

**U.S. DEPARTMENT OF LABOR
OFFICE OF INSPECTOR GENERAL
CHICAGO REGIONAL AUDIT OFFICE**

Audit of Benefit Payment Controls

**Examination of UI Benefit/Wage Crossmatch and
Analysis of Employers Who Fail to Respond
to the States' Requests for Weekly Wage Data**

Audit Report Number: 05-99-005-03-315

Issue Date:

MAR 18 1999

TABLE OF CONTENTS

	Page
ACRONYMS/ABBREVIATIONS	iv
EXECUTIVE SUMMARY	v
BACKGROUND	viii
AUDIT OBJECTIVES	xi
SCOPE	xi
METHODOLOGY	xii
CHAPTER I Many Employers Are Not Responding to Wage Requests in the UI Benefit Crossmatch Resulting in Millions of Dollars of Undetected UI Overpayments	
A. Our Survey Shows that 42 Percent of the SESAs Across the Country Had a 25 Percent or Higher Non-Response Rate to Employer Wage Requests	1
B. We Estimate that an Additional \$17 Million of UI Overpayments Could Have Been Detected for Our Audit Period	5
C. Many Employers, Including Major Corporations, Failed to Respond to Wage Requests	8
D. Employers and Major Service Providers Furnished Some Insight as to Why Wage Requests Were Not Returned	14
E. Crossmatch Audit Resources Should be Focused on Those Claims with the Highest Probability of Overpayments	17

CHAPTER II	Potential Impact of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) on UI Overpayment Detections, Preventions and Recoveries	
A.	PRWORA Requires New Hire Reporting That Can Assist in Overpayment Detections	22
B.	New Hire Detection Has the Potential to be a More Effective Detection Method than the UI Benefit/Wage Crossmatch.	23
C.	New Hire Detections in the States Audited Are at Different Stages	25
D.	Provisions in PRWORA Legislation Present Obstacles to Using New Hire Reports for UI Overpayment Detection	26
CHAPTER III	Recommendations	
A.	Recommendations to Improve Crossmatch Overpayment Detection	29
B.	Recommendations to Enhance the New Hire Detection Programs Under PRWORA	31
C.	Agency Response and Audit Conclusions	32
EXHIBITS		
A.	Results of Survey Questionnaire Sent to SESAs	34
B.1	Estimated Dollar Value of Non-Responses for BARTS States and California	35
B.2	Estimated Dollar Value of Non-Responses for IL, NJ and KY	36
C.1	Number of Wage Requests Sent to Employers	44
C.2	Number of Claims Selected for Audit by States	45
C.3	Unique Employers	46

C.4	Wage Requests Sent to Employers in Three BARTS States, Number and Percentage, Returned and Not Returned	47
C.4a	Wage Requests Sent to Employers in California, Number and Percentage, Returned and Not Returned	48
C.5	Employers by Industries Who Were Sent Multiple Wage Requests and Returned None: California, Illinois, New Jersey, Kentucky and Texas	49
D.	Summary Results of the Employer Questionnaires	53

APPENDICES

1	Status of New Hire Detection in the States Audited	59
2	Agency Response	67

ACRONYMS/ABBREVIATIONS

BARTS	Benefit Audit Reporting and Tracking System
BPC	Benefit Payment Control
CEDD	California Employment Development Department
DOL	U.S. Department of Labor
ETA	Employment and Training Administration
FY	Fiscal Year
HHS	U.S. Department of Health and Human Services
IDES	Illinois Department of Employment Security
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996
SESA	State Employment Security Agency
UI	Unemployment Insurance
UIS	Unemployment Insurance Service

EXECUTIVE SUMMARY

The Unemployment Insurance (UI) program is a Federal-State partnership designed to provide temporary income support for persons who lose their jobs. The program is administered at the Federal level by the Department of Labor (DOL) through its Employment and Training Administration (ETA), Unemployment Insurance Service (UIS), and at the local level through State Employment Security Agencies (SESAs). To operate the program, states are required to include provisions in their laws for such methods of administration which are, within reason, to:

- 1) prevent errors and/or abuse by claimants, employers and others;
- 2) detect benefits paid through error by the agency, the claimant, or others; and
- 3) recover benefit overpayments.

The first stage in overpayment recovery is detection, and historically, the most effective overpayment detection tool used by the states has been the benefit/wage crossmatch. However, our audit of the benefit/wage crossmatch activities in seven states—Illinois, Texas, California, New Jersey, Maryland, Kentucky and Florida—showed there are inherent weaknesses in this overpayment detection method. Principal among these weaknesses is the failure of employers to respond to the states' requests for detailed wage information, particularly on the part of several major service providers. As a consequence, millions of dollars in UI overpayments that could otherwise be detected are being missed.

Our audit further showed that, although the crossmatch has been the most effective detection method to date, a potentially more efficient and effective UI overpayment detection and prevention tool may be available through use of reports required by the recently enacted Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). This new law requires employers to report new hires within 20 days after their hiring date. This represents critically useful information to the states in their efforts to identify individuals who are working and at the same time receiving unauthorized UI benefits. The crossmatch detection process and the new hire detection process were the focus of our audit.

Audit Results

- ! Forty-two percent of the SESAs had a 25 percent or higher non-response rate to employer wage requests.
- ! An estimated \$17 million of overpayments were not detected in four of the seven states we audited because wage requests were not returned by employers.
- ! Many employers, including major corporations, failed to respond to wage requests. Additionally, employers whose wage requests were sent to service providers had a significantly higher non-response rate.

- ! Employers and their service providers cited several reasons why wage requests were not returned, including lack of understanding of the purpose of the wage request and confusion regarding who should respond, especially in the case of employers that used service providers.
- ! The new hire detection method has the potential to be a more timely, effective and efficient detection method than the UI benefit/wage crossmatch in detecting UI overpayments.

Recommendations

- ! To improve the UI benefit/wage crossmatch overpayment detection system, the Assistant Secretary for Employment and Training should provide policy and direction to the SESAs to ensure that:
 - C Employers and their service providers are reminded of their responsibility to respond to wage requests and the corresponding benefits.
 - C States follow up with employers who routinely fail to respond to wage requests.
 - C States select for crossmatch audit and focus followup efforts on those claims with the highest potential for overpayments.
 - C States keep a data base of employers who are sent wage requests and maintain a tracking system of wage requests returned and not returned.
 - C States periodically analyze the results of their followup efforts to get employers to respond to wage requests, and consider imposing a penalty on employers who do not respond to wage requests.
- ! To help the states carry out effective new hire detection programs, the Assistant Secretary for Employment and Training should take a leadership role in assuring that SESAs obtain timely access to the new hire information required by the PRWORA, and fully incorporate the use of this data in their UI Benefit Payment Control (BPC) operations. Important features of an effective new hire overpayment detection program would include:
 - C timely SESA access to the State and National Directories of New Hires;
 - C systems for matching new hire information against UI benefit records to identify probable overpayment cases needing further audit;
 - C data collection systems for compiling results of the new hire detection method, and for assessing the effectiveness of this detection method; and

C quarterly reporting of new hire detection results to ETA/UIS.

Agency Response and Audit Conclusions

The Unemployment Insurance Service responded that the “problems [cited in our report] appear to be widespread in the UI system,” and the Agency is “in general agreement with the findings and recommendations.” UIS acknowledged “the need to improve the administration of the wage/benefit crossmatch process through obtaining a higher response rate from employers to SESA requests for weekly wage data,” and concurred with our conclusions and assessments of the potential benefits of the New Hire reporting system.

However, despite UIS’ positive response to our report findings, the Agency said nothing about initiating a corrective action plan. UIS stated only that it would “distribute copies of the final report to the SESAs and urge them to take appropriate actions.” We believe much more UIS involvement is needed to improve BPC operations. As our report clearly points out, the problems we described cannot be solved by relying on the SESAs alone to correct the problems. UIS must be proactive and provide the policy, leadership, coordination of resources, and regulatory assistance necessary to make the improvements in the UI system addressed by our audit recommendations.

BACKGROUND

Authority for activities to prevent, detect and recover UI benefit overpayments comes from the Social Security Act and Internal Revenue Code. The Secretary of Labor has interpreted these laws as requiring states to have legislative provisions for such methods of administration that are, within reason, calculated to:

- 1) prevent errors and/or abuse by claimants, employers and others;
- 2) detect benefits paid through error by the agency, the claimant, or others; and
- 3) recover benefits overpaid.

In spite of this recognized need to protect the UI Trust Fund's integrity, "Since fiscal year (FY) 1995, the UI appropriation has remained static, ignoring the increased costs of inflation and workload growth associated with increases in the number of subject employers and growth in the civilian labor force. . . . Consequently, activities that are needed to preserve the integrity of the Trust Fund are curtailed. These include prevention, detection, and collection of benefit overpayments, as well as tax audits and collections of delinquencies. The reduction of these activities costs the Trust Fund \$240 million per year."¹

Our audit work was undertaken to improve the efficiency of the states' BPC activities.

BPC Activities

Nationwide, for 6 fiscal years ending with FY 1995, UI paid about \$27 billion annually in benefits to unemployed workers. To assist states in preventing, detecting and recovering UI overpayments, ETA annually allocates about \$100 million to the states to maintain BPC programs.

Historically, the states' most effective overpayment detection tool has been the benefit/wage crossmatch. For example, in FY 1995 about 70 percent (approximately \$169 million) of detected fraudulent claims were identified by the benefit/wage crossmatch process. In that fiscal year, about \$546 million in overpayments were identified nationwide.

Although the crossmatch process has been effective, an even more effective UI overpayment detection and prevention tool may be available by using reports required by the PRWORA, which requires employers to report newly hired employees within 20 days after hiring them. The crossmatch detection process and the new hire detection process were the focus of our audit work.

¹Grace A. Kilbane, Director UIS, Statement before Subcommittee on Human Resources, Committee on Ways and Means, United States House of Representative on June 23, 1998.

The Crossmatch Detection Process

The UI benefits/wage crossmatch has been the most effective and widely used method the states have had to detect UI overpayments. A critical step in this method is obtaining detailed wage information from claimants' employers by mailing wage requests to them.

The crossmatch process compares weekly UI benefit payment records of claimants with records of wage payments reported quarterly to the states by employers. When this process identifies claimants with UI benefits and wages for the same quarterly period, a universe of potential UI overpayment cases is developed. Criteria, such as a probability index, are applied to this universe to select for audit followup those claims with the highest likelihood of containing an overpayment. Another smaller sample is selected randomly by many SESAs.

For the selected claims, wage requests are mailed to employers to obtain the weekly wage data needed for the BPC unit to determine whether an overpayment has occurred in making weekly benefits payments. An overpayment determination indicates a claimant was not entitled to some or all of the UI benefits received.

The more widely used wage/benefit crossmatch systems are the Model Crossmatch System and the Benefit Audit Reporting and Tracking System (BARTS). SESAs can also design their own system.

Model Crossmatch System

The Model Crossmatch System involves a computer search of agency benefit payment records and wage records reported by employers. The purpose of this crossmatch is to identify and select claimants who received one or more benefit payments for a week(s) in the crossmatch calendar quarter and who, according to the employers' wage report(s), earned wages of one dollar or more during the specified calendar quarter. A probability index score is computed and assigned to each of the selected claimants to indicate the likelihood of finding an overpayment in their claims. The computer ranks claimants by their probability index scores and selects a previously specified number of cases from the top of the list.

BARTS

Like the model crossmatch system, BARTS (available through a vendor) uses a probability index score to select a sample of cases for audit. However, BARTS also is a sophisticated BPC management system that is capable of tracking data for other methods of detection the SESA may use (for example, claims investigations) as well as the crossmatch detection process. The major advantage BARTS has over the Model Crossmatch System is its ability to keep track of more audits and for a longer period. SESAs that use BARTS especially like three features:

- ! BARTS allows BPC staff to audit 52 weeks, compared with 26 weeks using the Model Crossmatch System.
- ! Management reports track the status of audits.
- ! Case management tools allow BPC staff to contact an employer only once. The Model Crossmatch System prompts staff to contact the same employer for the same claimant information in subsequent runs.

Service Providers

Regardless of which wage/benefit crossmatch system is being used by a SESA, a large number of employers have crossmatch wage requests sent to service providers. Service providers are under contract to employers for personnel and payroll services. These services include providing assistance to employers by reviewing UI claims notifications and filing protests if the service provider believes the claim is improper. Such services often **do not** include responding to wage requests.

The New Hire Detection Process

The PRWORA requires employers to report new hires within 20 days of the date employed. A primary purpose of this reporting requirement is to identify employed parents delinquent in child support payments. However, the law also allows access to the data for other purposes including UI overpayment detection. (See Chapter II.)

As compared to the crossmatch process, the new hire data may provide more timely and efficient detection of benefit overpayments. The crossmatch process is inherently limited by the time delay in obtaining quarterly wage history data from employers, and by the time needed to gather detailed weekly wage information. Because new hire information should be available within 20 days of the employee hire date, UI overpayments may be detected sooner and more efficiently than is currently possible with the crossmatch, if BPC units have timely access to the new hire information.

AUDIT OBJECTIVES

The major objectives of our audit were to determine:

- ! Which employers are not responding to wage requests.
- ! Why employers are not responding to wage requests.
- ! What will encourage employers to respond to wage requests.
- ! What the dollar impact is in terms of overpayments not being detected because wage requests were not being returned.
- ! What impact PRWORA will have on states' BPC activities.

SCOPE

One of the first steps of our audit was to conduct a survey of states which disclosed that many SESAs have experienced problems with a high non-response rate to employer wage requests. We made a more detailed review of records at the Illinois SESA to learn more about this problem. As a result of our analysis, we decided to expand our work to encompass several more states.

In addition to Illinois, we judgmentally selected New Jersey, Kentucky, Texas, Maryland, Florida, and California, for audit. Our selection was based on the percentage of claims for which wage requests were not responded to by employers in these 7 states: between 25 percent and 45 percent. We also considered crossmatch systems being used and new hire detection system status in making our judgmental selections. Illinois, New Jersey, and Kentucky, were using BARTS, Florida was using the Benefit Overpayment Security System, and Texas, Maryland, and California, were using modified Model Crossmatch Systems. In addition, Florida, Texas, and Maryland, were identified as states having new hire detection systems in place.² We examined data on the intrastate UI benefit/wage crossmatches of the seven states for the four most recently completed quarters at the time of our audit. These quarters varied from state to state as shown in the following graph. Our fieldwork was performed from October 1996 through September 1998.

²Our field visit to Maryland found no new hire detection system in place. See table in Chapter II, Section C.

Audit Periods

State	3/94	4/94	1/95	2/95	3/95	4/95	1/96	2/96	3/96	4/96	1/97	2/97	3/97
Illinois	████████████████████												
New Jersey			████████████████████										
Kentucky								████████████████			████████████████		
Texas	████████████████████												
Maryland										████████████████████			
Florida									████████████████████				
California										████████████████████			

We based our analysis and findings on the crossmatch data provided by the states, on interviews with state personnel, and on information obtained from employers and service providers. The data was not subjected to detailed audit tests.

We also examined the potential benefits of using new hire information required by the PRWORA to detect, prevent and recover UI benefit overpayments.

METHODOLOGY

To better define the broad problem that significant amounts of UI benefit overpayments are not detected, we initiated our work with a detailed examination of the crossmatch system and process in the State of Illinois. Our examination revealed that the BPC unit often could not determine whether an overpayment of benefits had occurred for claims selected for audit. Further, we learned that a principal reason these determinations could not be made was because employers were not providing weekly wage information when requested.

We prepared a questionnaire which we mailed to a small sample of Illinois' non-responding employers to learn why they were not responding to wage requests. We also sent a survey questionnaire to the nation's 53 SESAs. Their responses to the questionnaire confirmed that the problem with non-responding employers was common among the SESAs. Therefore, we developed our audit procedures to determine who was not responding to wage requests, and we developed a methodology to estimate the dollar value of overpayments that were not detected because employers did not respond.

For the State BPC programs audited, including our initial work in Illinois, we:

- ! Obtained an overview of the UI benefit/wage crossmatch process to gain a general understanding of the crossmatch process.

- ! Interviewed officials and analyzed data from the crossmatch tracking system and related systems to determine which employers were not responding to wage requests, why they were not responding, and what could be done to encourage employers to respond.
- ! Established a profile of employer characteristics to evaluate whether a trend of common characteristics might be found among either employers who did respond to wage requests or those employers who did not respond.
- ! Identified three major service providers and used their postal ZIP codes to identify wage requests sent to them because the BPC information systems did not separately identify wage requests sent directly to employers or to employers' service providers.
- ! Estimated, for the four states with sufficient data, a dollar value of UI overpayments that were not identified because wage requests were not returned to the states.
- ! Interviewed appropriate staff to determine plans to carry out or revise new hire overpayment detection procedures as a result of the new hire information required by PRWORA to be kept by the states. We also assessed the potential impact these procedures could have on BPC effectiveness in UI overpayment detection, and how the UI benefit/wage crossmatch and other detection methods will be used in the future.

This audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

CHAPTER I

Many Employers Are Not Responding to Wage Requests in the UI Benefit Crossmatch Resulting in Millions of Dollars of Undetected UI Overpayments

A. Our Survey Shows that 42 Percent of the SESAs Across the Country Had a 25 Percent or Higher Non-Response Rate to Employer Wage Requests

Based on the SESAs' replies to our survey questionnaire, we found many states across the country had serious problems obtaining responses to wage requests. States in every region of the country reported problems obtaining responses from employers. For example, 22 states had no wage requests returned for 25 percent or more of the claims selected for audit. In four of these states the non-response rate ranged between 40 and 47 percent. (See Exhibit A.)

To learn about state wage request followup practices with employers not responding, our survey questionnaires to the 53 SESAs asked them to describe their crossmatch systems and processes. Fifty of the Nation's 53 SESAs responded and described their crossmatch systems, 2 reported that they did not do a crossmatch audit, and 1 SESA failed to respond. Our analysis of these responses showed that:

- ! Only one state has a formal outreach program to contact employers by phone, through onsite visits, or through correspondence when the employer repeatedly fails to respond to wage requests.
- ! Only half of the states (25) send second wage requests to **all** employers who failed to respond to the initial wage requests. Five of these states send additional followup wage requests if they receive no response.
- ! Eight other states send second wage requests on a limited basis, usually for claims where the claimant had more than one employer, at least one of the employers responded, and there was a high probability that an overpayment would be established.
- ! Seventeen states send no second wage requests to employers.

Our further analysis of the information supplied in the states' replies to our questionnaire revealed that 22 states had some contact with employers and performed some type of analysis to determine why employers failed to answer the wage requests. Although the states were not able to identify a particular employer profile for non-responding employers, they provided a number of reasons why many employers do not respond, such as:

- C Employers used a service provider (employer representatives have a much higher non-response rate).
- C The service providers are not paid to respond to wage requests.
- C Employers (especially those at the maximum UI tax rate) did not see the value of responding to the wage requests.
- C The employer determined that the employee did not work during the time in question so the employer felt there was no need to respond.
- C The wage request form is too confusing.
- C The employer's pay periods do not match the benefit weeks.
- C Some employers would prefer to respond using an electronic data interchange.
- C The wage request was sent to the wrong address.
- C Separating employers, out-of-business employers, and large employers tend to have a higher non-response rate.

The following information describes the wage request followup activities for the states included in our audit.

California's Followup Efforts

Only California has a formal and comprehensive followup program aimed at obtaining employer responses to wage requests. California maintains and reviews quarterly a data base of employers who are sent wage requests. Using this data base, the State attempts to follow up with all employers who fail to respond. The State began this Employer Outreach Program in August 1995 when it mailed a notice with the first quarter 1995 wage requests stating that it would contact employers who did not respond to wage requests. To make this followup process more manageable, California selects employer groups meeting certain criteria for each specific outreach effort. For FYs 1996 and 1997, nine separate outreach efforts included employers who:

- ! had their wage requests sent to their agent/payroll service;
- ! received more than 100 wage requests in a quarter;
- ! received more than 25 wage requests and did not comply for three consecutive quarters; or
- ! received fewer than 25 wage requests and did not comply for at least two quarters.

California targeted its outreach program in FY 1996 to the worst employers--those that did not respond to any of the wage requests. Before the outreach effort began, there were 86,154 wage requests outstanding. As a result of the program, the State was successful in obtaining 38,604 responses, thus reducing the outstanding wage requests for FY 1996 by 45 percent. This effort netted

3,088 additional overpayment cases totaling \$1,398,894 in overpayments and \$419,660 in administrative penalties for a grand total of \$1,818,554. The overpayment results (average overpayment and percent of overpayments) of the wage requests sent to service providers were identical to the overpayment results of the wage requests sent to all employers.

California's followup efforts have increased the rate of wage requests returned by both employers and by their service providers. These results show that the State's outreach efforts have been successful.

Maryland's Followup Efforts

Maryland sends out second wage requests to all employers who do not respond to the first wage request. Also, if wages from another employer (claimant with wages from multiple employers) generate a case for investigation, another request is sent to an employer who did not respond. In general, an auditor does not follow up further after two requests have been sent. For the quarters included in our audit, fourth quarter 1996 through third quarter 1997, only 2,500 claims were selected for audit.

New Jersey's Followup Efforts

New Jersey indicated that staffing limitations prevented the State from following up on all wage requests not returned. Second wage requests sent out are limited to claims selected for audit which had wage requests sent to multiple employers when (a) there is more than one non-responding employer, (b) there is at least one responding employer, and (c) some benefit/wage conflict has already been identified.

Illinois' Followup Efforts

Illinois sends second wage requests only for claims selected for audit which had wage requests sent to multiple employers with at least one responding employer, and with some benefit/wage conflict having already been identified. Investigative staff are instructed to follow up by letter and/or telephone with all such employers who failed to respond to the initial request.

Florida's Followup Efforts

Florida does not follow up with employers who fail to return wage requests for claims selected for audit. Florida officials stated that although the capability exists to perform a followup mailing, resources must be devoted to screening and investigating the wage requests that are returned in order to be accurate and timely in determining overpayments. They assume that if the audit wage request is not returned, it is because the employer determined wages were not paid in the benefit week(s) in question.

Texas' Followup Efforts

Texas does not follow up on employers who fail to respond to wage requests. SESA personnel stated that the number of claims selected for audit takes into consideration the number of wage requests that will not be returned so the BPC investigative staff will have a sufficient workload. The wage request form being used at the time of our visit instructs the employer not to complete the form if any of four circumstances apply since these circumstances mean there would be no conflict between wages paid and benefits received.

Kentucky's Followup Efforts

Kentucky sends no followup wage requests except in rare instances. The State occasionally does some onsite followup visits to employers to inquire about why employers are not returning large numbers of wage requests.

Conclusions

Except for California, we found that most of the states performed the crossmatch in a routine manner, paying little attention to employers who repeatedly failed to respond to the wage requests. A common reason given was that the BPC unit had its hands full investigating the employer wage requests that were returned, and did not have the resources to handle an increased workload.

This reasoning does not address the need to make the best use of limited resources. By examining only the wage requests from employers who return them, and not following up on the employers who do not respond, many high probability overpayments are going undetected. Since many employers do not return any wage requests, there is an equal likelihood the unreturned wage requests will include low, medium and high probability overpayment cases. By ignoring or paying only casual attention to the unreturned wage requests, the states are missing a major opportunity to identify additional claims that have a high potential to result in overpayments.

Also of critical importance is the likelihood that the non-response rate will continue to increase as more employers become aware that if they do not return wage requests, no action is taken. There are millions of dollars of overpayments being missed because employers are not responding to wage requests.

B. We Estimate that an Additional \$17 Million of UI Overpayments Could Have Been Detected for Our Audit Period

In four of the seven states in our audit, we estimate \$17 million in UI overpayments were undetected because employers did not respond to wage requests: \$8.8 million for Illinois, New Jersey, and Kentucky; and an additional \$8.2 million for California. Sufficient information was not available to make an estimate in the other three states, Florida, Texas, and Maryland.

An Estimated \$8.8 Million of UI Overpayments Were Undetected for the Three BARTS States

Quarterly, the BARTS states (Illinois, New Jersey, and Kentucky) perform an intrastate crossmatch by matching state wage records with UI benefit payment records. Each match, or “hit,” is a claim that has UI benefits paid and wages earned in the same quarter. Using criteria tailored by the states, certain hits are screened out and eliminated from audit consideration. A Fraudx score is assigned to each of the remaining hits. Fraudx scores (an overpayment probability scoring index) range from 1, the least probable overpayment, to 99, the most probable overpayment.

The states then mail wage requests for claims selected for audit (using Fraudx scores and other factors) to the employers who reported the wages. For their four most recently completed quarters, the three BARTS states in our audit selected a total of 124,964 claims for audit, and mailed wage requests for these claims. Responses were returned for 90,074 of the 124,964 selected claims. As a result, these three states made 23,935 overpayment determinations totaling \$20,476,808, an average of \$856 per overpayment determination. (See Figure B.1)

UI Overpayments Detected by BARTS States

State	Claims Selected for Audit	Claims Audited	Number of Overpayment Determinations by the State	Total Dollar Value of Overpayments	Average Overpayment Determination From Responses
Illinois	17,747	11,206	4,185	\$6,659,413	\$1,591
New Jersey	49,305	37,231	11,242	\$11,300,006	\$1,005
Kentucky	57,912	41,637	8,508	\$2,517,389	\$296
Total	124,964	90,074	23,935	\$20,476,808	\$856

Figure B.1

We used this information to develop a methodology to estimate the overpayment dollar value of claims for which wage requests were not responded to by the employers. Using the percentage of overpayments identified in the returned wage requests as a base, we estimated the probable overpayments in the unreturned wage requests. For the BARTS states, we calculated an average overpayment for, and applied this methodology to, each Fraudx score.³ (See Exhibits B.1. and B.2.)

The importance of this information is that for the first time it provides an approach for reasonably measuring the dollar impact of the persistent problem of employers failing to return wage requests. Figure B.2 shows the estimated number of non-responses to wage requests that would result in overpayments, and the dollar value of those overpayments for the three BARTS states. We believe that our estimate of \$8.8 million for three BARTS states provides a level of significance that warrants attention.

Estimated Value of Non-Responses in BARTS States

State	Non-Responses	Estimated Number of Overpayments From Non-Responses	Estimated Value of Non-Responses
Illinois	6,541	2,404	\$4,116,964
New Jersey	12,074	3,435	\$3,655,289
Kentucky	16,275	3,262	\$1,058,948
Total	34,890	9,101	\$8,831,201

Figure B.2

³For example, assume 50 claims received a Fraudx score of 70, employers returned wage requests for 30 of the claims, and the state made 12 overpayment determinations with an average overpayment of \$1,200. We calculated the overpayment rate to be 40 percent ($12 \div 30 = 40\%$). We then applied this percentage to the non-responses ($50 - 30 = 20$) to find the potential number of non-response overpayments ($40\% \times 20 = 8$) and multiplied that by the average overpayment to estimate the dollar value of the undetected overpayments ($8 \times \$1,200 = \$9,600$). We applied this methodology to each Fraudx score, 1 through 99 (see Fraudx discussion on page 18), and added together the estimated undetected overpayments to arrive at the estimated value of non-responses for each state. We rounded our figures for claims with estimated overpayments down to the nearest whole number.

An Estimated \$8.2 Million of UI Overpayments Were Undetected for California

The non-BARTS states in our audit also do a quarterly intrastate crossmatch. However, California was the only non-BARTS state for which we had data sufficient to allow us to estimate the undetected overpayments. From the hits, California screens out claims based on certain criteria and sends wage requests to the employers of the remaining claimants. For the four most recently completed quarters, California selected a total of 1,010,240 claims for audit and mailed wage requests for these claims to the appropriate employers. The employers returned wage requests for 846,560 of the selected claims. As a result, California made 82,525 overpayment determinations totaling \$42,299,559, an average of \$513 per overpayment determination. (See Figure B.3.)

UI Overpayments Detected by California

State	Claims Selected for Audit	Claims Audited	Number of Overpayment Determinations by the State	Total Dollar Value of Overpayments	Average Overpayment Determination From Responses
California	1,010,240	846,560	82,525	\$42,299,559	\$513

Figure B.3

As in the BARTS states, we used this information to develop a methodology to estimate the dollar value of wage requests not responded to by the employers. (See Figure B.4.) We computed our estimate of undetected UI overpayments “in total” because California does not assign a probability index score to each claim selected for audit. We estimated the number of claims that had undetected overpayments, and we calculated the average value of each claim for which an overpayment determination was made. We estimate the total dollar value of the non-responses to be \$8,171,337⁴ (See Figure B.4 and Exhibit B.1)

⁴9.74 percent ($82,525 \div 846,560$) of the responses were overpayments, and we estimated that 15,942 of the non-responses were overpayments ($9.74\% \times 163,680$). We multiplied the 15,942 by the average overpayment, \$512.57, to estimate the dollar value of the undetected overpayments ($15,942 \times \$512.57 = \$8,171,337$).

Estimated Value of Non-Responses in California

State	Non-Responses	Estimated Number of Overpayments From Non-Responses	Estimated Value of Non-Responses
California	163,680	15,942	\$8,171,337

Figure B.4

Therefore, we estimate that the dollar value of the undetected UI overpayments in California, New Jersey, Illinois, and Kentucky, is \$17,002,538 (\$8,831,201 + \$8,171,337) for our audit period. Our UI profile analysis of employer characteristics did not show any differences between employers who respond to wage requests and those who do not respond. However, as suggested by SESA personnel in one state, events such as mergers, business closings, and layoffs may have inflated the non-response rate, and thus increased our estimate of undetected overpayments.

Conclusions

For four of the seven states in our audit, and for the four most recently completed quarters, we estimate that an additional \$17,002,538 in overpayments could have been established had employers returned all wage requests. Our survey of all SESAs shows that 42 percent of the SESAs had a 25 percent or higher non-response rate to employer wage requests, and 34 percent of the SESAs had a non-response rate of 10 - 24 percent. We believe millions of dollars in additional overpayments are also being undetected in other states because employers are not responding to states' wage requests.

Although we acknowledge the assertion by SESA personnel in one state that certain business events may have affected the employer non-response rate, thereby impacting our estimate of undetected overpayments, such occurrences would have little overall effect considering the thousands of employers included in our examination.

C. Many Employers, Including Major Corporations, Failed to Respond to Wage Requests

Employers in the seven states did not return a total of 825,793 wage requests, or nearly 34 percent of those that had been mailed. (See Figure C.1 and Exhibit C.1.) We analyzed data related to the wage requests to identify specific employers who were not responding to single state or multiple states' wage requests. We found certain employers and service providers seldom, or never, returned wage requests. (Examples of such employers are listed in Figure C.4 and Exhibit C.5.)

Total Wage Requests Sent and Non-Response Rates

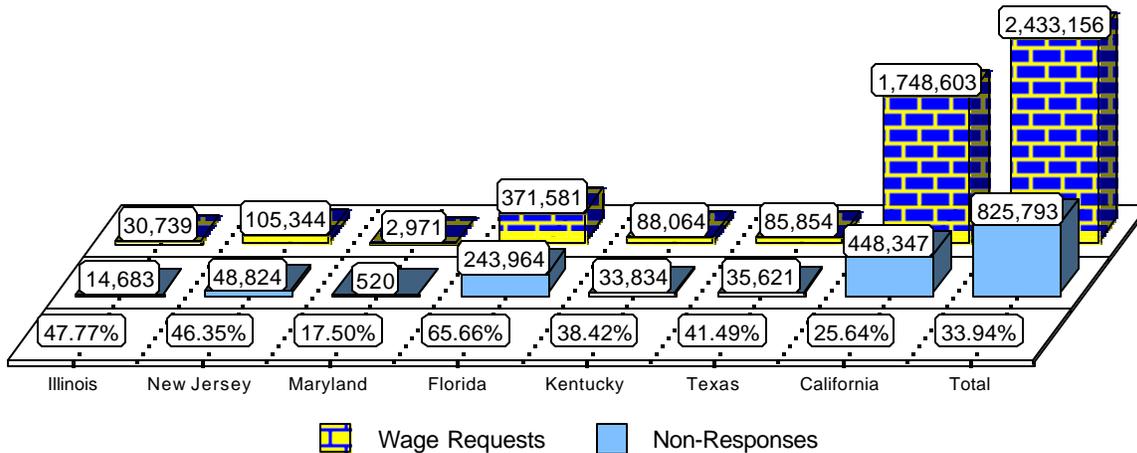


Figure C.1

Our examination covered a total of 1,503,671 claims for which 2,433,156 wage requests (see Exhibits C.1 and C.2) were sent to the claimants’ employers during the four most recently completed quarters. (The most recently completed quarters differed for each state. See the Scope section of this report.) Each quarter, the seven states sent wage requests to an average of 153,831 unique⁵ employers. (See Exhibit C.3.)

Our analysis of data in three BARTS states (Illinois, New Jersey and Kentucky) covered 224,147 wage requests. We concluded that the non-response rate of the major service providers was significantly disproportionate when compared with the number of wage requests sent to them for reply. For this reason, we analyzed the unreturned wage requests in three BARTS states and California by two groupings, those sent to major service providers, and those sent directly to employers.

Our similar analysis of California data disclosed that a total of 1,748,603 wage requests were sent during our audit period. We found that, just as in the BARTS states, the service providers had a much higher incidence of not returning the wage requests than the numbers sent to them would suggest.

⁵ An employer from whom one or more claimants may have received wages during that quarter.

Without More Aggressive Followup, Major Service Providers Seldom Return Wage Requests

The BARTS states' records showed that 80 percent of the wage requests sent to major service providers were unreturned. California, with its more aggressive followup program, had 37 percent of the wage requests sent to major service providers unreturned.

