Unemployment Insurance Overpayments And Improper Payments In Six Major Metropolitan Areas

Prepared For
National Commission On Unemployment Compensation

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by

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MAY, 1981

ACKNOWLEDGEMENTS

This project could not have been initiated or maintained without the cooperation of many individuals. Without the strong support and encouragement of Dr. Raymond Munts during June-July, 1979, when the feasibility of even undertaking this study was being considered, the study never would have been initiated. In resolving our doubts about the desirability of undertaking such a large study under the time constraints that had to be imposed on this project, we also relied heavily on the advice of Mr. Robert Edwards (formerly Administrator for Unemployment Insurance, Employment and Training Administration), Dr. Daniel Hamermesh (Michigan State University), Mr. Saul Blaustein (The W. E. Upjohn Institute for Employment Research), Dr. Steve Wandner (Unemployment Insurance Service, Employment and Training Administration), Dr. Robert Crosslin (Employment and Training Administration and formerly with the NCUC research staff), Father Joseph Becker (Georgetown University), Dr. Joseph Hight (Employment and Training Administration) and Dr. Arnold Katz (University of Pittsburgh). The assistance of Mr. Robert Goodwin of the NCUC research staff also was essential in the formative stages of the study. Both Dr. Munts and Mr. Goodwin have continued to offer essential assistance throughout the course of the study. Mr. Larry Burley (now deceased) of the Unemployment Insurance Service, Employment and Training Administration, also gave generously of his time and expertise in developing the project and in keeping the operational aspects of the study on proper course. Mr. Wayne Zajac of the U.S. Department of Labor and Mr. James Rosbrow of the NCUC efficiently administered the details of the contracts for the project.

It would not have been possible to properly design, implement and monitor this project without the support of Arizona State University. On very short notice, each of us was granted a one-half time reduction in our responsibilities in the Department of Economics at Arizona State University for the 1979-1980 academic year. We are especially grateful to Dr. Ryan Amacher, Chair of the Department of Economics, and to the College of

Business Administration for the administrative flexibility shown in quickly approving our requests for half-time leaves and for the strong support we have received throughout this study.

The objectives of this study could not have been met without the cooperation and support of the five State Employment Security Agencies that successfully completed this study. Special recognition is due to the UI Program Administrators in these five states for their integrity in making the decision to participate in this study, even though it focused on such a sensitive issue. The continuing support offered by these individuals throughout the study also is greatly appreciated.

Once the decision to initiate the project had been made, its successful completion depended largely on the outstanding efforts of the personnel assigned to this project in the participating states. The Project Supervisors in these states were: Ms. Florence Bade (Arizona); Mr. Ray Diaz, assisted by Ms. Carolyn Sperber (New York); Mr. David Murrie (Oklahoma); Mr. Patsy Fao (Pennsylvania); Mr. James Curtis and Mr. Jake Judd (Tennessee); and Mr. Evan Mattinson (Utah). Each of these Project Supervisors unselfishly shared their years of background and experience in unemployment insurance in support of this project. There is no doubt that the effective operation of the present study depended importantly on the efforts of these Project Supervisors, and we thank them for their outstanding contributions. Florence Bade of our home state deserves a special note of thanks for helping us formulate the original and revised plans for the study during the summer months of 1979.

At the very forefront of this project were the Field Investigators who professionally conducted the detailed verifications of benefit eligibility for the weeks of compensated unemployment selected for analysis. The dedication, expertise, cooperation, and enthusiasm of these investigators in carrying out their responsibilities, sometimes under difficult circumstances, was nothing short of amazing: Listed alphabetically, by state, these Field Investigators were: Arizona--Ms. Kris Garrison, Ms. Dorothy Perez and Ms. Jacquie Porterfield; New York--Ms. Judith Lewis, Mr. Vincent Mecca, Mr. Chris Phillips and Ms. Ellen Warmstein; Oklahoma--Mr. Terry McHale, Mr. Dewey Reeves

and Ms. Mary Ann Travis; Pennsylvania--Ms. Dorothy Feree, Ms. Grace Hatcher, Ms. Edna Wade and Mr. Edward Wuenstel; Tennessee--Mr. Jake Judd, Ms. Mary Turner and Mr. Philip Thompson; and Utah--Mr. Leroy Archibald, Ms. Sandra Arritola and Mr. Gerald Warner. We express our sincere appreciation to these Field Investigators for their outstanding work on this project.

We also acknowledge the important contributions made by the clerk/typists and programmers in the five states that successfully completed the project. Listed by state, these clerk/typists (listed first) and programmers (listed second) are: Arizona--Ms. Linda DePew and Ms. Gladys House; New York--Ms. Wilda Roldan and Mr. Emil Shenbaum; Oklahoma--Ms. Janet Emerson and Ms. Judy George; Pennsylvania--Ms. Jamie Bauer and Mr. Larry Punch; and Utah--Ms. Kathy Elkins and Mr. Mike Dodas.

