



Review of Unemployment Benefit Overpayments



December 13, 2010

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Basis for Review

- Review was done based on a legislative request we received in February, 2010
- APA performed this review as part of our fiscal year 2010 audit at VEC
- Report issued in December, 2010



Presentation Discussion

- Overview of Eligibility Requirements
- Benefit Accuracy Measurement Program
- Analysis of Overpayment Statistics and Types of Overpayment Errors
- Overpayment Detection and Recovery
- Observations and Conclusions



Overview of Eligibility Requirements



Eligibility Requirements

Claimants have to meet certain eligibility requirements to receive unemployment compensation benefits:

- *Monetary requirement*
- *Separation requirement*
- *Weekly work search requirement*



Eligibility Requirements

- Code of Virginia requires that claimants actively seek work and report information on their work search activities to the VEC weekly
- VEC further defines what constitutes adequate work search and how the information is reported to them



Eligibility Requirements

- Claimants must be available for work and have contact with more than one employer each week
 - Contact must be in person, however claimants are allowed to use the Internet or fax to send in applications and resumes where appropriate
 - Telephone contact and responses to blind ads are not considered adequate



Eligibility Requirements

- Claimants must provide information on their work search activities on a weekly basis
 - *Voice response system*
 - *Internet*
 - *Submit a form*
- VEC requires the name of employer contacted, address and the result of the contact



Eligibility Requirements

- Once the claimant provides information on their work search, their benefit payment is processed
- VEC does not confirm or verify the work search information unless the case is reviewed for some reason



Benefit Accuracy Measurement Program (BAM Program)



Benefit Accuracy Measurement (BAM) Program

- Required by the U.S. Department of Labor
- A sample of weekly benefit payments is tested to determine if eligibility requirements are met
- VEC staff review documentation and contact claimants and employers to determine if eligibility requirements were met



Benefit Accuracy Measurement (BAM) Program

- Calendar year 2009 results were based on a sample of 368 payments tested throughout the year
- BAM sample only includes payments under Unemployment Insurance (UI) program
- Sample is designed to be a statistically valid sample of the UI program



Limitations of BAM Data

BAM statistics do have some limitations which must be considered –

- Error rates are based on a statistical sample and are subject to some deviation
- Labor extrapolates the error rate onto the entire population of UI payments even though not all payments have to meet certain criteria



Benefit Accuracy Measurement (BAM) Reviews

Calendar Year 2009 Results

	Percentage (based on dollars)	Estimated Dollar Value
Proper Payments	85.3%	\$969,579,855
Overpayments	14.6%	165,852,703
Underpayments	.1%	1,136,569
Total	100.0%	\$1,136,569,127



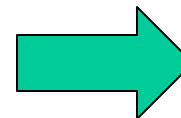
Analysis of BAM Overpayment Error Rate

Cause	Percentage (based on dollars)	Estimated Dollar Value
Work Search Issues	9.7%	\$110,189,810
Separation Issues	1.8%	20,447,595
Benefit Year Earnings Issues	1.5%	17,039,661
Other Eligibility Issues	.7%	7,951,841
Other Issues	.7%	7,951,841
Base Period Pay Issues	.2%	2,271,955
Total	14.6%	\$165,852,703



Analysis of BAM Overpayment Error Rate

Cause	Percentage (based on dollars)
Work Search	9.7%
Separation	1.8%
Benefit Year Earnings	1.5%
Other Eligibility	.7%
Other	.7%
Base Period Pay	.2%
Total	14.6%

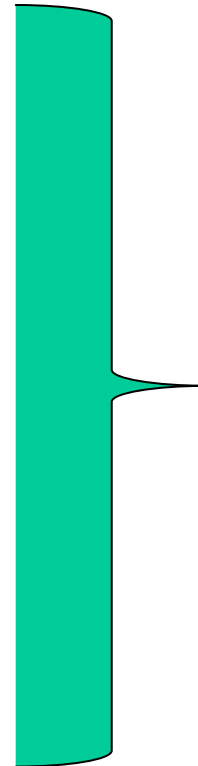


There are two main causes of these errors.