The data base tracking system of the three BARTS states provided the information allowing us to analyze wage requests not returned by major service providers. Our detailed analysis identified wage requests sent to three major service providers: The Frick Company, Gates McDonald, and Harrington. During our examination period, 224,147 wage requests were mailed by the BARTS states, of which 15 percent (34,210) were sent to the three major service providers. **Those service providers did not return 80 percent (27,238) of the 34,210 wage requests.** (See Figure C.2 and Exhibit C.4.)

The crossmatch tracking systems for other states in our audit, except California, did not maintain the computer automated data that would allow us to precisely determine the non-response rate for their service providers. However, interviews with their BPC personnel confirmed that, based on their experience, service providers often did not return wage requests.

We performed a separate analysis of the data obtained from California. The State had developed a followup system which lowered their non-response rate dramatically. **California sent 31,096 wage requests to the major service providers, of which 37 percent (11,481) were not returned.** (See Figure C.3 and Exhibit C.4a.) Although this non-response rate for service providers remains high, it represents a profound improvement compared to the 80 percent non-response rate typical of the BARTS states in our audit.

Aggressive Followup is Needed to Obtain Responses to Wage Requests Sent Directly to Employers

While the non-response rate for wage requests sent directly to employers is not as severe as with service providers, it nevertheless is very significant. We excluded major service providers, and performed a separate analysis for wage requests sent directly to employers⁶ for the same three BARTS states in our audit. The analysis revealed that **the three BARTS states sent 189,937 wage requests directly to UI claimants' employers, and 70,103 wage requests (37%) were not returned.**

The following Figures C.2 and C.3 depict the non-response rates of service providers and employers in the BARTS states and California. (See Exhibit C.4 and C.4a.)

⁶ Includes unidentified service providers.

Only BARTS States Total Wage Requests

Employers who

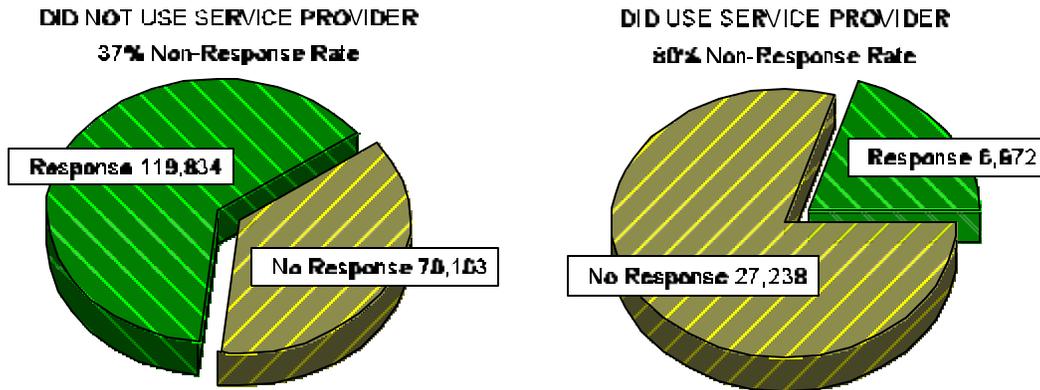


Figure C.2

Our separate analysis of the California data found a lower non-response rate, which we attribute to California’s followup practices. California sent 1,717,507 wage requests directly to employers,⁷ of which 25 percent (436,866) were not returned. (See Figure C.3.) Although high, this represents a significant improvement compared to the 37 percent non-response rate typical of the BARTS states in our audit.

Only California Total Wage Requests

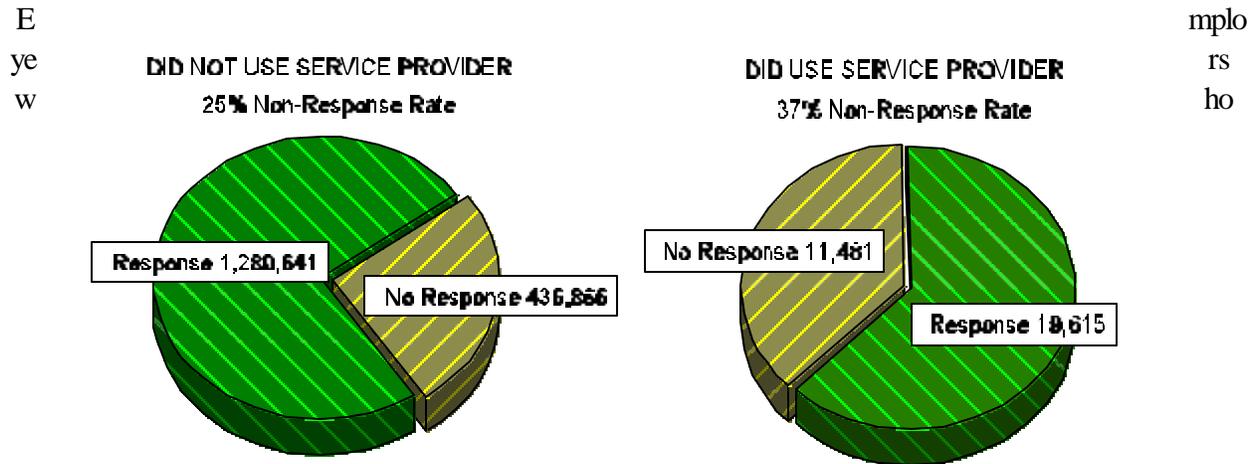


Figure C.3

⁷ Includes unidentified service providers.

We further examined the non-responses by individual employers and found many employers never responded to wage requests.

Some Employers Who Were Sent Multiple Wage Requests Never Responded

For five states, Illinois, New Jersey, Texas, Kentucky, and California, we extracted and analyzed lists of employers who never responded to wage requests. Similar information for the remaining two states, Maryland and Florida, was not available.

We developed a list of non-responding employers who received a high volume of wage requests and did not respond to any. In the 5 states, 346 employers received numerous wage requests and opted not to respond to a single one during the period we examined.

We found many of these employers to be well-known and major national corporations. These companies are responsible for thousands of unreturned wage requests, some mailed to them or their service providers by multiple state UI programs. Such companies included:

- C Illinois Bell
- C K-Mart Corp.
- C Sears
- C Toys R Us Inc.
- C Bell Communication
- C Emerson Electronics Co.
- C United Parcel Service, Inc.
- C Wal-Mart Stores, Inc.
- C Lockheed Corporation
- C GTE
- C Honeywell, Inc.

We grouped the 346 high non-responding employers by their respective industries (when possible) to help identify different groups of non-responding employers. These groups are: airlines, banks and financial organizations, communication organizations, government and publicly funded agencies, retail and food businesses and temporary employment agencies. Due to insufficient information, we could group only 89 of the 346 identified high non-responding employers. (See Exhibit C.5.)

Our analysis also shows 26 employers, listed in Figure C.4, were high non-responding employers in **more than one of the states** in our audit.

The pattern indicated by our analysis leads us to conclude that wage requests received by these employers from other states which were not included in our audit are likely to go unanswered.

	Non Responding Employers	SP/NSP	States and Number of Unreturned Wage Requests				
			IL	TX	NJ	KY	CA
1.	A B B C E Services Inc.	NSP			70	87	
2.	A T & T	SP	419	182	37		
3.	ADIA Service Inc.	SP/NSP	77	310	139		
4.	Aramark Educational Group	NSP		299		100	
5.	Aramark Leisure Services Corp	SP/NSP			36	118	
6.	Babcock & Wilcox Construction	NSP	16		46	162	587
7.	Brown & Root Inc.	SP		663			243
8.	Continental Airlines	SP		164	70		
9.	Dobbs International Service	SP	42	77			
10.	E P Management (Talent) Services	NSP	12				18,429
11.	General Electric Co.	SP/NSP			37	746	
12.	GTE	SP	31	323			
13.	Interim Personnel Inc.	SP		173			3,311
14.	K-Mart	NSP	61	217		75	
15.	Kay Bee Toys & Hobby Shops Inc.	SP				28	61
16.	Manpower International/Indiana	SP	82			374	
17.	Marriott Educational Services Inc.	SP	31			139	
18.	Mobil Oil	SP		146	54		
19.	Norrell Temporary Services	SP	31		102	74	
20.	Olsten Home Healthcare Inc.	SP			106	137	
21.	Olsten Staffing Services Inc.	SP		112	233		
22.	R R Donnelley & Sons	SP	26			44	
23.	Sears	SP/NSP	64		135	116	
24.	The Kroger Co.	NSP		123		69	
25.	United Parcel Services (UPS)	SP	54	223		268	
26.	Wal-Mart	SP		634		424	

Figure C. 4

NSP: Does not use Service Provider

SP: Uses Service Provider

SP/NSP: Uses Service Provider in one state(s) but not in other state(s).

Conclusions

Clearly, many employers are responsible for the large numbers of wage requests that are not returned. It is also evident that wage requests sent to the three major service providers identified in our examination contribute to the problem. We were able to obtain detailed analytical information on four of the seven states in our audit regarding employer and service provider responses to wage requests. The available data shows that state crossmatch operations are being significantly hindered and adversely affected by employers and service providers that consistently fail to respond to state wage requests.

As our sample of states shows, the problem is not confined to only one region of the country, only to large states, or only to small employers. Large states like California and Illinois have high non-response rates just as smaller states like Kentucky and Maryland. Large and well known employers like Wal-Mart, AT&T, and General Electric Company are as likely as much smaller employers not to respond to wage requests (also see Section D). The problem is national in scope, and therefore, requires a nationwide solution.

D. Employers and Major Service Providers Furnished Some Insight as to Why Wage Requests Were Not Returned

We sought to identify the key factors that played an important part in determining whether an employer would respond to wage requests. Our work in this area included:

- ! an analysis of employer data to attempt an identification of any distinctive characteristics of employers that responded to wage requests, and those that did not (information was available in four of the seven states we audited);
- ! mail and telephone contact with major non-responding employers to obtain first-hand information regarding their understanding of the wage requests; and
- ! meetings with two of the three major service providers.

Employer Characteristics Did Not Predict Whether or Not Employers Would Respond

We built a profile of both responsive and non-responsive employers. We excluded those employers who used major service providers, since it was established early on that the major service providers had an extremely high non-response rate to wage requests.

Our profile of characteristics taken from the employer records available at the SESAs included:

- C maximum tax rate employers;
- C business status (in or out of business);
- C geographical location in state (zip code);
- C type of business by Standard Industry Code (SIC);
- C size (number of employees);
- C organizational type; and
- C length of time in business.

Based on the employer information available from the SESAs, we found no characteristic or combination of characteristics to be a reliable indicator of whether an employer would respond to wage requests. Some employers of similar size, with similar tax rates, from the same location in the state, and generally in the same type of business, may respond to all or most wage requests, while other like employers may never or rarely answer the wage requests. In essence, our analysis did not show any significant difference in characteristics between employers that responded and those that did not.

Problems and Factors Cited by Employers for Not Responding

We contacted the major non-responding employers in Illinois to obtain first-hand information regarding their understanding of the wage requests and their reasons for not responding. We sent questionnaires and followed up with telephone calls to obtain additional information and to clarify their responses. We judgmentally sampled 25 employers. Since many of these were large employers with operations in a number of different states, we believe their responses are a reasonable reflection of many other similar employers nationwide.

Of the 25 questionnaires mailed, 20 were answered. Thirteen questionnaires were received from employers whose wage requests were mailed to a major service provider and the remaining seven were from employers who received the wage requests directly. (See Exhibit D.) In summary, we found:

- ! Information from some employers indicated they do not have a good understanding of the UI benefit/wage crossmatch and the purpose of the wage request, and the instructions are not clear and understandable. For example, 4 of 20 employers (20 percent) stated they did not respond to the wage requests because they decided no overpayment occurred. Such employers stated they monitored their own UI benefit charges and determined no overpayment occurred and, thus, there was no need to respond to the wage request. Employers that used service providers stated the service providers already perform the same function as the crossmatch and catch UI overpayments through their UI charge verification system. However, their reasoning is flawed because these employers do not have sufficient benefit payment information to make such a determination on their own.
- ! Many employers did not realize that they are required by Illinois law to respond to wage requests, that the liable employer's account may be credited if an overpayment is

established and that preventing, detecting and recovering UI overpayments has a positive effect on overall employer UI tax rates.

- ! Seven of 10 employers (70 percent) who responded and used service providers said they were unaware the wage requests were not answered. Some of these employers also indicated that the wage requests were not being sent to the proper person and/or address.
- ! Twelve of 18 employers (67 percent) who responded indicated that the information requested by the state is not readily available. These employers may have to retrieve archived payroll records and reconstruct pay information on a weekly, perhaps daily, basis to accurately respond to the wage requests. Many of the employers stated that it takes one hour or more to process one wage request. Large employers may receive hundreds of wage requests per year from a number of states; therefore, the burden can be significant.

Why Service Providers Did Not Respond to Wage Requests

We met with representatives of two of the three major service providers—The Frick Company in St. Louis, Missouri, and Gates McDonald in Columbus, Ohio—to determine why they did not respond to wage requests and what can be done to encourage responses from them. The following information summarizes their comments:

- ! They rarely have contracts with employers to respond to states' wage requests.
- ! Information needed to complete the form is not always readily available from employer records maintained at the service provider. Moreover, wage request forms from different states varied significantly in clarity, understandability and the information requested. This would make it difficult for service providers to respond to hundreds of wage requests from various states even if they were contracted to provide this service.
- ! These service providers are aware of the benefits associated with responding to wage requests and, in the past, forwarded wage requests to employers to answer. However, the employers requested that the service providers stop forwarding wage requests.
- ! New York imposes a penalty on employers for not returning wage requests. As a result, one service provider stated that some employers have contracts with them to respond to wage requests for the State of New York.
- ! They would prefer an automated process to provide this service and would be interested in meeting with SESAs to discuss the feasibility of developing an automated model.

Conclusions

Difficulty in obtaining the wage information requested, faulty assumptions about the purpose, misdirected wage requests, and a lack of understanding coupled with indifference by employers and service providers are all factors in the unacceptably high non-response to wage requests. These factors will continue to impair the effectiveness of the benefit/wage crossmatch unless a cooperative effort is initiated by the Unemployment Insurance Service and the states to educate, encourage and follow up with employers to obtain the critically needed wage information.

E. Crossmatch Audit Resources Should be Focused on Those Claims with the Highest Probability of Overpayments

The states in our audit used their crossmatch audit resources in several different ways. We believe these states could better use their resources to increase overpayment detections. The following discussion summarizes:

- ! current practices to select claims for crossmatch audits and to track claims and wage requests;
- ! BARTS states' use of Fraudx Scoring and potential use for focusing follow up on unreturned wage requests; and
- ! lack of probability scoring data and tracking systems in non-BARTS states.

Current Practices

The states in our audit used different methods/criteria to select claims for their crossmatch audits. The three BARTS states used Fraudx, a probability scoring index. Two of the four non-BARTS states used modified Model Crossmatch Systems, applying variations of the probability index to select potential overpayment cases for audit. The two remaining non-BARTS states sent wage requests for all claims remaining after performing the initial screening.

The potential to focus resources on claims with the highest probability of overpayments lies not only in the initial selection process, but also in careful use of data from the audit tracking system to follow up on unreturned wage requests. Of the seven states in our audit, only California used an audit tracking system to conduct outreach efforts with employers who failed to respond to wage requests. The BARTS states (New Jersey, Illinois, and Kentucky) used their tracking systems to selectively send follow up wage requests to non-responsive employers. Maryland sent follow up wage requests to all

non-responsive employers.⁸ Florida and Texas did not follow up at all with employers who failed to respond to wage requests.

BARTS States’ Use of Fraudx Scoring

The BARTS states used Fraudx to select claims for audit but they did not use it as an effective follow up tool, even though Fraudx is a good probability indicator of UI overpayments. Figure E.1 shows that the Fraudx score is significant because higher Fraudx scores produce higher dollar overpayment determinations. For example, a selected claim with a Fraudx score between 80 and 89 in Illinois has an estimated overpayment of \$1,903, and a selected claim with a Fraudx score between 90 and 99 in New Jersey has an estimated overpayment of \$1,510. Using a probability scoring index, such as Fraudx, to concentrate follow up efforts on particular Fraudx score groups will maximize UI overpayment detection efforts. Such an analysis allows the states to follow up on the non-responses that they statistically project to have the largest overpayment dollars.

Average UI Overpayment by Fraudx Score Group

Fraudx Score Group	Average Overpayment Illinois	Average Overpayment New Jersey	Average Overpayment Kentucky
01-09	\$52	\$425	Î
10-19	\$341	\$317	Î
20-29	\$500	\$340	Î \$177
30-39	\$624	\$662	\$164
40-49	\$976	\$731	\$143
50-59	\$412	Ï \$795	Ð \$125
60-69	\$505	Ñ \$396	\$185
70-79	\$645	\$741	\$278
80-89	\$1,903	\$1,298	\$578
90-99	\$2,043	\$1,510	\$686

Figure E.1

- Î KY did not select any claims for audit with a Fraudx score of 27 or less.
- Ï In the 50-59 range, NJ selected for audit only claims with Fraudx score 50.
- Ð In the 50-59 range, KY selected for audit only claims with Fraudx scores of 58 and 59.