Dr. Robert St. Louis, Manager of the UI Research and Reports Section of the Arizona Department of Economic Security, made substantial contributions in developing the experimental design for the study and in formulating appropriate statistical tests for the analysis of project data. Mr. Richard Porterfield, also of the Arizona UI Bureau, directed all of the data processing and programming activities for the study; his dedication and competence were vital for the successful completion of the project. Mr. Richard Morin and Ms. Lesley McTaggart, also of the Arizona UI Bureau, provided invaluable programming and data processing assistance; Ms. McTaggart also verified all of the empirical findings presented in this report.

Mr. A. V. Bryan of the Arizona UI Bureau supervised the one-week training session held in Park City, Utah in August, 1979. We thank him for his outstanding efforts, which were essential in providing project personnel with the training required for this project.

We are grateful to the staff of the Canadian Auditor General's Office (particularly Mr. Robert LaLonde) and to Clarkson, Gordon and Company for an intensive briefing provided to us on their methodology for estimating overpayments in the Canadian UI Program. Appreciation also is expressed to the other conference participants from the Auditor General's Office, Clarkson, Gordon and Company, and the Canadian UI program.

We also wish to thank Mrs. Lynnette Winkelman who expertly typed most of the materials for this study, including this report. Her expert assistance, patience and professional dedication merit special recognition and are greatly appreciated.

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SUMMARY AND RECOMMENDATIONS

An overview of the essential features of this study, a summary of the empirical findings and recommendations for documenting and reducing error rates in the unemployment insurance (UI) system are presented in this section. The technical details of experimental design and statistical inference are avoided in this summary. The presentation is designed for those who desire only a skeleton background on project methodology and operations, combined with a fairly complete summary of empirical findings and a full statement of the recommendations that are based on the insights gained from this study.

Essential Features of Project Design

The overview provided in this section includes brief summaries of: the objectives of the study; the scope and method of project design and operations; and the limitations of the study. A much more complete discussion of each topic is provided in the text of the report.

Objectives of the Study. Subject to several limitations set forth below, the principal objectives of this study were to:

(1) Estimate the rates of *detectable* overpayments and improper payments in each of six participating project cities during the fourth quarter of 1979 (1979.4) and the first quarter of 1980 (1980.1); underpayments were not estimated ;

(2) Provide a comparison of the *detectable* rate of overpayments found in this study for each city with the rate of overpayments established in the same city by routine state procedures;

(3) Provide a limited amount of information on the causes and types of the overpayments/improper payments found for the six cities combined.

(4) Provide estimates of the extent to which work registration requirements were satisfied in each project city;

(5) Summarize the findings of a survey of project personnel about specific problems related to the prevention and detection of overpayments; and

(6) Provide recommendations, where appropriate, for documenting and reducing overpayments and improper payments in the UI program.

The study focuses on estimating the *detectable* rate of overpayments because the *true* rate of overpayments (defined as the rate that includes *all* violations of UI law/policy, whether such violations are detected or not) cannot be determined by any study. The study was designed so that the *detectable* rate of overpayments estimated for each city would approximate as nearly as possible the *true* rate of overpayments in that city. To accomplish this goal, extremely well qualified state agency personnel were assigned to the project in each city and these persons were given virtually unlimited time to determine whether each week selected actually was properly paid according to the state's law/policy. Given the operational and organizational constraints under which this study had to operate, we believe the *detectable* rates estimated in this study approximate, as nearly as could be reasonably expected, the corresponding *true* rates in nearly all of the project cities.

Because the *detectable* rate of overpayments found in this study is compared with the *routine state* rate of overpayments, the latter concept also requires clarification. The *routine state* rate of overpayments is defined as the rate of overpayments detected in a specific city *solely* as a result of the routine state benefit payment control and investigative procedures in effect for that city. The *detectable* rate of overpayments for each project city was expected to exceed the *routine state* rate of overpayments for exactly the same population because the cases selected to estimate the *detectable* rate were *very thoroughly* investigated. The resource commitment for this study allowed each investigator to be assigned approximately three to five cases per week, in sharp contrast with the *much larger* number of cases routinely handled by state UI agency personnel. As a result, it should be emphasized that the investigative methodology used to estimate the *detectable* rate of overpayments in this study clearly was *not* designed as an appropriate "model" for routine state benefit payment control/investigative procedures.

Scope and Method. The study began in August, 1979 in the following seven metropolitan areas that were nonrandomly selected by the NCUC research staff: Buffalo, Nashville, Oklahoma City, Phoenix, Pittsburgh, the Queens Borough of New York City, and Salt Lake City. Nashville had to be removed from the study because of computer-related problems that were

not resolved by the Tennessee agency within the time framework of the study. Thus, the study results are based on the findings of the cases sampled in the remaining six cities during 1979.4 and 1980.1.

