# EXECUTIVE SUMMARY

The New Hire detection system is more effective and efficient than the Wage/UI Benefit crossmatch system in identifying unemployment insurance (UI) overpayments that occur when UI claimants fail to report earnings while simultaneously working and claiming benefits.  The use of New Hire detection identifies overpayments earlier, reduces overpayment dollars, and increases the chance of overpayment recovery.

We conducted a performance audit of the implementation of the New Hire detection method, which is a recent addition to the Benefit Payment Control (BPC) methodologies for detecting UI overpayments.  Our objectives were to determine:  (1) if New Hire detection being used by 41 of 53 state UI programs is proving to be more effective and efficient than the traditional Wage/UI Benefit crossmatch, and (2) what obstacles are preventing 12 states from embracing this detection method?

**Results**

In response to our questionnaire sent to all 53 state UI programs, 38 of the 41 states (93%) that use New Hire detection indicated that the New Hire detection method is better at detecting UI overpayments earlier than the Wage/UI Benefit crossmatch.  This was verified during our fieldwork at seven state UI programs that use New Hire detection.  Although we did not audit the data, the state UI programs reported data (ETA Form 227) that further supports the state UI programs' responses that the New Hire method detects overpayments earlier.  In 2002, the seven UI programs we audited that were using New Hire detection identified 41,404 overpayments valued at $14.7 million, compared to their Wage/UI Benefit crossmatch that identified 29,872 overpayments valued at $34.9 million.  More overpayments were identified through New Hire detection, but the dollar amount was less because overpayments were detected earlier.

The overpayments for Wage/UI Benefit crossmatch were higher because it took longer to detect and stop overpayments.  New Hire detection can identify overpayments in approximately one month, compared to the several months it may take to identify overpayments through the Wage/UI Benefit crossmatch.  As a result, New Hire detection prevented additional overpayments that may have occurred if detected through the use of the Wage/UI Benefit crossmatch.

Despite the benefits of New Hire detection, 12 states, for a variety of reasons, have not yet implemented this detection method.  In addition, more detailed employer reporting and new legislation providing access to the National Directory of New Hires (NDNH) would further improve the effectiveness and efficiency of New Hire detection.  Improving employer compliance for New Hire reporting and

assisting states to analyze BPC resources would further enhance New Hire detection capabilities.

**Recommendations**

We recommended that the Assistant Secretary for Employment and Training:

1.  continue to provide technical assistance and resources to the state UI programs not using the New Hire detection method to initiate and/or complete plans for implementation as soon as possible;

2.  work with DHHS to communicate to Congress the need for amending the Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA), or introducing new legislation, to require employers to report a new hire's first day of earnings and provide a clear, consistent, nationwide definition for this date;

3.  encourage state UI programs to access the NDNH and coordinate efforts with the U. S. Department of Health and Human Services (DHHS) and the state UI programs to accomplish this;

4.  work with DHHS, the lead department, to encourage state agencies compiling the State Directory of New Hires (SDNH) to expand monitoring and outreach programs that will improve employer compliance and seek enforcement through penalties for employers who repeatedly fail to report new hires; and

5.  assist the state UI programs in analyzing resources to determine the best detection methods, how to best allocate resources, and frequency of New Hire crossmatches.

ETA agreed with our recommendations, and its response is attached as Appendix D.  Findings 1 and 3 are resolved but not closed.  Findings 2, 4, and 5 are unresolved pending the receipt of specific implementation plans.