⁸It must be noted that Maryland only mailed 2,971 wage requests, whereas the other states in our examination mailed tens of thousands of wage requests for our audit period.

Ñ In the 60-69 range, NJ selected for audit only claims with Fraudx scores 60 - 62.

In another example, our analysis shows that 66 percent of the total overpayment **claims** detected by Illinois and 46 percent of the total overpayment **claims** detected by New Jersey were within Fraudx score group 80 - 99 (see Figures E.2 and E.3). Also, 83 percent of the total overpayment **dollars** detected by Illinois and 62 percent of the total overpayment **dollars** detected by New Jersey were within Fraudx score group 80 - 99. In addition, 72 percent of the total overpayment **claims** detected and 79 percent of the total overpayment **dollars** detected by Kentucky were within Fraudx score group 70 - 89. The large average dollar overpayments with the concentration of occurrences of overpayments in Fraudx score groups in Illinois, New Jersey, and Kentucky mean that these states can focus followup with non-responsive employers in the appropriate Fraudx score group. In addition, the capability to use these and similar data analyses can aid in better targeting **all** BPC unit audit efforts to efficiently detect overpayments.

Percentage of Overpayment Claims Within Fraudx Scores

State	Number of Overpayments Detected within Fraudx Group ¹	Total Number of Overpayments Detected by State	Percentage of Overpayments	Average Overpayment per Claim
Kentucky	6,084	8,508	0%	\$ 326
Illinois	2,764	4,185	66%	\$1,998
New Jersey	5,220	11,242	0%	\$1,353

¹ Fraudx score group 70 - 89 for Kentucky and Fraudx score group 80 - 99 for Illinois and New Jersey.

Figure E.2

Percentage of Overpayment Dollars Within Fraudx Scores

State	Dollar Overpayments Detected within Fraudx Group ¹	Total Dollar Overpayments Detected by State	Percentage of Overpayments
Kentucky	\$ 1,983,286	\$ 2,517,389	79%
Illinois	\$ 5,522,153	\$ 6,659,413	83%
New Jersey	\$ 7,062,350	\$11,300,006	62%

¹ Fraudx score group 70 - 89 for Kentucky and Fraudx score group 80 - 99 for Illinois and New Jersey.

Figure E.3

Non-BARTS States May Increase Their Overpayment Identification Efficiency by Better Use of Probability Scoring and Tracking Systems

Four of the states in our audit did not use BARTS; three of the four did not efficiently identify overpayments included in claims selected for audit from their crossmatch hits. Two of those states did not use a probability index, selected all claims after initial screening, and found only 8 percent or fewer overpayments in the claims selected. One of the other two states selected too few claims for audit to identify an optimal number of overpayments.

California and Florida did not use a probability index. These states mailed wage requests for all crossmatch claims remaining after conducting the initial screening. As a result, California selected about 1 million claims and Florida selected about 297,000 claims in our one-year audit period. Only 82,525 claims (approximately 8 percent) with overpayments were found in California and, in Florida, only 4,511 (approximately 2 percent).

Maryland and Texas used modified Model Crossmatch Systems employing a variation of the probability index to select claims for audit. The Model Crossmatch uses case selection parameters such as wages earned, UI benefits received, and number of claims to be selected. The number of claims parameter was limited by both of these states. Maryland selected only 500 or 1,000 claims for audit per quarter and Texas selected a number of claims for audit consistent with their available resources. Texas selected about 68,000 claims and detected approximately 12,000 overpayments (approximately 18 percent).

Selecting claims for audit, tracking wage requests, and following up with non-responsive employers are difficult without a probability scoring index and a tracking system. The use of a probability scoring system, such as BARTS with Fraudx, or a similar system, would potentially allow California and Florida to reduce the number of claims selected for audit, and increase the ratio of overpayment determination cases. With such a system, they would be able to concentrate on the claims with the greatest potential for overpayments. Full implementation of both a probability scoring system and a tracking system would allow all states to effectively pursue claims with the highest overpayment potential.

Conclusions

Use of a probability scoring index, which gives a state the capacity to identify UI cases with the greatest potential of containing overpayments, is important to effective and efficient crossmatch operations. We believe that the states' BPC units can improve their overpayment detection operations by targeting their efforts **more toward probable high dollar overpayments**, rather than attempting to examine all possible overpayments through mass mailings of wage requests. Precise and refined use of the

probability scoring indexes available in the BARTS and Model Crossmatch systems is a major step toward this objective.

Our examination demonstrates the benefits of applying a probability index score to the process of selecting cases for crossmatch audit and follow up. In the BARTS states, for example, 83 percent and 62 percent of the total overpayment dollars detected by Illinois and New Jersey, respectively, related to claims with the highest probability scores. Texas, using the probability measures of the Model Crossmatch System, had a much higher overpayment detection rate than states that used no probability measures, like California and Florida.

We believe that all states could improve their UI overpayment detection operations by applying a probability index to their crossmatch. Overpayment detections may also be improved by implementation of the new hire information available through PRWORA. Our evidence suggests that in some states, the new hire detection method, in combination with the currently operated crossmatch detection method, could provide the states the best available system of identifying and interdicting UI overpayments.

See Chapter 3 for our audit recommendations, the Agency’s response, and our final audit conclusions.

CHAPTER II

Potential Impact of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 on UI Overpayment Detections, Preventions and Recoveries

A State Directory of New Hires and a National Directory of New Hires are required to be maintained under the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). A key objective of these Directories is to locate individuals for purposes of establishing paternity and enforcing payment of child support obligations. **However, the SESAs are permitted, under the PRWORA, access to the information reported by employers and maintained in the State Directory of New Hires to administer their programs.** We reviewed the PRWORA new hire reporting requirements and, in our opinion, the new hire detection method has the potential to be a more effective and efficient detection method than the UI benefit/wage crossmatch in detecting UI overpayments. The following discussion:

- S summarizes the PRWORA's requirements;
- S evaluates the potential to use PRWORA information for effective and efficient detection of UI overpayments;
- S reviews the status of new hire detection at the time of our audit in those states we audited; and
- S points out drawbacks which may limit the effectiveness of using the PRWORA information for UI overpayment detection.

A. PRWORA Requires New Hire Reporting That Can Assist in Overpayment Detections

The PRWORA, enacted on August 22, 1996, calls for the establishment of New Hire Directories at both the state and National levels. This Act replaced the Aid to Families with Dependent Children program with the Temporary Assistance to Needy Families (TANF) program. A state's TANF grant is conditioned on meeting certain requirements. One of these requirements is that the state operate a child support enforcement program. As part of the child support enforcement program, the state must operate a Directory of New Hires by October 1, 1997.

The Directory must contain the name, address, and social security number of each newly hired individual and the name, address, and Federal employer identification number of the hiring employer. However, the work start date is not required. If a state chooses to use its Unemployment Compensation (UC) agency as the collection point for the State Directory, the UC agency will need to meet any conditions for such Directory established by the PRWORA as interpreted by the Secretary of Health and Human Services (HHS).

States which had a new hire reporting law in existence on the date of the enactment of the PRWORA may continue to do so under state law, but the state must meet the requirements of the PRWORA for collecting new hire data from employers for the State Directory by October 1, 1998.

Under the PRWORA requirements, a multi-state employer (an employer that has employees in two or more states) that transmits new hire reports magnetically or electronically, may designate one state in which the employer has employees as the recipient state for new hire reports of all new hires. Any employer who does this is required to notify the Secretary of HHS in writing which state has been chosen for reporting new hires.

A state can set the time frame within which the new hire reports must be made by employers. However, they must be made not later than 20 days after the date the employer hires the employee, or in the case of an employer transmitting reports magnetically or electronically, by 2 monthly transmissions (if necessary) not less than 12 days nor more than 16 days apart. Employer new hire information is to be entered into the data base of the State Directory of New Hires within 5 business days of receipt from the employer.

At the National level, in order to assist the states in administering their TANF programs, the Secretary of HHS, established on October 1, 1997, a National Directory of New Hires in the Federal Parent Locator Service. Within 3 business days after the date new hire information from an employer is entered into the State Directory, the state is to furnish the information to the National Directory. This information is to be entered into the National Directory data base within 2 business days of receipt. In addition, the Secretary is to maintain within the National Directory of New Hires a list of multi-state employers that report new hires from all states to one designated state, as well as the designated state of those employers.

Under PRWORA's current provisions, state UI programs do not have access to the National Directory of New Hires. DOL is discussing with HHS potential uses of the directory information for UI purposes. (See page 27.)

B. New Hire Detection Has the Potential to be a More Effective Detection Method than the UI Benefit/Wage Crossmatch

One of our primary audit objectives was to determine the potential impact new hire data required by the PRWORA could have in preventing, detecting, and recovering UI overpayments. We refer to the use of the PRWORA data in assisting UI benefit payment controls as the "new hire detection" method. In our opinion, the new hire detection method has the potential to be more effective and efficient than the UI benefit/wage crossmatch in detecting UI overpayments because it could:

- enable earlier detection and improve overpayment recoveries;
- eliminate or reduce the need to follow up with employers;
- reduce the burden on employers;
- prevent improper claims from being paid; and
- provide a deterrent value.

Enable Earlier Detection and Improve Overpayment Recoveries - The new hire detection method would identify overpayments much earlier than the crossmatch. The PRWORA requires an employer to report not later than 20 days after the employee is hired. This new hire information can then be quickly matched against ongoing claims records to determine whether a benefit overpayment may have occurred because of additional earnings. In the case of the benefit/wage crossmatch, the determination of an overpayment occurs months later because of the time lag in obtaining quarterly earnings data from employers, and the time-consuming process of obtaining and processing wage request information.

The crossmatch is performed quarterly, matching weekly UI benefits against total quarterly reported wages. This match-up cannot be done until quarterly wage information is received from employers, and input into the state's employer wage history files. This process takes from 3 to 5 months after the end of the quarter. Another 3 or 4 months are consumed in screening and selecting claims for audit, mailing wage requests, processing the information returned by employers, and making overpayment determinations. By the time the overpayment had been established, many months would have passed since the overpayment occurred, resulting in a higher overpayment amount than if the claim had been investigated much earlier through the new hire detection method.

As a result, the new hire detection method could reduce the dollar amount of overpayment cases, and, thus, make recoveries less difficult. New hire detections provide the opportunity for SESAs to identify and stop improper benefit payments before the claimant exhausts the benefit entitlements. Many overpayments could be identified within a short time after the first benefit payment. Therefore, recoveries may improve because of early detections, resulting in smaller cumulative overpayment amounts.

Eliminate or Reduce the Need to Follow Up with Employers - SESAs would be able to screen out claims where benefit weeks are not in conflict with the new hire information, thereby eliminating or reducing unnecessary contacts with employers. This process would avoid wasted time and resources by SESAs and employers caused by examining many low probability overpayment cases which are a normal part of the crossmatch process.

Reduce the Burden on Employers - The new hire information is less burdensome because employers are not required to research payroll records several months old, and report daily or weekly earnings to meet the many different requirements of each state's wage requests. Based on our employer survey, it is evident that several employers had difficulty understanding and complying with the

wage requests. The time-consuming task of responding to a large volume of wage requests is a major complaint and drawback to the current benefit/wage crossmatch system.

Prevent Improper Claims from Being Paid - New hire information can be used not only for the detection of UI overpayments, but for the prevention of improper UI payments. In some instances, because of early intervention, an improper claim may be denied. This is particularly true if a claimant delays in filing the improper claim, giving the SESA time to receive the new hire information from the employer.

Provide Deterrent Value - As overpayment detections are publicized, and as claimants become aware that employers are providing new hire information to the states, there may be a reduction of repeat and first time offenders. The deterrent effect of early detections, timely recoveries, and the denial of improper claims before payment would ultimately pay dividends for the integrity of the UI Trust fund.

C. New Hire Detections in the States Audited are at Different Stages

We determined whether the states in our audit had a new hire detection system in place prior to the PRWORA. For the states that had a system in place, we determined the impact the PRWORA would have on their current new hire detection practices. For the states that had no new hire detection system in place prior to the PRWORA, we determined if they had plans to use new hire information to detect overpayments in the future. A table summarizing the status of new hire detection for the states in our audit at the time of our fieldwork follows:

State	New Hire Detection in Place Currently	Future Plans for New Hire Detection System	State will Require The New Hire Work Start Date	PRWORA Reporting Requirements in Place	Agency that Will Maintain Required Directory
Florida	Yes	Yes	Yes	No	FL Dept of Revenue
Texas	Yes	Yes	No	No	TX Attorney General
Kentucky	No	Considering	Yes	No	KY Child Services
California	No	Yes	Yes	No	SESA**
Illinois	No	Yes	No*	No	SESA**
New Jersey	No	Yes	No	No	NJ Health Human Servs
Maryland	No	Yes	Yes	No	MD Health Human Servs

* Will be requested but not required

** California Employment Development Department and Illinois Department of Employment Security

A summary of each of the states' new hire status is provided in Appendix 1. The summary covers, if appropriate, for each of the states we audited the following: new hire reporting under state law, how new hire lists are used, new hire benefits, new hire results, and new hire expectations.

The mix of optimistic anticipation and misgivings on the part of state officials regarding a new hire detection method points to a need for UIS leadership regarding this approach to overpayment detection and prevention. For instance:

- S Florida has had the most extensive experience to date with using new hire information required under its state law preceding the requirements of PRWORA. As a result of its experience beginning in January 1995, Florida officials consider the new hire method to be more advantageous overall than the UI benefits/wage crossmatch to control UI benefits overpayments.
- S Conversely, Kentucky's experience, beginning in October 1994 under its State law, has not been as successful. Kentucky officials cited a low 20 percent employer response rate and inaccurate information provided by employers as factors causing few UI overpayments to be detected.
- S Texas, since September 1, 1993, has had a voluntary new hire reporting system. Although Texas officials have not attempted to evaluate the effectiveness of their results using the new hire system, they are of the opinion this will become their most effective detection method.
- S Both Illinois and New Jersey officials expressed concerns about staffing and funding resources involved in using the new hire detection method. However, each state indicated they plan to examine the feasibility of implementing new hire detections.
- S Even though California had not yet, at the time of our audit, used the new hire detection method, SESA officials estimated that doing an earlier audit through new hire detection will reduce benefit overpayments by as much as \$9.5 million annually in the state.
- S Although Maryland plans to use the new hire data for UI benefit overpayment detection, they are in the early stages of determining how their procedures will be carried out.

D. Provisions in PRWORA Legislation Present Obstacles to Using New Hire Reports for UI Overpayment Detection

We evaluated the potential impact new hire data required by the PRWORA could have in preventing, detecting, and recovering UI overpayments. In the process of our evaluation, we identified several

potential obstacles in the current requirements of the PRWORA, which would need to be addressed to make new hire data from the State and National Directories more effective in determining UI overpayments.

Three concerns we noted were:

- Employers are not required to report the date the new hire started work.
- PRWORA does not specifically state whether an employee rehired from a layoff is considered a new employee.
- PRWORA does not allow SESAs access to information from the National New Hire Directory.

Employers are not Required to Report the Date the New Hire Started Work

The Division of Legislation of the UIS of ETA has proposed that **the work start date** be required by the PRWORA to make the new hire information more definitive for the purpose of determining a conflict in benefit payments and wages earned. For new hire detections, this is a key date which would make this detection method more effective and efficient. Currently, the employers are required to report new hires not later than 20 days after the hire date, but the work start date is not required. Because 20 days spans almost 3 weeks, the new hire information is not as precise as it could be if a new hire date is required. In our opinion, the new hire information would be most effective for preventing and detecting UI overpayments if the work start date was included.

PRWORA Does Not Specifically State Whether an Employee Rehired from Layoff is Considered a New Employee

UI benefit payments are often made to employees who have been laid off during business downturns. These employees are frequently rehired by their layoff employer. The current requirements of PRWORA are silent regarding reporting a rehired employee as a new hire. For the purposes of effective UI benefit overpayment detection, reported new hires must include employees rehired after a layoff.

PRWORA Does Not Allow SESAs Access to Information from the National New Hire Directory

While the PRWORA allows SESAs access to the State Directory of New Hires, it does not allow the SESAs access to the National Directory of New Hires. In our opinion, the SESAs need access to obtain information on new hires reported by multi-state employers, and new hires in other states

(particularly neighboring/adjacent states). The SESAs can then match this information against their claim files to determine possible UI overpayments.

The UIS Division of Legislation has been working with the Office of Management and Budget (OMB) and HHS to permit ETA, SESAs and other DOL Agencies access to the National Directory of New Hires. In September 1998, DOL submitted a legislative program proposal for Calendar Year 1999 to OMB amending section 453 of Title IV of the Social Security Act. This proposal would require HHS to provide data from the National Directory of New Hires to DOL and the states for UI administrative purposes, such as, fraud detection of UI overpayments.

ETA/UIS and the Interstate Conference of Employment Security Agencies have been working together in an attempt to gain access to the new hire information in the National Directory.

See Chapter 3 for our audit recommendations, the Agency's response, and our final audit conclusions.