The population to which inferences were made on the basis of the sample cases selected was defined in terms of weeks of compensated unemployment, not UI claimants. Had *claimants* rather than *weeks of compensated unemployment* been sampled, the emphasis of the study would have been on determining the proportion of *claimants* who were overpaid or improperly paid during their unemployment spells or benefit years. The population could not be defined in terms of claimants, however, because the limited time framework for this study precluded the investigation of entire spells of unemployment or benefit years. Also, it very likely is not possible to conduct a continuing investigation to verify benefit eligibility of individual claimants over an extended period without causing many claimants to change their labor market behavior; the resulting overpayment/improper payment rates estimated for the sampled group then could not be appropriately generalized to the relevant population of all claimants. For these reasons, a sample of weeks of compensated unemployment (not claimants) was selected in each project city, and each of these "key" weeks was subjected to an intensive verification of benefit eligibility.

The benefit eligibility verification procedures were divided into two phases. The first generally encompassed all efforts to verify benefit eligibility *except* the postaudit procedures designed to detect unreported earnings, whereas the second phase involved a postaudit (if potentially relevant) of cases selected for investigation. The Phase I benefit eligibility verification procedures generally included the following:

(1) The project investigator conducted a "desk review" of UI agency files related to the claimant whose week of unemployment was selected for benefit eligibility verification;

(2) The claimant was interviewed in person to determine if the requirements of UI law/policy were met during the week of unemployment selected;

(3) Following the personal interview, the project investigator conducted a series of third-party verifications of the claimant's statements and certifications about his/her eligibility during the week selected;

(4) If no suspicious issues were uncovered, the Phase I investigation was terminated. In contrast, if any suspicious issues were uncovered, the investigation continued until sufficient documentation had been obtained to determine whether the week was properly or improperly paid.

At the close of the intensive review of benefit eligibility for a given week, it was necessary to classify the "status" of that week. A total of 13 mutually exclusive and exhaustive categories (provided in Appendix B) were utilized to define four different measures of *detectable* overpayments or improper payments:

(1) Measure 1 Overpayments. This category was utilized if an overpayment (or a voided offset) was established against the key week. Because claimants were formally notified of any Measure 1 overpayments/voided offsets, they had available to them the formal appeals process provided by state UI programs to dispute any decisions they believed were incorrect.

(2) Fraud Overpayments. This category encompasses those Measure 1 overpayments that were established as fraudulent overpayments. Although the specific legal language differs from state to state, willful misrepresentation of facts by the claimant to obtain benefits typically is the distinguishing characteristic of a fraudulent overpayment.

(3) Measure 2 Overpayments/Improper Payments. This measure includes all Measure 1 overpayments plus some "improper" payments. The latter include those cases in which disqualifying circumstances or behavior during the key week did *not* lead to formal UI agency action against the key week, but the continuation of identical circumstances/behavior in subsequent weeks *directly* led to the disqualification of the claimant from a subsequent week of benefits or to the establishment of an overpayment (voided offset) against a subsequent week. For such improper payments, the key week *itself* was classified as an improper payment for the purpose of this study, even though no formal UI agency action was taken against the key week. Because formal UI agency action was taken against one or more weeks of unemployment claimed or paid after the key week, however, claimants had the formal appeals process available to them to dispute any decisions they believed were incorrect for the improper payments included in this category.

(4) Measure 3 Overpayment/Improper Payments. This measure includes all Measure 2 overpayments/improper payments plus "other improper" payments. Most of these "other improper" payments were payments that, in the informed professional judgments of the Project Supervisor/Field Investigators in a given city, should *not* have been made according to their state's *written* UI law and policy, even though the UI agency

took no formal action against the key week (or any subsequent week) for the disqualifying circumstances or behavior detected by the project staff. It should be emphasized that these "other improper" payments were *not* subjected to the potential scrutiny of the formal appeals process because claimants were not officially informed by the UI agency of any potentially diqualifying issues for these weeks. Had the UI agency taken official action against these weeks, as recommended by the project staffs, some of these cases might have been appealed and reversed. A few of the "other improper" payments also were due to the existence of "finality" rules in state laws/policies that foreclose the possibility of the UI agency changing an incorrect decision after a given number of days, even if it is later discovered the original decision was wrong.

Classification criteria also were developed to tabulate various *types* and *causes* of overpayments/improper payments. The following six types of overpayments/improper payments were utilized: fraudulent; nonfraudulent claimant error; nonfraudulent employer error; nonfraudulent UI agency error; reversals or appeals; and uncertain. A total of 28 different categories were developed to classify causes of overpayments (see text Table 2). The six major cause categories were: unreported earnings in the key week; errors in reporting/recording key week earnings; errors in reporting/recording base period earnings; separation issues (e.g., voluntary quits); eligibility issues (e.g., no available for work); and other causes.

Limitations of the Study. In addition to the more general limitations inherent in virtually any study designed to estimate overpayment/improper payment rates, some specific limitations of the present study include the following:

(1) The results of this study can be appropriately generalized *only* to the specific populations of weeks of unemployment from which the samples in each city were selected. The rates of overpayments/improper payments *cannot* be utilized to develop statistical inferences for: (a) other local offices within the participating states; or (b) other metropolitan areas, states or regions.

