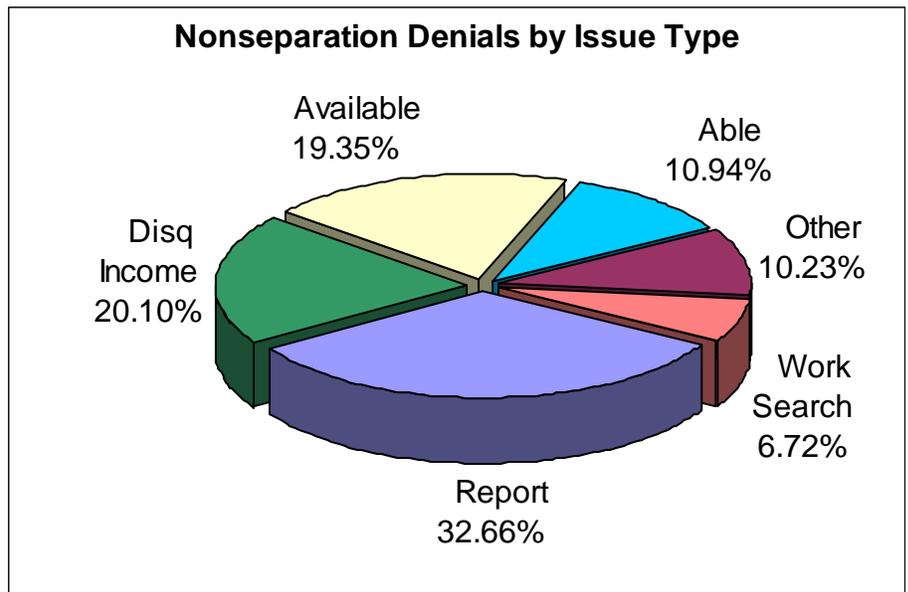
Separation Type	Sample Cases	Population of separation type denial	Percentage of Type in Population	Improper Denials
Voluntary Quit	4,210	1,104,281	53.14%	8.22%
Discharge	3,578	959,812	46.19%	7.98%
Other	76	14,088	0.68%	5.07%
Total	7,864	2,078,181	100.00%	
% Improper				8.09%

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

[Denied Claims Separation Error Rates by State CY2008.xls](#)

### Nonseparation Issues

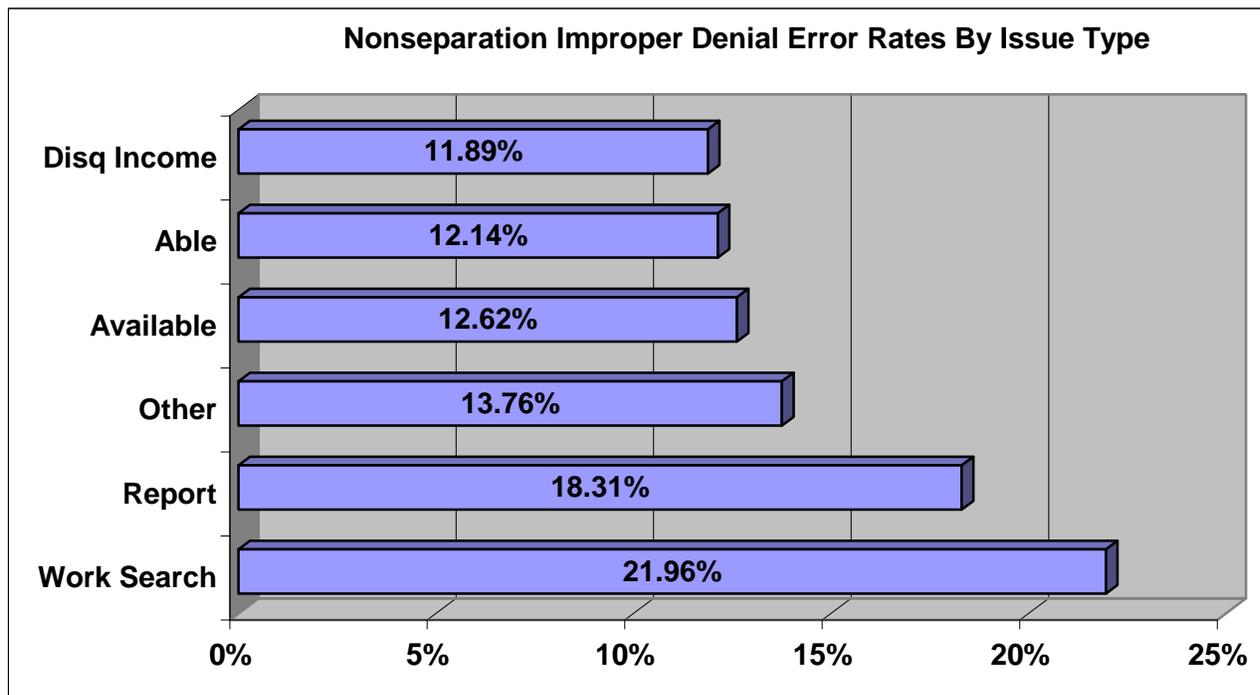
The claimant's failure to report as required by the state agency and provide information related to the UI claim or to receive reemployment services constituted the largest category of nonseparation denials in CY 2008. The remaining nonseparation denials are distributed among several issues, with able and available issues and disqualifying or unreported income issues collectively comprising the majority.



