



**WORKFORCE SYSTEMS LETTER NO.: 04-15**

**DATE:**            **May 21, 2004**

**EFFECT:**            **ACTION**                            **INFO**                            **WITH ATTACHMENT**  
                          **[X]**                                    **[X]** SWAs                            **[X]**

**SUBJECT:**    **Solicitation of States to Participate in a Benefit Accuracy Measurement Pilot**

---

**1.        Purpose.** To solicit the participation of State Workforce Agencies (SWAs) to test the use of the State Directory of New Hires (SDNH) and state UI wage records files as part of the Benefit Accuracy Measurement (BAM) audit. Pilot states will attempt to identify benefit year earnings (BYE) and other issues affecting the eligibility of UI claimants for the week that they received a payment, and to determine if these claimants were properly paid for the week selected for the BAM sample. The Employment and Training Administration will enter into cooperative agreements with up to eight states to conduct the pilot, which is described more fully in the attachment. States selected to participate will receive \$2,500 for costs incurred for programming, conducting the cross-matches and investigations, and reporting the results.

**2.        Background.** Based on calendar year (CY) 2002 BAM data, the leading cause of overpayment errors was unreported or erroneously reported benefit year earnings (BYE) and income, including social security, pension, severance or vacation pay, which accounted for \$1 billion of the \$3.68 billion overpaid and 2.5 percent of the \$40.4 billion in UI benefits paid in CY 2002. The largest component of the BYE overpayments was unreported earnings by UI claimants who have returned to work but continue to collect UI benefits -- \$637 million.

During fiscal year 2003 the Department of Labor’s Office of Inspector General (OIG) conducted an audit of the BAM program. The OIG final report (Number 22-03-009-03-315, September 30, 2003) concluded that while the BAM program was methodologically sound and accurately detected and reported UI payment errors, additional overpayments due to unreported earnings could be detected by conducting a cross-match of the UI claimant’s Social Security Numbers (SSN) against the state’s intrastate wage records 180 days following the week ending date of the compensated week selected in the BAM sample. The OIG also noted that states with access to their SDNH could use this resource to detect unreported wages earlier in the claimant’s benefit year than was possible using the wage record cross-match.

The use of the state wage record files was considered when BAM was designed but was not included in the methodology because of the delay that would result in completing the BAM investigations. BAM established a 90-day timeliness standard to insure that information bearing on the propriety of the UI payment was accurate and contemporaneous.

According to ET Handbook No. 395, 3rd ed., chapter VI, p. 5, the potential for claimant employment during the benefit year should be verified using the SDNH where available. However, the extent to which BAM investigations are currently using the SDNH resource and the utility of the SDNH as a UI payment audit tool have not been evaluated.

3. **BAM Methodology Pilot Study**. Because of the importance of identifying and preventing erroneous UI payments, the Department agrees conceptually with the OIG recommendation to include the wage record and SDNH cross-matches as part of the BAM case investigation methodology and propose to conduct a pilot test, which will provide us with information that will allow us to:

- estimate the magnitude of overpayments attributable to unreported earnings that are not detected through current BAM audit methods but are detected through the use of SDNH or wage record cross-match;
- identify other issues that might affect the eligibility for the compensated week selected for the BAM sample (for example, voluntary quit or discharge from employment in the benefit year);
- measure the additional cost to the BAM program of implementing these methods; and
- identify operational issues that would need to be addressed prior to national implementation, assuming that the cost-benefit analysis indicated that inclusion of these procedures as part of the BAM audit was justified.

4. **Action Required**. SWA Administrators are requested to:

- Share this solicitation with appropriate members of your agency's management staff;
- Provide the attached description of the pilot to appropriate staff;
- Notify the National Office and the Boston ETA Regional Office, no later than June 11, 2004, of your agency's request to participate in the pilot;
- National Office notification and any questions related to the pilot should be addressed to Andrew Spisak by e-mail ([Spisak.Andrew@dol.gov](mailto:Spisak.Andrew@dol.gov)), fax (202-693-3975), or mail to: U. S. Department of Labor, Employment and Training Administration, Office of Workforce Security, Attn: Andrew Spisak, 200 Constitution Avenue, N.W., Room S-4231, Washington, D.C. 20210;
- Regional Office notification should be addressed to Jim Laham ([laham.james@dol.gov](mailto:laham.james@dol.gov)), fax (617-788-0125);
- States must participate in both the SDNH and wage record cross-match phases of the pilot.