(2) The study results do not provide statistically reliable estimates of overpayments/improper payments for detailed subgroups, classified by factors such as type of claim (UI vs. UCFE vs. UCX), intrastate vs. interstate-agent claims, or mail vs. non-mail claims.

(3) "Untimely" weeks of compensated unemployment were excluded from the populations from which the weekly samples were drawn. Although a relatively small proportion of all claims was excluded by this criterion, the excluded weeks probably were less likely

than the included weeks to have been overpaid because of the extra scrutiny that presumably accompanied the delays in paying at least some of the excluded weeks. Thus, the rates of overpayments/improper payments estimated for the "timely" weeks included in the study populations might be somewhat higher than the rates of overpayments that would have been estimated for the slightly larger populations that include "untimely" weeks.

(4) Because of time constraints, postaudit results could not be obtained and included in the *routine state* rates of overpayments estimated for 1980.1. As a result, the comparisons of the *routine state* and *detectable* rates of overpayments are based on results only for the 1979.4 study populations in each city.

(5) The comparisons of the *routine state* and *detectable* rates of overpayments are strictly valid only to the extent that the operation of this study did not significantly affect the routine state benefit payment control/detection activities in the participating offices. Although substantial efforts were made to ensure that the operation of this study did not influence (either positively or negatively) benefit payment control/investigative activities, the potential for some influence should be noted.

(6) The rates of overpayments/improper payments estimated in this study are measured both in terms of weeks of compensated unemployment and in terms of dollars of benefits paid. All rates of overpayments estimated for dollars of benefits paid are based *solely on* intrastate key weeks. Intrastate and interstate-agent key weeks both are included in the estimates for weeks of unemployment.

(7) Overpayment/improper payment rates may be subject to cyclical or seasonal variations that are not reflected in the empirical findings of this study because the findings are based on a two-quarter sampling period (1979.4 and 1980.1). Hence, inferences developed on the basis of these samples are strictly valid only for the study populations during these calendar quarters.

(8) From the outset of the study, it was agreed that all information related to overpayments/improper payments in any particular project city would be held in strict confidence. As a result, all of the empirical findings of this study are reported so as to prevent the identification of any particular project city with a particular rate of overpayments/improper payments. One result of this agreement is that certain findings cannot be reported because differences in claims loads and in employment security laws/policies among the cities could permit highly informed speculation as to which rates correspond to some project cities. Similarly, possible explanations for the differences in the overpayment/improper payment rates found among the project cities are severely constrained by this confidentiality requirement.

Major Empirical Results

The principal findings of this study are summarized below:

(1) The *detectable* rates of overpayments/improper payments estimated for the two-quarter sampling period (1979.4 and 1980.1) varied widely among the six project cities (see the Summary Table on the following page). Calculated for dollars of benefits paid, the Measure 1 and Measure 2 overpayment/improper payment rates ranged from 3.8 percent to 24.3 percent, whereas the Measure 3 rates ranged from 3.8 percent to 30.7 percent. Generally, the rates for weeks of compensated unemployment exceeded those for dollars of benefits paid.

(2) The estimated rate of fraudulent overpayments varied greatly among the participating project cities (see the Summary Table). Calculated for dollars of benefits paid, these rates ranged from 0.8 percent to 4.6 percent. These results indicate there is no apparent relationship between the levels of fraudulent overpayments and the levels of Measure 1 overpayments established in these particular cities.

(3) Improper behavior or circumstances detected for the key weeks investigated generally resulted in the establishment of overpayments/voided offsets against these key weeks in four of the six participating project cities investigated. In City 2, however, evidence of improper behavior or circumstances during the key weeks investigated often did *not* result in the establishment of overpayments/voided offsets against these key weeks, but rather resulted in the disqualification of these claimants from additional benefits (or in the establishment of overpayments or voided offsets against subsequent weeks that had been paid to them) in cases where such behavior or circumstances *continued* in one or more subsequent weeks. Hence, in City 2 formal agency action usually was taken on the basis of evidence of improper behavior or circumstances, even though such action was not always directed against the key week itself. In City 4, however, a very large difference was recorded between Measures 2 and 3; this indicates a strong divergence of viewpoints between the NCUC project staff and the UI agency as to what constituted improper behavior and disqualifying circumstances for the key weeks investigated. An intensive review by the authors of all of the City 4 case files produced the conclusion that each case currently coded as a Measure 3 overpayment/improper payment is based on substantive evidence that claimants did not meet the eligibility provisions of *written* UI law/policy in City 4, although in some cases others might disagree with this judgment. Hence, we believe the principal explanation for the large difference between Measures 2 and 3 for City 4 is that the UI agency did not take timely action to establish overpayments or to disqualify claimants from further benefits on the basis of substantive evidence of improper behavior and disqualifying circumstances.