Chapter III

Recommendations

Based on our audit results, we believe optimal overpayment prevention and detection will be accomplished through use of the State and National Directories of New Hires, in conjunction with an effective benefits/wage crossmatch program. Accordingly, our recommendations are intended to meet two objectives: to provide guidance and specific corrective measures that will make the benefit/wage crossmatch more effective in identifying UI overpayments, particularly in regard to increasing the response rate to employer wage requests; and to provide information and direction concerning critical features necessary for effective implementation and operation of a new hire detection program made possible under provisions of the PRWORA.

A. Recommendations to Improve Crossmatch Overpayment Detection

We estimated that, for four states in our audit, \$17 million of overpayments went undetected because wage requests were not returned by employers. We also reported that probability index scoring could have been used to enhance crossmatch effectiveness in identifying and following up on claims with the highest likelihood of overpayments.

To address these and other concerns raised in our report, we recommend that the Assistant Secretary for Employment and Training:

1. develop a National strategy and policy working in conjunction with the SESAs to ensure employers and their service providers (when required under contract) are aware that they are responsible to provide the information sought on wage requests;
2. remind all SESAs to review their wage request form to ensure it clearly discloses the purpose for obtaining the requested information, along with the state statutory authority and requirements for providing the information. Any applicable employer sanctions or penalties under state statute for not complying should also be prominently disclosed;
3. encourage SESAs to consider imposing a penalty on employers who do not respond to wage requests;
4. encourage SESAs to implement a concerted and determined followup with employers who fail to respond to wage requests. UIS should develop specific policies and procedures in the form of program instructions to the SESAs on how best to follow up with employers that persistently fail to respond to wage requests. Special emphasis should be directed toward employers using the major service providers identified in our

report and other service providers, who may operate in a similar fashion, since these employers have the highest non-response rates. The states, based on instructions from UIS, should develop their own specific policies and procedures to address this problem. Specific actions to be considered by the SESAs should include:

- S** mailing followup wage requests to all employers who fail to respond to the initial request. To accomplish this, SESAs must maintain a data base of employers who were mailed wage requests, and establish a tracking system to readily identify and follow up with employers who failed to respond;
 - S** contacting employers by phone and/or site visits to determine the reasons any employer repeatedly fails to answer wage requests so corrective actions can be taken. To facilitate such an outreach program, employers may be targeted by groups, e.g., employers using service providers, large employers, small employers, employers receiving the greatest number of wage requests, and so on; and
 - S** directing SESAs to reexamine their mailing address files. When wage requests are not answered, SESAs must determine whether the requests are being mailed to the correct address, employer, or to the proper service provider in lieu of employer;
5. develop a National system and framework for SESAs to follow up with multi-state employers and multi-state service providers who regularly fail to answer wage requests, rather than each state individually attempting to resolve the problems;
 6. encourage SESAs to apply a probability scoring system to identify claims with the greatest potential for overpayments. This technique increases the efficiency of the crossmatch, and lessens the burden on employers having to respond to large numbers of low-probability overpayment claims; and
 7. require SESAs to report to UIS the progress of their followup actions as a part of their regular BPC reports.

The SESAs, whether they decide to implement all or some of our crossmatch recommendations, may use the new hire provisions of the PRWORA to augment their BPC operations. A new hire detection system has the potential to become the primary BPC detection method and the crossmatch would then be a secondary system used to verify the accuracy and completeness of the new hire reporting by employers. Our audit suggests that in some states, the crossmatch, in conjunction with new hire information, could provide the states the best available system for identifying and preventing UI overpayments, as well as facilitating the recovery of overpayments.

B. Recommendations to Enhance the New Hire Detection Programs Under PRWORA

We recommend that the Assistant Secretary for Employment and Training take a leadership role in encouraging the SESAs to carry out effective new hire detection programs by:

1. coordinating state new hire detection efforts on a National basis and serving as a focal point for the state UI programs to share effective ideas and procedures in carrying out new hire detection programs;
2. working with the states, HHS, OMB, Congress, and other Federal entities to amend PRWORA legislation so that:
 - S employers are required to report the **work start date** for new hires;
 - S the definition of new hires is clarified to include rehires; and
 - S appropriate Federal and state agencies have access to the National Directory of New Hires;
3. ensuring, if the SESA is designated to maintain the State Directory of New Hires, that the PRWORA new hire reporting requirements are adopted and that employers are reporting the required information timely. If a state agency other than the SESA is designated to maintain the State Directory of New Hires, they need to work with the designated agency to make sure PRWORA requirements are met and that employers are complying by providing the necessary information. In addition, although not presently required by the PRWORA, the states could require the employer to provide the work start date for the newly hired employee. This date will make it easier to determine if a new hire's claim should be audited for a potential overpayment;
4. requiring SESAs that are designated to maintain the State Directory of New Hires to monitor employer compliance with reporting requirements of PRWORA in order to identify employers who are not reporting new hires. If employers fail to abide by the reporting requirements, the SESAs new hire overpayment detection will be ineffective;
5. ensuring that when a state agency other than the SESA has been designated to maintain the State Directory of New Hires, the SESAs obtain an agreement with the designated agency to monitor employer compliance and have timely (perhaps daily) access to the new hire data in order to detect UI overpayments;

6. encouraging SESAs to establish a system for evaluating the results, determining the effectiveness and weaknesses of new hire detection methods so that improvements can be implemented; and
7. requiring the SESAs to provide UIS the specific measures they have taken to implement or improve their new hire detection program, and the impact it has had on the benefit/wage crossmatch and other detection methods. In addition, the SESAs should be required to specifically report their new hire detection results on the “ETA 227 Overpayment Detection/Recovery” report.

Agency Response and Audit Conclusions

The Unemployment Insurance Service responded that the “problems [cited in our report] appear to be widespread in the UI system,” and the Agency is “in general agreement with the findings and recommendations.” UIS acknowledged “the need to improve the administration of the wage/benefit crossmatch process through obtaining a higher response rate from employers to SESA requests for weekly wage data,” and concurred with our conclusions and assessments of the potential benefits of the New Hire reporting system.

However, despite UIS’ positive response to our report findings, the Agency said nothing about initiating a corrective action plan. UIS stated only that it would “distribute copies of the final report to the SESAs and urge them to take appropriate actions.” We believe much more UIS involvement is needed to improve BPC operations. As our report clearly points out, the problems we described cannot be solved by relying on the SESAs alone to correct the problems. UIS must be proactive and provide the policy, leadership, coordination of resources, and regulatory assistance necessary to make the improvements in the UI system addressed by our audit recommendations.

For instance, service providers are active in most, if not all, of the SESAs, and in most cases are not responding to requests for wage information. We have reported that California has met with some success in obtaining the needed information by directly contacting the service providers. However, California’s actions have not assisted the response rates for the other SESAs and has not totally resolved its own service provider problem. We believe that UIS must coordinate resources and establish a coherent and comprehensive policy to assist SESAs in addressing this issue. One option is to advise SESAs to forward all wage requests directly to the responsible employers, rather than to the non-responding service providers. UIS leadership is needed to ensure conflicting or redundant actions are not taken independently by each SESA to resolve a problem common to them all.

In another example, most states have large national employers paying wages within their jurisdictions. The new hire reporting requirements allow such large employers the option to report all new hires to any single state they select for reporting purposes. In those states where new hires are employed but

not reported under this option, the new hire reporting system's effectiveness for identifying UI overpayments will be seriously compromised. UIS must pursue actions at the national level to assist the SESAs in addressing and resolving this problem that will be common to SESAs using new hire detection methods.

In summary, we believe that UIS must provide the direction and leadership necessary to effectively resolve these and other findings and recommendations presented in this report.

Results of Survey Questionnaire Sent to SESAs
The Percentage of Claims for Which Employers Did Not Return
Wage Requests

No.	SESA	Claims Non-Response Rate
1.	Pennsylvania	47%
2.	New Jersey	45%
3.	Illinois	40-45%
4.	Florida	40%
5.	Arizona	35%
6.	Tennessee	35%
7.	Texas	34%
8.	Delaware	30-40%
9.	Arkansas	30%
10.	Mississippi	30%
11.	Alabama	29%
12.	Maryland	27%
13.	California	26%
14.	Idaho	25-45%
15.	Alaska	25%
16.	Colorado	25%
17.	Kansas	25%
18.	Kentucky	25%
19.	Montana	25%
20.	Puerto Rico	25%
21.	South Carolina	25%
22.	Virginia	25%
23.	North Carolina	23%
24.	Missouri	22%
25.	Ohio	22%
26.	South Dakota	20%
27.	Washington	20%

No.	SESA	Claims Non-Response Rate
28.	Wisconsin	20%
29.	Iowa	17%
30.	Oklahoma	15-20%
31.	Maine	15%
32.	Nevada	15%
33.	New York	15%
34.	Oregon	15%
35.	West Virginia	15%
36.	Wyoming	15%
37.	New Hampshire	12%
38.	Louisiana	10-15%
39.	Utah	10-15%
40.	Minnesota	10%
41.	Rhode Island	7%
42.	Connecticut	5-10%
43.	Georgia	5-10%
44.	Nebraska	5-10%
45.	New Mexico	5-10%
46.	North Dakota	5-8%
47.	Indiana	NA
48.	Michigan	NA
49.	Vermont	NA
50.	Washington D.C.	NA
51.	Hawaii	No
52.	Virgin Islands.	No
53.	Massachusetts	*

Bold - SESAs were selected for our nationwide audit
 * - Did not respond to the survey questionnaire

NA - Not Available
 No - No Crossmatch performed

Note: These statistics were provided by the SESAs and were not subjected to audit verification.

Estimated Dollar Value of Non-Responses for BARTS States and California¹

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
State	Total Claims	Claims with Response	Claims with Overpayme Established	Dollar Value of Overpayments Established	Average Overpayment Established	Percentage of Claims with Overpayment	Claims with No Responses	Potential Claims with Overpayment	Estimated Value of Non-responses

IL	17,747	11,206	4,185	\$6,659,413	\$1,591	37.3%	6,541	2,404	\$4,116,964
NJ	49,305	37,231	11,242	\$11,300,006	\$1,005	30.2%	12,074	3,435	\$3,655,289
KY	57,912	41,637	8,508	\$2,517,389	\$296	20.4%	16,275	3,262	\$1,058,948
CA	1,010,240	846,560	82,525	\$42,299,559	\$513	9.7%	163,680	15,942	\$8,171,337 ²

Total	1,135,204	936,634	106,460	\$62,776,367	\$590		198,570	25,043	\$17,002,538
--------------	------------------	----------------	----------------	---------------------	--------------	--	----------------	---------------	---------------------

Explanation of columns:

- Column 1 - Three BARTS states and California.
- Column 2 - The total number of claims selected for audit by the SESA.
- Column 3 - The number of responses received by the SESA from employers.
- Column 4 - The number of overpayment determinations made from these responses.
- Column 5 - The dollar value of the overpayment determinations.
- Column 6 - The average dollar value of the overpayment determinations (rounded down).
- Column 7 - The percentage of responses that resulted in an overpayment determination (rounded down).
- Column 8 - The number of non-responses.
- Column 9 - The estimated number of these non-responses that will result in an overpayment (rounded down).
- Column 10 - The estimated dollar value of the non-responses. (For BARTS states, see Exhibit B.2, Estimated Dollar Value, total of individual Fraudx scores.)

¹Data required to compute estimated value of non-responses for other than the above states was not available. Therefore, we were unable to make similar estimates for Florida, Texas, and Maryland.

²Unlike the BARTS states, detailed information by Fraudx score estimating the dollar value of non-responses was not available. This information was, however, based on the ratio of confirmed overpayment crossmatch cases to total crossmatch cases.

Estimated Dollar Value of Non-Responses for IL

(1) Fraudx Score	(2) Total Claims	(3) Claims with Responses	(4) Claims with Overpayment Established	(5) Dollar Value of Overpayments Established	(6) Average Overpay Established	(7) Percentage of Claims Overpayment	(8) Claims with No Responses	(9) Potential Claims with Overpay	(10) Estimated Value of Non-responses
1	7	4	1	\$13	\$13	25.0%	3	0	\$0
2	3	1	0	\$0	\$0	0.0%	2	0	\$0
3	4	1	1	\$44	\$44	100.0%	3	3	\$132
4	6	4	0	\$0	\$0	0.0%	2	0	\$0
5	8	5	0	\$0	\$0	0.0%	3	0	\$0
6	14	10	2	\$57	\$28	20.0%	4	0	\$0
7	7	3	0	\$0	\$0	0.0%	4	0	\$0
8	18	13	1	\$76	\$76	7.6%	5	0	\$0
9	17	10	1	\$124	\$124	10.0%	7	0	\$0
10	17	14	5	\$477	\$95	35.7%	3	1	\$95
11	24	17	5	\$1,053	\$210	29.4%	7	2	\$420
12	20	17	4	\$2,977	\$744	23.5%	3	0	\$0
13	28	17	6	\$3,426	\$571	35.2%	11	3	\$1,713
14	39	34	7	\$1,695	\$242	20.5%	5	1	\$242
15	42	33	6	\$2,812	\$468	18.1%	9	1	\$468
16	41	34	7	\$756	\$108	20.5%	7	1	\$108
17	56	42	11	\$5,152	\$468	26.1%	14	3	\$1,404
18	55	40	13	\$4,275	\$328	32.5%	15	4	\$1,312
19	95	67	15	\$4,336	\$289	22.3%	28	6	\$1,734
20	80	63	13	\$6,706	\$515	20.6%	17	3	\$1,545
21	105	80	13	\$5,990	\$460	16.2%	25	4	\$1,840
22	98	77	20	\$8,072	\$403	25.9%	21	5	\$2,015
23	112	76	22	\$7,355	\$334	28.9%	36	10	\$3,340
24	101	73	19	\$4,299	\$226	26.0%	28	7	\$1,582
25	106	73	25	\$11,582	\$463	34.2%	33	11	\$5,093
26	81	57	16	\$9,462	\$591	28.0%	24	6	\$3,546
27	74	56	19	\$19,990	\$1,052	33.9%	18	6	\$6,312
28	40	31	15	\$7,027	\$468	48.3%	9	4	\$1,872
29	39	27	8	\$4,532	\$566	29.6%	12	3	\$1,698
30	46	33	8	\$2,235	\$279	24.2%	13	3	\$837
31	29	20	5	\$3,103	\$620	25.0%	9	2	\$1,240
32	31	20	7	\$4,458	\$636	35.0%	11	3	\$1,908
33	38	27	10	\$5,529	\$552	37.0%	11	4	\$2,208
34	18	13	6	\$3,631	\$605	46.1%	5	2	\$1,210
35	17	8	3	\$1,942	\$647	37.5%	9	3	\$1,941
36	10	7	4	\$1,121	\$280	57.1%	3	1	\$280
37	12	8	7	\$9,553	\$1,364	87.5%	4	3	\$4,092
38	16	10	1	\$1,128	\$1,128	10.0%	6	0	\$0
39	11	7	2	\$383	\$191	28.5%	4	1	\$191
40	10	10	5	\$4,949	\$989	50.0%	0	0	\$0
41	5	3	0	\$0	\$0	0.0%	2	0	\$0

Estimated Dollar Value of Non-Responses for IL

(1) Fraudx Score	(2) Total Claims	(3) Claims with Responses	(4) Claims with Overpayment Established	(5) Dollar Value of Overpayments Established	(6) Average Overpay Established	(7) Percentage of Claims Overpayment	(8) Claims with No Responses	(9) Potential Claims with Overpay	(10) Estimated Value of Non-responses
42	5	4	1	\$429	\$429	25.0%	1	0	\$0
43	7	4	0	\$0	\$0	0.0%	3	0	\$0
44	3	3	2	\$4,837	\$2,418	66.6%	0	0	\$0
45	194	122	57	\$49,991	\$877	46.7%	72	33	\$28,941
46	187	140	52	\$56,482	\$1,086	37.1%	47	17	\$18,462
47	381	245	104	\$123,254	\$1,185	42.4%	136	57	\$67,545
48	351	215	89	\$102,332	\$1,149	41.3%	136	56	\$64,344
49	2,171	1,512	542	\$489,600	\$903	35.8%	659	236	\$213,108
53	3	3	0	\$0	\$0	0.0%	0	0	\$0
54	3	2	1	\$4	\$4	50.0%	1	0	\$0
55	1	0	0	\$0	\$0	0.0%	1	0	\$0
56	2	0	0	\$0	\$0	0.0%	2	0	\$0
57	6	6	2	\$467	\$233	33.3%	0	0	\$0
58	7	4	2	\$1,224	\$612	50.0%	3	1	\$612
59	7	3	1	\$781	\$781	33.3%	4	1	\$781
60	5	5	0	\$0	\$0	0.0%	0	0	\$0
61	9	8	1	\$1,010	\$1,010	12.5%	1	0	\$0
62	4	4	0	\$0	\$0	0.0%	0	0	\$0
63	11	7	2	\$1,245	\$622	28.5%	4	1	\$622
64	11	7	3	\$265	\$88	42.8%	4	1	\$88
65	24	15	3	\$1,732	\$577	20.0%	9	1	\$577
66	25	22	9	\$3,799	\$422	40.9%	3	1	\$422
67	27	19	9	\$4,831	\$536	47.3%	8	3	\$1,608
68	38	28	7	\$1,029	\$147	25.0%	10	2	\$294
69	56	45	16	\$11,348	\$709	35.5%	11	3	\$2,127
70	61	52	12	\$5,826	\$485	23.0%	9	2	\$970
71	107	80	19	\$10,594	\$557	23.7%	27	6	\$3,342
72	92	67	20	\$9,544	\$477	29.8%	25	7	\$3,339
73	114	86	27	\$12,860	\$476	31.3%	28	8	\$3,808
74	93	75	26	\$16,097	\$619	34.6%	18	6	\$3,714
75	94	67	32	\$16,583	\$518	47.7%	27	12	\$6,216
76	64	47	20	\$16,847	\$842	42.5%	17	7	\$5,894
77	85	56	21	\$15,606	\$743	37.5%	29	10	\$7,430
78	48	31	12	\$9,871	\$822	38.7%	17	6	\$4,932
79	52	37	16	\$18,452	\$1,153	43.2%	15	6	\$6,918
80	41	35	20	\$22,443	\$1,122	57.1%	6	3	\$3,366
81	35	26	15	\$19,868	\$1,324	57.6%	9	5	\$6,620
82	348	250	109	\$177,667	\$1,629	43.6%	98	42	\$68,418
83	303	190	74	\$134,086	\$1,811	38.9%	113	44	\$79,684
84	261	180	80	\$149,758	\$1,871	44.4%	81	35	\$65,485