Renata Jones Adjibodou  
Division Chief  
Division of Workforce Security

Attachment

## **Benefit Accuracy Measurement (BAM) Pilot Study**

### **Benefit Year Earnings Detection Methods**

#### **1. Post-Audit Crossmatch and Investigation**

States participating in the pilot will:

- A. Identify from the completed BAM sample cases those claimants with compensated week ending dates -- BAM key week (KW) -- equal to or less than 365 days prior to the beginning of the pilot.
- B. Crossmatch the SSNs of the claimants identified in A. with the UI wage records for the calendar quarter in which the BAM key week falls. Initial crossmatches will be conducted for those UI benefit recipients with key week ending dates that fall within the calendar quarters for wage record files already available to the state. Crossmatches for the remaining claimants identified in A. will be performed as subsequent wage record files become available.
- C. For those compensated weeks with wages in the quarterly wage record files, BAM investigators will conduct a post-audit investigation to follow up with the claimant, employer, and relevant third parties to determine if the claimant had earnings during the compensated week of the BAM sample case. Although the primary purpose of the wage record crossmatch is to detect BYE, the BAM post-audit will also identify other issues that affect the claimant's eligibility for the compensated week, such as separation or able and available issues.
- D. BAM will determine whether the claimant was properly paid for the key week based on the information obtained through the post-audit investigation.
- E. For payments which BAM determines were improper due to BYE or other issues detected through the post-audit investigation, BAM will reopen the completed BAM case using reopen code '1' [a new reopen code that will be established] and code the appropriate data elements to reflect the payment error. A new point of detection code will be established for wage record crossmatches that result in the detection of issues that result in a payment error.
- F. Data for this phase of the pilot will be provided to the National Office no later than 270 days from the beginning of the pilot.

#### **2. SDNH Crossmatch**

States participating in the pilot will:

- A. Crossmatch the SSNs of the claimants selected in the BAM samples for 26 consecutive batches (sampling weeks) with the SDNH. The SDNH crossmatch will begin with the first sample batch selected after the beginning date of the pilot. Crossmatch parameters are SDNH records submitted from the claimant's benefit year beginning date to 30 days after the KW ending date of the sampled week.
- B. For those claimants with SDNH matches, BAM investigators will follow up with the claimant, employer, and relevant third parties to determine if the claimant has earnings during the compensated week. The BAM

audit will also identify other issues that affect the claimant's eligibility for the compensated week, such as separation or able and available issues.

C. BAM will determine whether the claimant was properly paid for the key week based on the information obtained through the SDNH crossmatch investigation and all other information collected as part of the BAM investigation: claimant interview, employer and third party contacts, and agency records.

D. BAM will code the appropriate data elements to document errors for payments which BAM determines were improper due to BYE or other issues detected through the SDNH crossmatch investigation. A new point of detection code will be established for SDNH crossmatches that result in the detection of an issue that affects payment accuracy. BAM will also code any other payment accuracy issues detected during the course of the BAM investigation (through the claimant interview, employer / third party contacts, agency records).

E. Data for this phase of the pilot will be provided to the National Office no later than 120 days from the batch week ending date of the sample UI payment selected.

All investigations conducted for the pilot will follow the standards in ET Handbook No. 395, 3<sup>rd</sup> ed. The BAM data entry software will be modified to allow BAM investigators to enter the post-audit and SDNH crossmatch data. Technical specifications will be provided at least 60 days in advance of the pilot beginning date.

Pilot states will also document the costs of the initial programming, crossmatch operations, and follow-up investigations.