SUMMARY TABLE

ESTIMATED DETECTABLE OVERPAYMENT/IMPROPER PAYMENT RATES[a]

Dollars of Benefits Paid[b]

City[c]	Measure 1	Measure 2	Measure 3	Fraud
1	3.8%	3.8%	3.8%	0.8%
2	8.6%	14.4%	16.8%	3.4%
3	13.3%	13.5%	13.5%	2.5%
4	16.7%	17.0%	30.7%	4.6%
5	16.8%	16.9%	17.2%	0.8%
6	24.3%	24.3%	27.4%	1.6%

Weeks of Compensated Unemployment[d]

City[c]	Measure 1	Measure 2	Measure 3	Fraud
1	5.1%	5.1%	5.1%	1.1%
2	10.0%	15.6%	18.6%	3.5%
3	13.4%	13.7%	13.7%	2.5%
4	15.8%	16.2%	28.5%	4.3%
5	25.5%	26.0%	26.2%	2.0%
6	31.0%	31.0%	34.4%	2.3%

[a]Source: Text tables 8,9,10,11 and Appendix Tables H-1,H-2 and H-3.

[b]Rates calculated for dollars of benefits paid include just intrastate key weeks.

[c]Cities are ordered from 1-6 on the basis of the estimated Measure 1 overpayment rates calculated for dollars of benefits paid.

[d]Rates calculated for weeks of compensated unemployment include both intrastate and interstate-agent key weeks.

(4) Analysis of the types of overpayments/improper payments detected in the six project cities combined reveals that just over two-fifths of those detected were due to claimant errors (see text Table 12). Agency errors accounted for between one-fourth and one-fifth of each measure of overpayments/improper payments, and employer errors accounted for just under one-tenth of each measure of overpayments/improper payments. Fraud accounted for about one-fourth of all Measure 1 overpayments detected in all project cities combined.

(5) Analysis of the causes of overpayments/improper payments detected in the six project cities combined indicates that eligibility issues accounted for between 42 and 52 percent of each measure of overpayments/improper payments for all cities combined (see text Table 13). Of these eligibility issues, the most frequent was the failure of claimants to actively seek work (where required) or their refusal of suitable work. Other important causes of the overpayments/improper payments found included separation issues (14-17 percent of each measure of overpayments/improper payments), errors in reporting/recording base period wages (12-14 percent of each measure), and unreported earnings during the key week (8-11 percent of each measure).

(6) Comparison of the *routine state* and the *detectable* rates of overpayments for 1979.4 for each project city, revealed that the *detectable* rate was significantly greater than the *routine state* rate for each project city (see text Table 15). In five of the six project cities, the *detectable* rate was *at least* four times larger than the *routine state* rate, and in one city the *detectable* rate actually was more than 40 times larger than the *routine state* rate. The findings suggest there may be no relationship in given local offices or UI jurisdictions between the rates of overpayments presently reported by state UI agencies to the Unemployment Insurance Service and actual *detectable* rates of overpayments.

(7) Almost all claimants who were required to register with the Job Service were in fact registered with the Job Service in half of the project cities (see text Table 16). In the remaining three cities, however, between 29 and 42 percent of those required to register with the Job Service were *not* properly registered. In contrast, in each of the project cities, all or nearly all claimants required to register with a union hiring hall in lieu of the Job Service were properly registered.

Survey of Project Personnel

The consensus opinions obtained from a survey of project personnel may contain some important insights into the difficulties confronted by local UI offices and mail claims centers in attempting to prevent or detect overpayments. The consensus perceptions of the project staffs in all of the original seven project cities may be summarized as follows:

(1) Most respondents believed that federal timeliness requirements, both for first payments and for issuing nonmonetary determinations, have *greatly reduced* efforts to prevent overpayments.

(2) Even though federal timeliness requirements for first payments and nonmonetary determinations are accompanied by either implicit or explicit quality standards, a substantial proportion of the respondents believed that these timeliness requirements are *not* commonly understood to include a quality standard.

(3) According to a large proportion of the respondents, the actual quality of the work performed by local office personnel in processing continued claims, and especially in making nonmonetary determinations, does not receive sufficient emphasis in the evaluation of local office personnel. Also, most respondents believed that *effective* programs do *not* exist in their states for *regularly* assessing the quality of work done in processing continued claims and in issuing nonmonetary determinations. Furthermore, the respondents did not believe that the results of federally-mandated quality appraisals of local office performance are *effectively* utilized to improve efforts to prevent or detect overpayments in local offices.

(4) The majority of respondents believed that little or no emphasis is placed on the prevention or detection of overpayments to intrastate claimants by local office personnel. Furthermore, this problem was thought to be even more serious for interstate-agent benefit payments.

(5) Most respondents believed that "permanent" local office personnel lack adequate training in the prevention and detection of overpayments. Almost all respondents believed that "temporary" or "seasonal" employees of local offices lack adequate training in the prevention and detection of overpayments. Most respondents also believed that additional training in the prevention and detection of overpayments would be an effective means of reducing overpayments on a continuing basis.