Estimated Dollar Value of Non-Responses for IL

(1) Fraudx Score	(2) Total Claims	(3) Claims with Responses	(4) Claims with Overpayment Established	(5) Dollar Value of Overpayments Established	(6) Average Overpay Established	(7) Percentage of Claims Overpayment	(8) Claims with No Responses	(9) Potential Claims with Overpay	(10) Estimated Value of Non-responses
85	521	336	147	\$286,597	\$1,949	43.7%	185	80	\$155,920
86	468	277	134	\$251,249	\$1,874	48.3%	191	92	\$172,408
87	419	261	118	\$237,686	\$2,014	45.2%	158	71	\$142,994
88	366	214	97	\$209,003	\$2,154	45.3%	152	68	\$146,472
89	315	184	80	\$174,899	\$2,186	43.4%	131	56	\$122,416
90	500	318	127	\$312,775	\$2,462	39.9%	182	72	\$177,264
91	465	312	143	\$359,948	\$2,517	45.8%	153	70	\$176,190
92	476	276	90	\$208,989	\$2,322	32.6%	200	65	\$150,930
93	406	232	92	\$241,282	\$2,622	39.6%	174	68	\$178,296
94	623	374	141	\$285,613	\$2,025	37.7%	249	93	\$188,325
95	589	352	153	\$371,377	\$2,427	43.4%	237	103	\$249,981
96	777	451	184	\$379,756	\$2,063	40.7%	326	132	\$272,316
97	689	446	174	\$323,715	\$1,860	39.0%	243	94	\$174,840
98	632	404	183	\$328,698	\$1,796	45.2%	228	103	\$184,988
99	3,585	1,922	601	\$1,046,462	\$1,741	31.2%	1,663	519	\$903,579
Total	17,747	11,206	4,185	\$6,659,413¹	\$1,591		6,541	2,404	\$4,116,964

¹The totals for columns 4 and 5 do not foot because we included in the totals, but not in the line items, two overpayments for which we could not determine whether responses to the wage requests were received. These two overpayments were for Fraudx score 89 and totaled \$282.

Estimated Dollar Value of Non-Responses for NJ

(1) Fraudx Score	(2) Total Claims	(3) Claims with Responses	(4) Claims with Overpayment Established	(5) Dollar Value of Overpayments Established	(6) Average Overpay Established	(7) Percentage of Claims Overpayment	(8) Claims with No Responses	(9) Potential Claims with Overpay	(10) Estimated Value of Non-responses
1	42	39	17	\$7,703	\$453	43.5%	3	1	\$453
2	5	5	3	\$649	\$216	60.0%	0	0	\$0
3	2	1	0	\$0	\$0	0.0%	1	0	\$0
4	11	8	2	\$941	\$470	25.0%	3	0	\$0
5	6	6	1	\$407	\$407	16.6%	0	0	\$0
6	9	5	0	\$0	\$0	0.0%	4	0	\$0
7	16	12	3	\$3,153	\$1,051	25.0%	4	1	\$1,051
8	22	16	6	\$1,967	\$327	37.5%	6	2	\$654
9	19	15	4	\$514	\$128	26.6%	4	1	\$128
10	26	20	7	\$2,461	\$351	35.0%	6	2	\$702
11	24	21	6	\$1,167	\$194	28.5%	3	0	\$0
12	21	14	5	\$745	\$149	35.7%	7	2	\$298
13	32	24	11	\$3,272	\$297	45.8%	8	3	\$891
14	41	33	8	\$1,583	\$197	24.2%	8	1	\$197
15	36	31	6	\$1,105	\$184	19.3%	5	0	\$0
16	34	27	7	\$1,488	\$212	25.9%	7	1	\$212
17	57	40	12	\$5,365	\$447	30.0%	17	5	\$2,235
18	44	36	6	\$3,089	\$514	16.6%	8	1	\$514
19	68	54	19	\$7,353	\$387	35.1%	14	4	\$1,548
20	58	46	10	\$1,610	\$161	21.7%	12	2	\$322
21	96	75	20	\$7,667	\$383	26.6%	21	5	\$1,915
22	117	95	34	\$9,162	\$269	35.7%	22	7	\$1,883
23	131	102	32	\$9,102	\$284	31.3%	29	9	\$2,556
24	125	95	27	\$12,772	\$473	28.4%	30	8	\$3,784
25	125	94	31	\$15,299	\$493	32.9%	31	10	\$4,930
26	103	75	31	\$6,810	\$219	41.3%	28	11	\$2,409
27	81	65	22	\$6,159	\$279	33.8%	16	5	\$1,395
28	78	64	24	\$8,121	\$338	37.5%	14	5	\$1,690
29	53	35	10	\$5,395	\$539	28.5%	18	5	\$2,695
30	41	28	9	\$7,987	\$887	32.1%	13	4	\$3,548
31	30	27	9	\$5,581	\$620	33.3%	3	0	\$0
32	31	26	11	\$5,467	\$497	42.3%	5	2	\$994
33	19	17	7	\$2,698	\$385	41.1%	2	0	\$0
34	16	14	8	\$3,700	\$462	57.1%	2	1	\$462
35	14	10	3	\$1,532	\$510	30.0%	4	1	\$510
36	421	331	104	\$80,690	\$775	31.4%	90	28	\$21,700
37	331	260	83	\$52,683	\$634	31.9%	71	22	\$13,948
38	677	537	193	\$112,642	\$583	35.9%	140	50	\$29,150
39	541	432	139	\$102,167	\$735	32.1%	109	34	\$24,990
40	1,197	913	304	\$222,732	\$732	33.2%	284	94	\$68,808

Estimated Dollar Value of Non-Responses for NJ

41	1,003	781	280	\$188,538	\$673	35.8%	222	79	\$53,167
----	-------	-----	-----	-----------	-------	-------	-----	----	----------

Estimated Dollar Value of Non-Responses for NJ

(1) Fraudx Score	(2) Total Claims	(3) Claims with Responses	(4) Claims with Overpayment Established	(5) Dollar Value of Overpayments Established	(6) Average Overpay Established	(7) Percentage of Claims Overpayment	(8) Claims with No Responses	(9) Potential Claims with Overpay	(10) Estimated Value of Non-responses
------------------------	------------------------	------------------------------------	--	---	--	---	---------------------------------------	--	--

42	858	664	235	\$171,578	\$730	35.3%	194	68	\$49,640
43	722	562	181	\$162,762	\$899	32.2%	160	51	\$45,849
44	655	523	181	\$162,608	\$898	34.6%	132	45	\$40,410
45	622	504	177	\$135,906	\$767	35.1%	118	41	\$31,447
46	564	455	163	\$133,303	\$817	35.8%	109	39	\$31,863
47	472	380	126	\$111,153	\$882	33.1%	92	30	\$26,460
48	460	375	127	\$91,112	\$717	33.8%	85	28	\$20,076
49	6,516	5,118	1,490	\$1,007,839	\$676	29.1%	1,398	406	\$274,456
50	21	18	10	\$7,950	\$795	55.5%	3	1	\$795
63	3	0	0	\$0	\$0	0.0%	3	0	\$0
64	5	4	2	\$303	\$151	50.0%	1	0	\$0
65	13	12	5	\$3,062	\$612	41.6%	1	0	\$0
66	11	9	1	\$225	\$225	11.1%	2	0	\$0
67	18	14	3	\$537	\$179	21.4%	4	0	\$0
68	16	11	2	\$823	\$411	18.1%	5	0	\$0
69	28	20	5	\$2,189	\$437	25.0%	8	2	\$874
70	13	9	2	\$753	\$376	22.2%	4	0	\$0
71	42	29	9	\$5,798	\$644	31.0%	13	4	\$2,576
72	31	24	7	\$2,275	\$325	29.1%	7	2	\$650
73	66	51	17	\$13,316	\$783	33.3%	15	4	\$3,132
74	66	55	13	\$3,960	\$304	23.6%	11	2	\$608
75	76	67	23	\$14,346	\$623	34.3%	9	3	\$1,869
76	51	42	16	\$9,607	\$600	38.0%	9	3	\$1,800
77	1,373	1,106	405	\$262,426	\$647	36.6%	267	97	\$62,759
78	2,170	1,719	513	\$397,365	\$774	29.8%	451	134	\$103,716
79	2,964	2,331	795	\$624,984	\$786	34.1%	633	215	\$168,990
80	3,295	2,542	847	\$810,185	\$956	33.3%	753	250	\$239,000
81	2,442	1,917	679	\$834,463	\$1,228	35.4%	525	185	\$227,180
82	2,066	1,574	550	\$605,632	\$1,101	34.9%	492	171	\$188,271
83	1,646	1,241	404	\$548,450	\$1,357	32.5%	405	131	\$177,767
84	1,414	1,070	340	\$477,323	\$1,403	31.7%	344	109	\$152,927
85	1,222	900	301	\$409,058	\$1,358	33.4%	322	107	\$145,306
86	1,012	754	216	\$324,118	\$1,500	28.6%	258	73	\$109,500
87	910	663	204	\$317,145	\$1,554	30.7%	247	75	\$116,550
88	821	601	172	\$378,161	\$2,198	28.6%	220	62	\$136,276
89	765	557	164	\$329,244	\$2,007	29.4%	208	61	\$122,427
90	662	494	120	\$222,038	\$1,850	24.2%	168	40	\$74,000
91	671	459	117	\$164,876	\$1,409	25.4%	212	53	\$74,677
92	598	420	94	\$179,150	\$1,905	22.3%	178	39	\$74,295
93	590	420	100	\$176,956	\$1,769	23.8%	170	40	\$70,760

Estimated Dollar Value of Non-Responses for NJ

94	553	377	92	\$155,988	\$1,695	24.4%	176	42	\$71,190
----	-----	-----	----	-----------	---------	-------	-----	----	----------

Estimated Dollar Value of Non-Responses for NJ

(1) Fraudx Score	(2) Total Claims	(3) Claims with Responses	(4) Claims with Overpayment Established	(5) Dollar Value of Overpayments Established	(6) Average Overpay Established	(7) Percentage of Claims Overpayment	(8) Claims with No Responses	(9) Potential Claims with Overpay	(10) Estimated Value of Non-responses
------------------------	------------------------	------------------------------------	--	---	--	---	---------------------------------------	--	--

95	497	364	76	\$138,256	\$1,819	20.8%	133	27	\$49,113
96	491	338	63	\$121,330	\$1,925	18.6%	153	28	\$53,900
97	436	307	64	\$123,168	\$1,924	20.8%	129	26	\$50,024
98	412	276	56	\$79,266	\$1,415	20.2%	136	27	\$38,205
99	5,163	3,326	561	\$667,543	\$1,189	16.8%	1,837	308	\$366,212
Total	49,305	37,231	11,242	\$11,300,006	\$1,005		12,074	3,435	\$3,655,289

Estimated Dollar Value of Non-Responses for KY

(1) Fraudx Score	(2) Total Claims	(3) Claims with Responses	(4) Claims with Overpayment Established	(5) Dollar Value of Overpayments Established	(6) Average Overpay Established	(7) Percentage of Claims Overpayment	(8) Claims with No Responses	(9) Potential Claims with Overpay	(10) Estimated Value of Non-responses
27	819	498	86	\$14,116	\$164	17.2%	321	55	\$9,020
28	619	394	65	\$10,161	\$156	16.4%	225	36	\$5,616
29	506	309	53	\$11,885	\$224	17.1%	197	33	\$7,392
30	438	235	43	\$5,224	\$121	18.2%	203	36	\$4,356
31	297	169	27	\$5,946	\$220	15.9%	128	20	\$4,400
32	218	150	19	\$4,212	\$221	12.6%	68	8	\$1,768
33	213	146	23	\$1,844	\$80	15.7%	67	10	\$800
34	461	311	63	\$11,388	\$180	20.2%	150	30	\$5,400
35	324	229	40	\$6,544	\$163	17.4%	95	16	\$2,608
36	313	204	48	\$6,236	\$129	23.5%	109	25	\$3,225
37	255	180	21	\$4,618	\$219	11.6%	75	8	\$1,752
38	198	133	27	\$4,505	\$166	20.3%	65	13	\$2,158
39	180	111	15	\$2,987	\$199	13.5%	69	9	\$1,791
40	150	85	12	\$1,583	\$131	14.1%	65	9	\$1,179
41	145	94	13	\$1,855	\$142	13.8%	51	7	\$994
42	141	89	19	\$1,767	\$93	21.3%	52	11	\$1,023
43	52	42	7	\$582	\$83	16.6%	10	1	\$83
44	138	70	7	\$739	\$105	10.0%	68	6	\$630
45	98	54	7	\$1,190	\$170	12.9%	44	5	\$850
46	85	49	9	\$1,211	\$134	18.3%	36	6	\$804
47	72	42	3	\$846	\$282	7.1%	30	2	\$564
48	67	48	7	\$1,028	\$146	14.5%	19	2	\$292
49	545	375	61	\$9,866	\$161	16.2%	170	27	\$4,347
58	2	2	1	\$3	\$3	50.0%	0	0	\$0
59	50	38	7	\$999	\$142	18.4%	12	2	\$284
60	129	95	18	\$1,838	\$102	18.9%	34	6	\$612
61	235	181	37	\$4,590	\$124	20.4%	54	11	\$1,364
62	332	254	49	\$11,788	\$240	19.2%	78	14	\$3,360
63	518	406	86	\$14,751	\$171	21.1%	112	23	\$3,933
64	682	523	98	\$16,273	\$166	18.7%	159	29	\$4,814
65	857	640	113	\$15,257	\$135	17.6%	217	38	\$5,130
66	1,156	883	180	\$29,304	\$162	20.3%	273	55	\$8,910
67	1,535	1,181	260	\$51,279	\$197	22.0%	354	77	\$15,169
68	1,858	1,420	306	\$67,609	\$220	21.5%	438	94	\$20,680
69	2,350	1,807	393	\$72,260	\$183	21.7%	543	117	\$21,411
70	2,910	2,239	469	\$96,646	\$206	20.9%	671	140	\$28,840
71	3,503	2,661	551	\$134,119	\$243	20.7%	842	174	\$42,282
72	3,986	3,084	619	\$135,849	\$219	20.0%	902	180	\$39,420
73	4,180	3,197	652	\$149,788	\$229	20.3%	983	199	\$45,571
74	4,337	3,288	649	\$129,104	\$198	19.7%	1,049	206	\$40,788
75	4,043	3,016	585	\$165,180	\$282	19.3%	1,027	198	\$55,836

Estimated Dollar Value of Non-Responses for KY

76	3,401	2,469	490	\$129,540	\$264	19.8%	932	184	\$48,576
----	-------	-------	-----	-----------	-------	-------	-----	-----	----------

Estimated Dollar Value of Non-Responses for KY

(1) Fraudx Score	(2) Total Claims	(3) Claims with Responses	(4) Claims with Overpayment Established	(5) Dollar Value of Overpayments Established	(6) Average Overpay Established	(7) Percentage of Claims Overpayment	(8) Claims with No Responses	(9) Potential Claims with Overpay	(10) Estimated Value of Non-responses
77	2,898	2,115	474	\$178,761	\$377	22.4%	783	175	\$65,975
78	2,311	1,624	360	\$155,493	\$431	22.1%	687	151	\$65,081
79	1,809	1,195	268	\$150,018	\$559	22.4%	614	137	\$76,583
80	1,393	892	209	\$101,398	\$485	23.4%	501	117	\$56,745
81	1,129	726	178	\$89,273	\$501	24.5%	403	98	\$49,098
82	908	603	152	\$82,878	\$545	25.2%	305	76	\$41,420
83	685	427	90	\$51,901	\$576	21.0%	258	54	\$31,104
84	618	390	100	\$53,012	\$530	25.6%	228	58	\$30,740
85	494	310	61	\$40,274	\$660	19.6%	184	36	\$23,760
86	414	268	60	\$43,701	\$728	22.3%	146	32	\$23,296
87	341	231	48	\$40,193	\$837	20.7%	110	22	\$18,414
88	297	193	35	\$35,838	\$1,023	18.1%	104	18	\$18,414
89	306	181	34	\$20,320	\$597	18.7%	125	23	\$13,731
90	212	138	36	\$28,827	\$800	26.0%	74	19	\$15,200
91	191	122	26	\$23,888	\$918	21.3%	69	14	\$12,852
92	184	109	26	\$14,625	\$562	23.8%	75	17	\$9,554
93	128	59	14	\$8,024	\$573	23.7%	69	16	\$9,168
94	129	62	8	\$5,201	\$650	12.9%	67	8	\$5,200
95	110	67	16	\$3,325	\$207	23.8%	43	10	\$2,070
96	98	55	10	\$9,199	\$919	18.1%	43	7	\$6,433
97	68	41	6	\$3,038	\$506	14.6%	27	3	\$1,518
98	70	36	7	\$3,300	\$471	19.4%	34	6	\$2,826
99	721	392	52	\$38,392	\$738	13.2%	329	43	\$31,734
Total	57,912	41,637	8,508	\$2,517,389	\$296		16,275	3,262	\$1,058,948

Explanation of columns:

- Column 1 - The Fraudx score. Fraudx scores range from 01 to 99.
- Column 2 - The total number of claims selected for audit by the SESA.
- Column 3 - The number of responses received by the SESA from employers.
- Column 4 - The number of overpayment determinations made from these responses.
- Column 5 - The dollar value of the overpayment determinations.
- Column 6 - The average dollar value of the overpayment determinations (rounded down).
- Column 7 - The percentage of responses which resulted in an overpayment determination (rounded down).
- Column 8 - The number of non-responses.
- Column 9 - The estimated number of these non-responses which will result in an overpayment (rounded down).
- Column 10 - The estimated dollar value of the non-responses.