Nonseparation Type	Sample Cases	Population	Percentage of Type in Population	Improper Denials
Able	911	230,049	10.94%	12.14%
Available	1,456	406,824	19.35%	12.62%
Work Search	408	141,370	6.72%	21.96%
Disq Income	1,997	422,625	20.10%	11.89%
Report	2,251	686,743	32.66%	18.31%
Other	832	215,138	10.23%	13.76%
Total	7,855	2,102,749	100.00%	
% Improper				15.02%

Determinations that denied eligibility because the claimant failed to meet the state's work search requirements had the highest error rate (22 percent), although work search issues constitute less than seven percent on the nonseparation denials. Denials based on the claimant's disqualify income had the lowest error rate (11.9 percent).

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



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

[Denied Claims Nonseparation Error Rates by State CY2008.xls](#)

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

**Integrity Rates\***

- [Integrity Rates-CY 2008-all states.xls](#)
- [CY 2007-CY2008 Integrity Rate changes.xls](#)

**Integrity Rates - Cause / Responsibility\***

- [Annual Overpayment by cause - all states CY 2008.xls](#),
- [Operational Overpayment by cause - all states CY 2008.xls](#),
- [Fraud Overpayment by cause - all states CY 2008.xls](#),
- [Agency Responsible Overpayment by cause - all states CY 2008.xls](#)
- [Integrity Rates by Responsibility - all states CY 2008.xls](#)
- [Annual Report Rate Cause and Responsibility - US Total CY 2008.xls](#)

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

- [Prior agency action for all integrity rates CY2008.xls](#)
- [Prior Claimant Action and Cause CY2008.xls](#)
- [Prior Agency Action and Cause CY2008.xls](#)
- [Prior Employer Action for all integrity rates - all states CY2008.xls](#)
- [Prior Employer Action and Cause CY2008.xls](#)
- [Annual Rate Point of Detection - all states CY 2008.xls](#)
- [Annual & Operational Overpaid By Point of Detection and Cause CY2008.xls](#)

### **Key Week Action Rates\***

- [Key week action overpayments CY2008.xls](#)

### **Underpayments and Denied Claim Accuracy\***

- [Underpayments CY 2008.xls](#)
- [Base Period Wages Report by State CY 2008.xls](#)
- [Denied Claims Accuracy & Error Rates CY 2008.xls](#)
- [Agency Action for Improper Denials CY 2008.xls](#)
- [Responsibility For Improper Denials CY 2008.xls](#)
- [Prior Agency Action For Improper Denials CY 2008.xls](#)
- [Denied Claims Nonseparation Error Rates by State CY2008.xls](#)
- [Denied Claims Separation Error Rates by State CY2008.xls](#)

### **BAM Methodology**

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

### **Other References**

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

### **Performance Measures which use the BAM Operational Rate**

- GPRM Measure- <http://www.workforcesecurity.doleta.gov/unemploy/gpra.asp>
- Core Measure - [http://www.workforcesecurity.doleta.gov/unemploy/3yr\\_overpay.asp](http://www.workforcesecurity.doleta.gov/unemploy/3yr_overpay.asp)
- [Calculation of the Core Measure](#)

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

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