(6) A substantial majority of the respondents believed that an increase in the time allotted to local offices for processing continued claims and for issuing nonmonetary determinations clearly would increase efforts to prevent overpayments by local office personnel.

Recommendations

This study provides the first statistically reliable estimates of overpayments/improper payments in the unemployment insurance program. As emphasized throughout this report, the empirical findings relate specifically to the populations in the six metropolitan areas from which the sampled cases were drawn.

The statistical results of this study *can not* be generalized to other areas within the participating states, to other metropolitan areas or to other regions. Notwithstanding the limited scope of this study, however, some issues raised by it perhaps should be addressed by the UI system as a whole. Based on the specific results summarized above, combined with general insights obtained during the course of the study, the following recommendations are offered:

(1) Because statistically valid estimates of overpayments/improper payments are *not* provided by the reports now prepared by state agencies, it is necessary to obtain statistically reliable estimates of overpayment/improper payment rates in each UI jurisdiction. Such estimates are required to effectively monitor the large flow of benefit payments made by the UI system and to effectively determine the costs/benefits of possible solutions to any major problems discovered. To develop the estimates needed for effective management/control/evaluation purposes, it is recommended that a modified version of the methodology employed in this study be utilized. Pilot tests should be used to evaluate variations in methodology and to field test procedures on a statewide basis, however, before any single model is chosen for implementation on a national basis. The Unemployment Insurance Service and five state agencies already have initiated random audit pilot studies on a statewide basis; the experience gained from these five pilot tests should provide the basis for determining the type of operational program to implement in all UI jurisdictions, as well as the costs of operating such systems.*

Even though the samples drawn from each of the participating project cities were not large enough to permit the separate estimation of rates of overpayments/improper payments for interstate-agent claims, a substantial amount of "informal" evidence obtained during the study suggests that overpayments and improper payments may be an especially pronounced problem for interstate benefit payments. Accordingly, it is recommended that a major effort be initiated to determine more precisely the nature and magnitude of the problem of overpayments/improper payments within the interstate system.

**For background on the pilot studies currently in progress, see Paul L. Burgess and Jerry L. Kingston, "FY 1981 Pilot Tests for the UI Quality Control Program: General Overview," prepared for the Office of Program Management, Unemployment Insurance Service, Employment and Training Administration, Washington, D.C., October, 1980. For details on the procedures being employed in these studies, see UI Random Audit Program Bulletins 1-9, which also are available from the Office of Program Management, Unemployment Insurance Service.*

(2) Presently, the UI system confronts a serious problem in attempting to administer/enforce complex laws/policies with very limited resources. At least in most of the NCUC project cities during 1979.4 and 1980.1, we believe this situation contributed to the relatively high error rates found. A specific example of the errors that result under the present circumstances is that overpayments/improper payments due to inadequate work search efforts (or the refusal of suitable work) accounted for 28 percent of the Measure 1 overpayments found in the six project cities combined, even though one of the cities had no active work search requirement; moreover, this particular violation accounted for 39 percent of the Measure 3 overpayments/improper payments found in this study. It should be strongly emphasized that most of these work-search overpayments/improper payments undoubtedly could not have been prevented or found by local office personnel, given *existing* procedures and provisions of employment security law/policy, and the *very limited* amount of time available to local office personnel for verifying work search contacts. In fact, documenting the lack of work search contacts in this study took several hours per case for many of the cases investigated. Clearly, it would not be possible for an operating system to verify the complicated provisions of benefit eligibility, including work search contacts, for each claimant with anything even approaching the intensity devoted to each case in this study. Nonetheless, the findings of this study raise an issue that may be relevant for all UI jurisdictions. Because it is clear that the UI system never will receive the very large increment in resources actually required to routinely verify *all* facets of benefit eligibility (including work search contacts) for *all* claimants, some method should be found for improved administration/enforcement of these provisions with *existing* or somewhat increased resources.

One way to deal with this problem would be to implement and publicize a system for randomly selecting enough claimants on a routine and continuing basis for comprehensive benefit eligibility verifications, so that most claimants would satisfy the technical requirements of law/policy (or at least those provisions that could be verified in a comprehensive audit).* This procedure would be similar to the one effectively utilized by the Internal Revenue Service to induce voluntary compliance with complex tax laws. For the UI program to implement this recommendation with existing or somewhat increased resources, it would be necessary to reallocate existing resources so that very little effort would be expended in verifying the benefit eligibility of those *not* selected for audits. However, it seems likely that a higher degree of voluntary compliance with eligibility provisions could be achieved by such a system than

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**To effectively implement such a system in most UI jurisdictions probably would require that claimants keep accurate records of activity that relate to benefit eligibility (including actual work search contacts) during weeks when benefits are received. At least in these study cities, most claimants apparently had no such records.*

currently is achieved by the present system. This is the case because it presumably is well known by claimants that the possibility of a truly thorough verification of benefit eligibility is *extremely* small (and probably zero in many cases) in the present system. Thus, it could be argued that the level of voluntary compliance that exists in the current system is very likely due almost entirely to the basic honesty of most claimants and *not* to the possibility that a claimant might have to firmly document his/her benefit eligibility.