Number of Wage Requests Sent to Employers
During the Four Most Recently Completed Quarters in Our Audit Period
Employers' Responses and Non-Responses
to the Wage Requests

State	Responses		Non-Responses		Total Wage Requests
	No.	Percentage	No.	Percentage	
Illinois	16,056	52.23%	14,683	47.77%	30,739
New Jersey	56,520	53.65%	48,824	46.35%	105,344
Florida	127,617	34.34%	243,964	65.66%	371,581
Maryland	2,451	82.50%	520	17.50%	2,971
Kentucky	54,230	61.58%	33,834	38.42%	88,064
Texas	50,233	58.51%	35,621	41.49%	85,854
California	1,300,256	74.36%	448,347	25.64%	1,748,603
All States Total	1,607,363	66.06%	825,793	33.94%	2,433,156

Number of Claims Selected for Audit by States
During Their Four Most Recently Completed Quarters

States	Qtr/1	Qtr/2	Qtr/3	Qtr/4	Total
Illinois	4,122	5,139	4,248	4,238	17,747
New Jersey	12,571	12,040	12,335	12,359	49,305
Florida	70,937	77,958	70,956	77,502	297,353
Maryland	500	500	500	1,000	2,500
Kentucky	12,960	10,793	19,663	14,496	57,912
Texas	27,597	16,194	12,430	12,393	68,614
California (See Note)					1,010,240
All States Total					1,503,671

Note: Quarterly claim numbers for California were not available.

Unique Employers
From Whom One or More Claimants Received Wages
During the Crossmatch Quarter

State	Four Most Recently Completed Quarters				Average Unique Employers
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Illinois	3,953	4,642	3,671	5,093	4,340
New Jersey	7,452	7,001	6,886	6,984	7,081
Florida	24,389	27,789	26,992	27,263	26,608
Maryland	522	468	486	827	576
Kentucky	6,681	3,461	5,226	2,879	4,562
Texas	13,814	19,812	7,522	7,598	12,187
California	102,314	99,584	97,732	94,283	98,478
All States Total	159,125	162,757	148,515	144,927	153,831

Note: Average was computed by dividing the total number of unique employers by 4.
Differences in totals are due to rounding.

**Wage Requests Sent to Employers in Three BARTS States, Number and Percentage,
Returned and Not Returned**

Summary of BARTS states						
Employers' Category	Employer Responded					
	Number		Percentage		Percentage	
	<u>No</u>	<u>Yes</u>	<u>No %</u>	<u>Yes %</u>	<u>Total</u>	<u>Total</u>
Use Service Providers	27,238	6,972	79.62%	20.38%	34,210	15.26%
No Service Providers	70,103	119,834	36.91%	63.09%	189,937	84.74%
Grand Total	97,341	126,806	43.43%	56.57%	224,147	100.00%

Illinois						
Employers' Category	Employer Responded					
	Number		Percentage		Percentage	
	<u>No</u>	<u>Yes</u>	<u>No %</u>	<u>Yes %</u>	<u>Total</u>	<u>Total</u>
Use Service Providers	5,428	580	90.35%	9.65%	6,008	19.55%
No Service Providers	9,255	15,476	37.42%	62.58%	24,731	80.45%
Grand Total	14,683	16,056	47.77%	52.23%	30,739	100.00%

New Jersey						
Employers' Category	Employer Responded					
	Number		Percentage		Percentage	
	<u>No</u>	<u>Yes</u>	<u>No %</u>	<u>Yes %</u>	<u>Total</u>	<u>Total</u>
Use Service Providers	13,118	3,278	80.01%	19.99%	16,396	15.56%
No Service Providers	35,706	53,242	40.14%	59.86%	88,948	84.44%
Grand Total	48,824	56,520	46.35%	53.65%	105,344	100.00%

Kentucky						
Employers' Category	Employer Responded					
	Number		Percentage		Percentage	
	<u>No</u>	<u>Yes</u>	<u>No %</u>	<u>Yes %</u>	<u>Total</u>	<u>Total</u>
Use Service Providers	8,692	3,114	73.62%	26.38%	11,806	13.41%
No Service Providers	25,142	51,116	32.97%	67.03%	76,258	86.59%
Grand Total	33,834	54,230	38.42%	61.58%	88,064	100.00%

**Wage Requests Sent to Employers in California, Number and Percentage,
Returned and Not Returned**

California						
Employers' Category	Employer Responded				Percentage	
	No	Yes	Percent		Total	Total
			No %	Yes %		
Use Service Providers	11,481	19,615	36.92%	63.08%	31,096	1.78%
No Service Providers	436,866	1,280,641	25.44%	74.56%	1,717,507	98.22%
Grand Total	448,347	1,300,256	25.64%	74.36%	1,748,603	100.00%

**Employers by Industries Who were Sent Multiple Wage Requests
and Returned None
California, Illinois, New Jersey, Kentucky and Texas**

Airlines

	State	Employer Number	Name of Employer	Number of Wage Requests
1.	IL	1805386	Official Airline Guides, Inc.	49
2.	IL	60914	United Air Lines Inc.	120
3.	NJ	51822001	Continental Airlines	70
4.	TX	00-008151-5	American Airlines Inc.	142
5.	TX	00-757099-6	Continental Airlines Inc.	164

Banks and Financial Organizations

	State	Employer Number	Name of Employer	Number of Wage Requests
1.	CA	2357632	Chase Manhattan Mortgage Corporation	59
2.	IL	0000043365	1st Nat'l Bank	177
3.	IL	0001090735	Household Bank FSB	32
4.	IL	0001916648	Household Credit Services	38
5.	IL	0000073614	Lake Shore National Bank	40
6.	IL	0000108443	NBD Bank (Illinois)	16
7.	NJ	3665100	New Jersey Saving	26
8.	NJ	32181100	United Jersey Bank	88

Communication Organizations

	State	Employer Number	Name of Employer	Number of Wage Requests
1.	IL	0001064511	AT&T Communication Inc.	234
2.	IL	0000061420	American Tele & Tele (AT&T)	185
3.	IL	0000259396	Digital Equipment Corp % ADP	50
4.	IL	0000060270	Illinois Bell	169
5.	IL	0000010185	Motorola Inc.	34
6.	NJ	58503600	Bell Communications	106
7.	NJ	11100	AT&T Global	37
8.	TX	01-072726-0	AT&T Communications Inc.	182
9.	TX	01-676205-9	Reliance Comm/Tech Corporation	52

**Employers by Industries Who were Sent Multiple Wage Requests
and Returned None
California, Illinois, New Jersey, Kentucky and Texas**

Government and Publicly Funded Agencies

	State	Employer Number	Name of Employer	Number of Wage Requests
1.	CA	9440480	County of Fresno	355
2.	CA	9440083	City of Los Angles	1,112
3.	CA	9320440	County of Los Angles	692
4.	CA	9440503	Los Angles County	522
5.	CA	9440258	City of Oakland	368
6.	CA	9350503	University of California Berkley	436
7.	IL	0000809006	Met Pier & Expo Authority	61
8.	IL	0000806831	Chicago Transit Authority	18
9.	IL	0000808548	City College Chicago	39
10.	IL	0000449277	Northwestern University	14
11.	KY	998803	Air Force	71
12.	KY	998410	Dept of the Treasury	81
13.	KY	998802	Navy	154
14.	KY	910021	University of Kentucky	131
15.	NJ	43996700	Trenton City Board of Education	29

**Employers by Industries Who were Sent Multiple Wage Requests
and Returned None
California, Illinois, New Jersey, Kentucky and Texas**

Retail and Food Businesses

	State	Employer Number	Name of Employer	Number of Wage Requests
1.	CA	2855761	Kay-Bee Toy & Hobby Shops Inc.	61
2.	CA	23596	Sees Candies Inc.	810
3.	CA	2834932	Service Merchandise Co. Inc.	426
4.	IL	0000060317	Jewel Food Stores Inc.	35
5.	IL	0001063245	K Mart Builders Square, Inc.% K Mart	16
6.	IL	0000061052	K Mart Corp, Attn. Payroll Tax Div.	45
7.	IL	0000792736	Marshall Field Co.	59
8.	IL	0000060181	Montgomery Ward & Co. Inc.	35
9.	IL	0000060576	Sears GRP. Dept 707-1 E2 222B	64
10.	IL	0000010105	Spiegel Inc..	118
11.	IL	0000514252	Target Stores	27
12.	IL	0000061461	Walgreen Co. % Ris Dimitiou12	12
13.	KY	387454B	Consolidated Stores Interntl Corp.	33
14.	KY	3937C	Hills Department Store Company	61
15.	KY	3464	K Mart Corporation	75
16.	KY	328300	Kay-Bee Toy & Hobby Shops Inc.	28
17.	KY	1135	Sears Roebuck & Co.	116
18.	KY	3571	The Kroger Co.	69
19.	KY	492474	Wal-Mart Associates Inc.	196
20.	KY	315242	Wal-Mart Stores Inc.	228
21.	NJ	85758401	The Caldor	110
22.	NJ	36990500	ACME Markets Inc.	45
23.	NJ	85625601	Bradlees Stores Inc.	73
24.	NJ	80685200	May Department Stores	63
25.	NJ	15866000	New Linden Price Rite	28
26.	NJ	83601	Sears Roebuck & Company	135
27.	NJ	69543400	Staples Inc.	33
28.	NJ	83552500	Tops Appliance City	38
29.	NJ	85260900	Toys R Us Inc.	119
30.	TX	00-132949-9	The Kroger Co.	123
31.	TX	00-547279-2	Wal-Mart Stores Inc.	634
32.	TX	00-163818-1	K Mart Corporation	217

**Employers by Industries Who were Sent Multiple Wage Requests
and Returned None
California, Illinois, New Jersey, Kentucky and Texas**

Temporary Employment Agencies

	State	Employer Number	Name of Employer	Number of Wage Requests
1.	CA	3850407	Cencast Services, LP	3,400
2.	CA	3850429	EP Management Services, LP	12,662
3.	CA	3850436	EP Talent Services, LP	5,767
4.	CA	4279491	EP Commproduction Services, LP	1,376
5.	CA	4279868	EP Comm Talent Services, LP	326
6.	CA	2820475	TSU Staffing	604
7.	CA	3141037	Interim Personnel	3,311
8.	CA	5145266	Jose M. Gomez Farm Labor Contractor	344
9.	IL	0001228196	Manpower International Inc.	82
10.	IL	0000519831	Adia Service Inc.	77
11.	IL	0001803286	Norrel Temporary Serv.	31
12.	KY	78496B	Manpower of Indiana	374
13.	KY	478686	Norrell Services Inc.	74
14.	NJ	56840800	Norrell Services Inc.	39
15.	NJ	73842000	Norrell Temporary	63
16.	NJ	39385100	Adia Srvs Inc. T/A	139
17.	NJ	64392800	Marine Personnel	34
18.	TX	00-614688-0	Today's Temporary Inc.	112
19.	TX	00-409950-8	Adia Services Inc.	310
20.	TX	01-078325-9	Express Temporary Services Inc.	112

Summary Results of the Employer Questionnaires¹

Questions are restated. Employer responses have been added.

1. Do you have any policies or procedures regarding responding to wage requests from the various State Employment Security agencies?

Employer response: 60 percent responded “yes”
 40 percent responded “no”

2. Are you aware that:

- (a) State laws require employers to respond to the wage requests?

Employer response: 65 percent responded “yes”
 35 percent responded “no”

- (b) If an overpayment is established, the liable employer’s account will be credited for the purpose of experience rating and tax rate computations?

Employer response: 60 percent responded “yes”
 35 percent responded “no”
 5 percent did not respond.

- (c) Providing this information helps protect the integrity of the Unemployment Insurance (UI) program?

Employer response: 80 percent responded “yes”
 20 percent responded “no”

- (d) Providing this information could help reduce the UI tax assessed employers?

Employer response: 70 percent responded “yes”
 30 percent responded “no”

¹Our analysis of the information from employers leads us to believe that employers do not always have an accurate understanding of the UI benefit/wage crossmatch and the process for detecting overpayments.

Summary Results of the Employer Questionnaires

3. Have you directed the various states to send the wage request forms and other UI data requests to a service provider?

Employer response: 60 percent responded “yes”
 40 percent responded “no”

4. If the wage requests forms are sent to a service provider, are you aware that the service provider is not completing and returning them to the states?

Employer response: 15 percent responded “yes”
 35 percent responded “no”
 50 percent responded “not applicable”

Note: One employer who responded yes said that the service provider was able to detect fraud issues through their charge verification system.

5. For the wage requests received by your company (or by a service provider), what was the reason for not responding? (please answer all that apply)

Note: For 40 percent of the employers, answers 5(a) to 5(e) did not apply. Instead they provided comments shown in 5(f). Between 10 and 20 percent did not answer the question.

- (a) There was no penalty.

Employer response: 10 percent responded “yes”
 30 percent responded “no”

- (b) There was no monetary benefit.

Employer response: 15 percent responded “yes”
 30 percent responded “no”

- (c) We decided that no overpayment was involved.

Employer response: 20 percent responded “yes”
 30 percent responded “no”

Summary Results of the Employer Questionnaires

(d) Instructions were not clear and understandable.

Employer response: 10 percent responded “yes”
 30 percent responded “no”

(e) Information requested was not readily available.

Employer response: 30 percent responded “yes”
 15 percent responded “no”

(f) Other, please explain.

We received the following reasons for not responding:

- We were not aware that our service provider was receiving the wage request.
- Receiving this questionnaire is the first indication that we were not responding to every request.
- Almost 90 percent of our employees were laid-off. We are not disputing the claims.
- Daily wages are not available. Employees are paid biweekly or monthly.
- We were not aware of any wage requests that were not returned.
- The service provider already performs the same function these would catch.
- We did not know that the wage request had to be filled out.

6. Do you (or your service provider) believe the wage request forms and instructions are clear and understandable?

Employer response: 60 percent responded “yes”
 35 percent responded “no opinion”
 5 percent did not respond.

Summary Results of the Employer Questionnaires

7. Do you (or your service provider) have the information requested by the wage request forms readily available to send to the various states?

Employer response: 30 percent responded “yes”
 60 percent responded “no”
 10 percent did not respond.

8. Would you (or your service provider) prefer receiving multiple wage request forms in a single package?

Employer response: 55 percent responded “yes”
 5 percent responded “no”
 40 percent responded “no opinion”

9. Would you (or your service provider) prefer receiving the wage request forms in an electronic format?

Employer response: 30 percent responded “yes”
 35 percent responded “no”
 35 percent responded “no opinion”

10. Would you (or your service provider) prefer responding in an electronic or telephone format?

Electronic -

Employer response: 25 percent responded “yes”
 40 percent responded “no”
 35 percent responded “no opinion”

Telephone -

Employer response: 10 percent responded “yes”
 35 percent responded “no”
 45 percent responded “no opinion”
 10 percent did not respond.