Analysis of BAM Overpayment Error Rate Work Search Errors by Type

- 4.6% *Job contacts via phone*
- 3.6% *Not enough information to confirm job contacts*
- 1.1% *No job contacts made*
- .4% *Other*



9.7%
Work Search Errors



VEC's Work Search Requirements

- *Claimant goes in person to employer to inquire about work but is told they are not hiring. Claimant provides information on contact to VEC and VEC confirms the contact - this is a proper payment.*
- *Claimant calls employer to inquire about work but is told they are not hiring. Claimant provides information on contact to VEC – this is an overpayment.*



Consideration of Work Search Requirements

- Work search errors significantly impact the overpayment error rate
- Work search requirements are inherently difficult to enforce
- Work search requirements vary greatly between states



Analysis of BAM Overpayment Error Rate

Cause	Percentage (based on dollars)
Work Search	9.7%
Separation	1.8%
Benefit Year Earnings	1.5%
Other Eligibility	.7%
Other	.7%
Base Period Pay	.2%
Total	14.6%

The two most common errors *after work search* are overpayments due to separation issues and benefit year earnings issues.



Overpayments Due to Separation Issues

- This type of overpayment occurs when the claimant says they lost their job due to no fault of their own, but VEC determines this is not correct
- VEC has procedures in place to prevent this type of overpayment
 - *Wage and Separation Notice is sent to employers when claimant applies for benefits to confirm reason for separation*



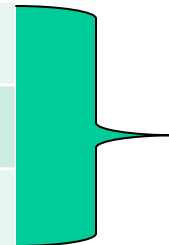
Overpayments Due to Benefit Year Earnings Issues

- This type of overpayment occurs when the claimant gets a new job and does not tell VEC
- VEC has several automated matches to help detect these overpayments
 - *New hire reporting match through the VA New Hire Reporting Center and U.S. Health and Human Services*



Analysis of BAM Overpayment Error Rate

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Other Eligibility	.7%
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Base Period Pay	.2%
Total	14.6%



There are various other errors that can occur that cause overpayments including administrative errors.



BAM Overpayment Operational Error Rate

- Labor also uses the BAM sample results to compute an operational overpayment error rate
- The operational rate takes out certain types of errors to allow better comparability among states
- The operational overpayment error rate for 2009 was 3.32%



BAM Overpayment Operational Error Rate

Operational Overpayment Rates for 2009

Delaware	6.39%
Maryland	7.07%
Pennsylvania	6.20%
Virginia	3.32%
West Virginia	2.19%

National Average – 4.91%



Overpayment Detection and Recovery



Overpayment Detection and Recovery

- Benefit Payment Control Unit is responsible for following up on potential overpayments
- This Unit completed 38,000 cases in 2010 and established \$40 million in overpayments
- The Unit is staffed to handle about half of its current caseload and has a backlog of cases for review



Overpayment Detection and Recovery

Benefit Payment Control Unit Activity as of September 30, 2010

Cases Outstanding at October 1, 2009	17,673
New Cases	42,095
Cases Completed	<u>(38,758)</u>
Cases Outstanding at September 30, 2010	<u>21,010</u>



Overpayment Detection and Recovery

- Code of Virginia requires individuals pay back benefits they improperly receive
- 2010 legislation gave the VEC more flexibility for recovery of overpayments due to administrative errors
- Over the last two years, VEC has recovered around 35% of overpayments established



Summary of Key Overpayment Statistics

	2009
Unemployment Benefits Paid (UI payments)	\$1,136,569,127
Estimated Overpayments (including work search requirement)	\$165,852,703
Estimated Overpayments (excluding work search requirement)	\$37,734,095
Overpayments Established	\$26,052,301
Overpayments Recovered	\$7,446,194



Observations and Conclusions



Observations and Conclusions

- VEC has a number of controls built into the eligibility determination process designed to prevent overpayments, but inaccurate or untimely information from claimants and employers can impact the effectiveness of these controls.
- VEC's ability to address overpayments may be limited due to funding issues, system limitations, and impacts on employers.



Observations and Conclusions

- Given that 2/3 of estimated overpayments are due to work search errors, there are several areas for consideration related to work search requirements:
 - *Work search requirements are inherently difficult to enforce. While VEC could implement procedures to verify weekly work search requirements, these procedures could be labor intensive, could affect the timeliness of benefits, and could impact employers.*



Observations and Conclusions

Work Search (continued)

- *VEC may want to review their adequate work search policy in light of current technology and hiring practices.*



Observations and Conclusions

- Although VEC has procedures in place to detect overpayments, increased caseloads have affected their ability to detect and recover overpayments. VEC could consider increasing staff in the Benefit Payment Control Unit to address the backlog in cases.
- VEC may want to consider developing some new methods for estimating and analyzing overpayments. BAM data is the only method currently used by VEC to estimate overpayments and it has some limitations.



Review of Unemployment Benefit Overpayments

Report is available at www.apa.virginia.gov