In evaluating the above proposal or any other suggestions that might be offered to achieve a higher level of voluntary compliance with the provisions of UI law/policy, it should be noted that it would be much easier to achieve *pro forma*, as opposed to *substantive*, compliance with eligibility provisions. For example, changes probably could be made to enforce *pro forma* compliance with work search requirements. In fact, such changes conceivably could have had the effect of eliminating many of the work-search overpayments/improper payments found in this study. However, it is much less clear that such changes would do much more than simply force claimants to produce verifiable work search contacts during each week of benefits. Though perhaps desirable in some cases, it seems doubtful that such changes actually would produce more meaningful work search activities and speedier returns to work by those with little interest in reemployment.

(3) The current emphasis (at both the federal and state levels) on timeliness for processing initial/continued claims and issuing nonmonetary determinations should be tempered in some manner to give additional emphasis to the quality of work performed in processing claims and paying benefits. Techniques also should be developed to regularly provide accurate and comprehensive measures of the quality of work performed by local office personnel. At the moment, it is evident that the UI system as a whole tends to focus on rapid (rather than proper) determinations and payments. Such a one-sided emphasis on the rapid payment of benefits almost necessarily must create an environment that typically discourages, perhaps even penalizes, careful work. Although measures of program quality obviously will be much more difficult to develop than was the case for the present timeliness standards, we believe the UI system no longer can avoid this issue unless policy makers are willing to accept the relatively higher error rates that probably result from a system that mainly emphasizes the timeliness of payments and decisions. It also should be recognized that it may be impossible to greatly increase the emphasis on paying benefits properly, given existing resources, procedures and laws/policies, without reducing the emphasis on existing timeliness requirements and perhaps making significant changes in existing operations.

Given the current emphasis on rapidly paying benefits just discussed, existing administrative structures in some UI jurisdictions also may contribute both to high overpayment/improper payment

rates and to little emphasis on actually detecting the overpayments that do occur. These questionable administrative structures are those in which the supervisor(s) of a state's benefit payments control/investigative unit(s) report(s) directly to the supervisor in charge of benefit payments. This administrative framework results in a potential conflict of interest, since the same administrator is directly responsible for rapidly paying benefits and for detecting errors (overpayments) in those same benefit payments. It seems reasonable to assume that most administrators would be more concerned with meeting explicit timeliness standards for rapidly paying benefits than with meeting nonexistent (or at least ill-defined) standards for detecting/establishing overpayments and, more generally, controlling benefit payments. Also, some independence in the operation of the benefit payments control/investigative unit(s) probably is required, at least as a general principle, to create a work environment consistent with detecting suspected overpayments, establishing all overpayments actually found, and generally controlling benefit payments. Given these considerations, we believe the head(s) of a state's benefit payments control/investigative unit(s) should report directly to the operational administrator responsible for the state's UI program.

(4) We believe that additional training for local office (and mail claims center) personnel, particularly temporary or seasonal employees, in the prevention of overpayments would be an effective means of reducing overpayments on a continuing basis, especially if this training is combined with a restructured reward system that emphasizes the quality of work performed (as discussed in item 3 above).

In summary, we believe that it is extremely difficult to administer a state UI program, given existing procedures and resource levels, so as to promptly pay benefits and maintain low rates of overpayments and improper payments. Presently, the task of making the thousands of decisions (in the time allotted) that result in the equal treatment of persons in equal circumstances — a fundamental principle upon which any social program should be based — often may be compromised in the UI program. One of the recommendations above relates to obtaining additional, statistically reliable information on overpayments and underpayments in the UI program for both intrastate and interstate claims. Although that information is required to determine the exact nature and magnitude of the UI benefit payments control problem in each UI jurisdiction, it appears that, even before such studies are completed, the following actions should be given very serious consideration by the UI system as a whole:

- Existing resources could be reallocated so as to achieve a higher level of voluntary compliance, as discussed in detail in item 2 above.

- The present one-sided emphasis on rapidly processing and paying benefits could be reduced considerably and counterbalanced by an emphasis on properly paying benefits, as discussed in detail in item 3 above.

- The personnel evaluation system for pay raises and promotions could be revised to put a much stronger emphasis on properly processing claims and paying benefits, as discussed in detail in item 3 above.

- A modest increase in administrative funding levels would make it possible to provide better training for UI personnel, as discussed in item 4 above.

- The existing provisions of employment security law and policy could be modified and greatly simplified so as to permit a more error-free administration of state UI programs within current or somewhat increased administrative funding levels. This option forces policy-makers to confront directly the issue of simplifying law/policy so that state UI programs could be much more effectively administered within current or somewhat increased resource constraints. Although the process required to simplify law/policy undoubtedly would be a very painful one that would involve interactions among strongly conflicting viewpoints and political interest groups, we believe it would be very shortsighted to avoid this important issue.