11. Have you (or your service provider) ever contacted the various states to discuss an alternate way of receiving or responding to the wage requests?

Employer response: 95 percent responded “no”
 5 percent responded “no opinion”

Summary Results of the Employer Questionnaires

12. How would you rate the wage request process for detecting UI Benefit overpayments?

Employer response: 10 percent responded “good”
 20 percent responded “fair”
 60 percent responded “no opinion”
 10 percent did not respond

13. Do you have any suggestions for improving the wage request process for detecting UI Benefit overpayments?

Employer response: 25 percent responded “yes”
 75 percent responded “no”

Employers who responded yes provided the following suggestions:

- Simplify the form by eliminating:

 days worked, rate of pay, and reason for separation. Only require this information if you believe fraud was detected in the audit.

 the carbon type form. It is bulky and requires extra time to open.
- Large employer state level account representatives should contact service providers to review handling procedures and internal audit controls to determine if the process provides the quality controls the state needs.
- The states should request wage data for the specific quarter claimant received UI benefits and specify the weeks benefits were paid.
- Don't send wage request forms where it is known Benefit charges are monitored. Remove duplication for both the states and the employers.

14. How long does it take on average to process a wage request?

Employer response: 20 percent responded “less than 1 hour”
 10 percent responded “1 to 2 hours”
 5 percent responded “3 to 4 hours”
 5 percent responded “over 4 hours”
 60 percent responded “do not know”

Summary Results of the Employer Questionnaires

15. Rather than receiving selected UI claimant wage requests, would you prefer to provide weekly wage data for all employees when you provide states the quarterly wage information?

Employer response: 5 percent responded “yes”
 60 percent responded “no”
 30 percent responded “no opinion”
 5 percent did not respond.

16. Were the wage request forms sent to the proper person and address?

Employer response: 70 percent responded “yes”
 20 percent responded “no”
 10 percent did not respond.

Status of New Hire Detection in The States Audited

Florida

New hire reporting under state law - Effective January 1995, Florida employers with 250 or more employees have been required to report all new hires or rehires to the Florida Department of Labor and Employment Security, Division of Unemployment Compensation, Bureau of Tax. The Division used their own list of employers who pay taxes to determine employers who had 250 or more employees. Employers with 250 or more employees were sent a letter prior to January 1995 informing them of their responsibility to comply with new hire reporting requirements. Approximately 1,000,000 new hires or rehires a year have been reported.

Although employers with less than 250 employees were not required to report new hires or rehires, efforts were made to encourage these employers to report. For example, a pilot project was established to comprise a representative sample of employers with less than 250 employees, who volunteered to report their new hires. Approximately 2,000 employers participated in that project.

Employers required to report under Florida's law or employers participating in the pilot project were required to report new hires or rehires to the Division of Unemployment Compensation (DUC) at the end of the first pay period following employment or re-employment; or in the case of those employers with pay periods of less than 14 days, the employers were to submit the report within 14 days of employing or re-employing the employees.

Employers were required to report the following information:

- the Florida employer account number; and
- individual employee data:
 - a. social security number;
 - b. name of employee; and
 - c. the first day worked.

There were no assessments of fines if required employers did not report new hires. However, it really did not matter since there is no system in place currently to monitor if required employers reported new hires.

How new hire information is used - The BPC New Hire unit takes the new hires reported to the Bureau of Tax and matches it against current benefit files daily to detect possible overpayments

Status of New Hire Detection in the States Audited

Florida officials indicated that early detection has had a positive effect on minimizing and recovering overpayments. They believe that the new hire system has been useful and will eventually be more effective than the benefit/wage crossmatch once all Florida employers are required to report new hires beginning October 1, 1998. We were informed employers with 250 or more employees make up only 1 percent of the employers in Florida and that 80 percent of the employers have 5 or fewer employees.

New hire method benefits - During our interview of Florida officials, we were told the new hire detection method is more effective than the benefit/wage crossmatch for these reasons:

- S The match up of new hire data to benefits paid is much more timely. Because the intervention is much earlier, the overpayments are smaller and they are easier to recover.
- S The new hire information can be used to determine if there is a conflict between the new hire work start date and the benefit weeks, as a result employers do not need to be contacted unnecessarily. Officials felt the benefit/wage crossmatch was inefficient because 40 to 50 percent of wage requests sent out and returned are cleared and not assigned for investigation because there is no conflict. Also about 40 percent of the wage requests are never returned.
- S One hundred percent contact by phone was made to employers and claimants, as necessary, when there was a conflict between the new hire work start date and the benefit weeks paid, to obtain the appropriate information and determine if there was an overpayment. They plan to continue this 100 percent contact even though all employers in the future will be required to report new hires.
- S In some instances, early intervention can prevent overpayment. Moreover, while a claim of a new hire is under review, future payments on an ongoing claim can be held until a determination is made.
- S Employers and claimants seem to better understand the purpose and benefits of the new hire detection process than the benefit/wage crossmatch.
- S As claimants become aware that the employer reports new hires to the UI program, a reduction of repeat and first time offenders will occur.

Status of New Hire Detection in the States Audited

New hire method results - As a result of new hire detection activities from February 1997 through February 1998, Florida reported \$1.3 million in overpayments, or an average of over \$100,000 a month. In addition, estimated overpayments of \$400,000 were prevented from March 1997 through February 1998, or an average of about \$33,000 per month. The number of benefit week payments prevented were about 2300.

In the future, with centralized control of the new hire detection activities and because all employers will be required to report new hires, overpayment detection and prevention should increase compared with the statistics above. These statistics did not take into account factors which may tend to understate the new hire method effectiveness. These are:

- S Although the New Hire unit has been keeping statistical data since February 1997, the unit did not take over complete control of new hire detection activities from all 94 local offices until June 1997.
- S Also, for the time frame the statistics were provided, only employers with 250 or more employees (only 1% of employers) were required to report new hires.

New hire expectations - By October 1, 1998, the Florida Department of Revenue will maintain the State Directory of New Hires. The reason for this is the Child Enforcement Division is in the Department of Revenue. Moreover, the Department of Revenue's list of employers is more extensive. The DUC will continue keeping the directory until the Department of Revenue takes over. The PRWORA allows states who already have a new hire reporting system in place, to meet the PRWORA new hire reporting requirements by October 1, 1998, instead of October 1, 1997.

State laws have been or will be revised to meet PRWORA requirements as follows:

- S **All employers** will be required to report new hires.
- S The employer FEIN, an employer telephone contact and employee address will be added as additional employer reporting elements.
- S Timing requirements for electronic reporting will be adopted as required by the PRWORA.
- A penalty mechanism will be put in place for employers who fail to report new hires.

Status of New Hire Detection in the States Audited

To detect UI overpayments in the future, the New Hire unit will obtain from the Department of Revenue the new hire/rehire data reported by the employers. They still plan to do a 100 percent follow up where there is a conflict with the hire date and the benefit weeks paid, even though there will be a significant increase in new hires since all employers will be required to report.

Texas

New hire reporting under state law - Since September 1, 1993, a **voluntary** new hire reporting system has been in place. Texas mailed a notice to employers when the voluntary program began, and continues to encourage Texas employers to report new hires. The Texas Attorney General's Office has been responsible for maintaining the new hire information and will be responsible for maintaining the State Directory of New Hires that meets PRWORA requirements starting October 1, 1998. The Attorney General's Office has contracted with a vendor, BDN, to keep the State Directory of New Hires for their office. All Texas employers will be required to report new hires. The Attorney General's Office and BDN are planning for the increased workload.

The employers who have been reporting voluntarily have been asked to provide the W-4 form or the information that is on it. Beginning on October 1, 1998, all employers will be required to report new hires and will be required to report all information required in the PRWORA. They will also be permitted to provide additional information. Currently, there is no time limit for when a new hire is to be reported by an employer. Beginning in October 1998 the number of days in which an employer must report a new hire will meet PRWORA time requirements.

No fines or penalties are planned at this time although all employers will be required to report new hires after October 1, 1998.

How new hire information is used - About every week BDN provides the Texas Workforce Commission with a new hire tape. The new hire data is matched against current UI claims to determine if there is a conflict between the benefit weeks and when the employee was hired. If so, BPC does an audit/investigation to determine if an overpayment occurred. The New Hire tape is also matched against accounts receivable files and, where there is a match, a collection letter is sent out to try to collect past overpayments.

New hire method benefits - The BPC Unit is of the opinion that the new hire detection method has the potential to be the most effective UI detection tool. BPC plans eventually to move most of the benefit/wage crossmatch investigation staff over to new hire detection. The benefit/wage crossmatch will be used as a backup to the new hire detection system and to flag unreconcilable records. Texas officials estimate they will have 7.5 million new hires per year.

Status of New Hire Detection in the States Audited

New hire method results - Since reporting new hires is voluntary until October 1, 1998, Texas has not attempted to evaluate the effectiveness of their new hire detection results or compare it to the benefit/wage crossmatch. No statistics were provided on the number of overpayments or the overpayment dollars as a result of new hire detection. The benefit/wage crossmatch will remain the main detection method until the new hire detection system goes into full gear after October 1, 1998.

New hire expectations - As of October 1, 1998, Texas will be in compliance with all PRWORA new hire reporting requirements. We were told that Texas law is in total agreement with the new hire reporting requirements in the PRWORA. All employers will be required to report new hires to the Attorney General's office through BDN. Employers will be required to report all the required information and within the required time frame as required by the PRWORA.

The BPC unit of the Texas Workforce Commission, with all employers required to report new hires, will receive a more comprehensive listing from BDN, which will improve the new hire detection system in place to detect UI overpayments. They are of the opinion this will become their most effective detection method.

Kentucky

New hire reporting under state law - The Kentucky Department of Employment Services (KYDES) has kept new hire information since October 1994. All Kentucky employers are required to report new hires and rehires. Since October 1997 KYDES has gradually been turning over the responsibility for keeping the new hire information to the Kentucky Division of Child Support Enforcement (KYDCSE). KYDCSE is working on improving the new hire reporting system. They will be responsible for maintaining the State Directory of New Hires that meets PRWORA new hire reporting requirements by October 1, 1998. They are planning to have a contractor maintain the State Directory of New Hires. Kentucky laws are in place that are in agreement with the PRWORA new hire reporting requirements. They even have penalties for not reporting new hires though they have not been applied in the past.

How new hire information is used - In the past, KYDES matched the new hires to the UI files. They indicated that employers had only a 20 percent response rate. However, they had no monitoring system in place to know how many of the remaining 80 percent of the employers had new hires they did not report or just had no new hires.

New hire method results - Moreover, they indicated many employers provided inaccurate data. As a result BPC had detected few UI overpayments. In addition, many employers reported the wrong or no social security number resulting in putting stop payment orders on the wrong UI claim. Based on these results, BPC ceased using new hire reports as a detection method late in 1997.

Status of New Hire Detection in the States Audited

New hire expectations - Currently, there are no plans by the BPC unit to use the new hire detection method in the future, but it was indicated they will reconsider its use again when KYDCSE puts the State Directory of New Hires in place beginning October 1, 1998. We think this is a good idea and that the two agencies should work together to get employers to report new hires and to do so accurately. The new hire method of detecting UI overpayments has great potential if employers comply and report accurate information.

California

New hire reporting under state law - A new hire reporting system was in place prior to the PRWORA. The California Employment Development Department (CEDD), the SESA, has maintained this system. The new hire data has been sent to the California Department of Social Services (CDSS). The information is used by CDSS to locate parents who are delinquent in child support payments.

Under the current reporting system only employers in 17 industries are required to report new hires. Employees under 18, employees paid less than \$300 per month and employers with 4 or fewer employees are exempted from the reporting requirements. Employers required to report are to report the new hire or rehire no later than 30 days from the date of hire.

How new hire information is used - Currently, the new hire data from the reporting system is not used for UI overpayment detection. California will not start using the new hire data for overpayment detection until July 1999.

New hire method benefits - It is anticipated that doing an earlier audit through new hire detection will reduce benefit overpayments by as much as \$9.5 million annually. The impact on how the UI benefit/wage crossmatch and other detection methods will be carried out in the future cannot be determined at this time.

New hire expectations - Beginning July 1, 1998, all California employers are required to report new hire information to the California New Employee Registry (State Directory of New Hires). CEDD will continue to maintain the Directory. Marketing efforts are being made to inform employers that they are required to report new hires and explain why the information is needed. State legislation is in place to conform with PRWORA new hire reporting requirements. Legislation allows for the assessment of a \$24 penalty for each failure to report a new hire.

Whether they will assess penalties or not remains to be seen. In the past, they have had authority to assess a penalty but the policy has been not to enforce the penalty violation.

As indicated, CEDD plans to use the new hire data for comparing the start of work date with UI benefit payment records on a daily basis, beginning July 1, 1999. The comparison will allow CEDD to detect and prevent fraudulent unemployment payments earlier. It is anticipated that doing an earlier audit through new hire detection will reduce benefit overpayments by as much as \$9.5 million annually.

Status of New Hire Detection in the States Audited

Illinois

New hire reporting under state law - Illinois, prior to the PRWORA, never maintained new hire information. Our fieldwork at the Illinois Department of Employment Security (IDES), the SESA, was prior to October 1, 1997, when the PRWORA new hire reporting requirements took effect. We were informed that IDES would maintain the State Directory of New Hires. They indicated they planned to have the new hire reporting system in place by October 1, 1997, and meet the PRWORA new hire reporting requirements.

New hire expectations - IDES plans to use the new hire information as a BPC tool to detect UI benefit overpayments. Requesting Illinois employers to provide the actual date of hire will be an important feature in its effectiveness. IDES also intends for their local offices to use the new hire information to prevent overpayments as a part of the claims process. IDES at the time of our fieldwork had not developed a detailed plan on how new hire detection would be carried out. They were concentrating on getting the new hire reporting system in place. The effectiveness of new hire detection results when IDES initiates its use and available staffing resources will dictate the extent to which it will be used.

New Jersey

New hire reporting under state law - Prior to the PRWORA, New Jersey never maintained new hire information. Although the State Directory of New Hires was to be in place as of October 1, 1997, it has been delayed in New Jersey. The New Jersey the Department of Human Services (NJ DHS) is responsible for maintaining the State New Hire Directory. We were informed by New Jersey Department of Labor (NJ DOL) officials that NJ DHS had contracted out this function. Instruction pamphlets were to be mailed to New Jersey employers in June 1998 informing them that they must report all new hires as of May 1, 1998, and forward. The pamphlet covered the reporting requirements and how the information would be used. Apparently New Jersey plans to meet PRWORA requirements though they were not operational as of October 1, 1997.

Employers are not being required to provide the work start date because it is not required by the PRWORA.

New hire expectations - NJ DOL, the SESA, plans to use the new hire information as a detection tool in the future. However, at this time no specific procedures have been put in place to form a new hire detection system. Since the employers will not be required to provide the work start date, it will require additional work and resources to get the actual date needed to determine whether a potential overpayment occurred.

Status of New Hire Detection in the States Audited

Maryland

New hire reporting under state law - Prior to the PRWORA, the Maryland Department of Health and Human Services (MDHHS) started a limited pilot program with 1,000 employers who were to report new hires. The pilot program was stopped after a brief period because it was not working and the PRWORA new hire reporting requirements would take effect in the near future. However, at the time of our audit, a State Directory of New Hires was not in place. In the future, though a time frame was not provided, the Child Support agency in the MDHHS will be maintaining the directory. They intend to comply with the PRWORA new hire reporting requirements. In addition, they will ask employers to report the date of employment.

New hire expectations - The SESA, which is in the Maryland Department of Labor, Licensing and Regulations plans to use the new hire data in the future for UI benefit overpayment detection. However, they are in the early stages of determining how new hire detection procedures will be carried out.

AGENCY COMMENTS

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



FEB 25 1999

MEMORANDUM FOR: PRESTON FIRMIN
Regional Inspector General for Audit
Chicago Regional Audit Office

FROM: GRACE A. KILBANE
Director
Unemployment Insurance Service

SUBJECT: Audit of Benefit Payment Controls: Examination of UI Benefit/Wage
History Crossmatch and Analysis of Employers Who Fail to Respond to
the States' Requests for Weekly Wage Data – Draft Audit Report No.
05-99-005-03-315

Thank you for the January 19 briefing on the draft report of your audit of benefit payment controls in the Unemployment Insurance (UI) system, with the focus on employers who fail to respond to requests by the State Employment Security Agencies (SESAs) for weekly wage data. We found the presentation to be very informative. It documented problems that appear to be widespread in the UI system.

We have reviewed the report and are in general agreement with the findings and recommendations. We acknowledge the need to improve the administration of the wage/benefit crossmatch process through obtaining a higher response rate from employers to SESA requests for weekly wage data.

We concur with your conclusion regarding the benefits of the New Hire reports required by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. We share your assessment of the potential of the New Hire system to replace the wage/benefit crossmatch process as the primary means to detect overpayments.

Integrity is a concern of all the partners in the UI system. It is our intention to distribute copies of the final report to the SESAs and urge them to take appropriate actions to improve the wage/benefit crossmatch process and take full advantage of the New Hire system.