INTRODUCTION

Any social insurance program should have a comprehensive set of controls to maintain the integrity of its payments system. The Unemployment Insurance (UI) program faces a particularly complicated task in monitoring its payments because of the issues involved in determining a claimant's initial and continuing eligibility for UI benefits. Factors that must be considered in determining benefit eligibility for each claimant typically include: (1) the cause(s) of the claimant's separation from prior employment; (2) the amount earned (and/or weeks of work) by the claimant in covered employment prior to unemployment; (3) the claimant's availability and ability to work; (4) whether the claimant actively seeks work (if required) while drawing benefits; and (5) the amount earned (or days worked) by the claimant while receiving benefits. In addition to the difficulty of accurately determining the above factors, the costs of determining benefit eligibility and the need to safeguard individual freedoms properly limit the procedures *routinely* utilized to monitor UI benefit payments.

The UI program is cooperatively administered by the federal government and 53 individual UI jurisdictions. Accordingly, provisions related to the prevention, detection and recovery of overpayments are found both in federal law/policy and in the employment security statutes/policies established by the individual UI jurisdictions. From the federal perspective, the Secretary of Labor has interpreted Section 3304(a) of the Internal Revenue Code to require that each UI jurisdiction administer its program so as to:[1] (1) detect overpayments due to willful misrepresentation by the claimant, as well as those due to agency or other errors; (2) prevent overpayments due to these causes; and (3) in certain circumstances, recover the amounts overpaid. To accomplish these objectives, both the Employment and Training Administration of the U.S. Department of Labor and individual UI jurisdictions have been allocated positions for controlling benefit payments.[2]

Public concern about how well the UI system actually accomplishes its objective of effectively controlling benefit payments has existed for many years,[3] but several factors probably have increased this concern in the last decade. For example, the onset of a major recession in 1975 placed a

large burden on the UI payments system, particularly given that full benefits were paid to some workers for periods of up to 65 weeks. Moreover, the imposition of certain federal "timeliness" requirements for promptness in making first payments and issuing nonmonetary determinations probably had the unintended effect of reducing the emphasis on payment accuracy.[4] It also may be that the trends shown in Table 1 increased concerns by some observers about potential abuse of the UI system. Whether the increase in the rates of overpayments (and particularly fraud overpayments) from FY 1976 to FY 1980 reported in Table 1 was due primarily to improved detection efforts, to increased emphasis on overpayments (or fraud) detection, to changes in claims loads, or to higher *true* rates of overpayments, these trends probably have heightened concern about the effectiveness of benefit payment controls within the UI program.[5] Public apprehension about fraud and overpayments in the UI program also undoubtedly was increased during the past decade by the media.[6]

Increased Congressional concern about overpayments and fraud in the UI program, possibly in response to factors such as those discussed immediately above, may have contributed in part to the creation of the National Commission on Unemployment Compensation (NCUC).[7] Although the agenda for this Commission encompassed many different facets of the total UI program, a considerable emphasis was placed on the study of UI fraud and overpayments. This study was designed and implemented as a major aspect of the Commission's response to these Congressional concerns about the effectiveness of the procedures for controlling benefit payments within the UI program. The preliminary research design and suggested operational procedures for this study were analyzed in a series of discussion papers during the summer months of 1979.[8] Also, during that period, procedures were developed to effectively administer project activities, and project personnel were selected and trained.[9]

The major purpose of this study was to determine the rates of UI overpayments in selected cities during two calendar quarters. Hopefully, the evidence obtained will provide at least a partial basis for evaluating the concerns discussed above about potential abuse of the UI program. To accomplish the major purpose of the study and other objectives discussed below, an intensive review of a sample of weeks of compensated unemployment was conducted to determine whether claimants actually were eligible to receive

TABLE 1

SELECTED ADMINISTRATIVE DATA ON BENEFIT PAYMENT CONTROL ACTIVITIES IN STATE PROGRAMS: FY 1976 AND FY 1980

Classification	FY Ending June 30, 1976	FY Ending June 30, 1980	% Change
Total Overpayments (millions of $)	101.0	135.4	34.1
Total Benefit Payments (millions of $)	13,195	12,124	- 8.1
Total Overpayments as a Percentage of Total Benefit Payments (%)	0.77	1.12	45.5
Number of Overpayment Cases	699,165	683,330	- 2.3
Number of Fraud Cases	103,306	175,722	70.1
Total Fraud Overpayments (millions of $)	32.3	52.8	63.5
Number of Nonfraud Cases	595,859	507,608	-14.8
Total Nonfraud Overpayments (millions of $)	69.0	82.6	19.7
Recoveries as a Percentage of Total Overpayments (%)	48.68	51.51	5.8
Number of Convictions as a Percentage of Prosecutions Recommended (%)	64.64	44.41	-31.3

Source: Office of Program Management, Unemployment Insurance Service, Employment and Training Administration, U.S. Department of Labor, November, 1980.

the benefits paid to them during October, 1979 through March, 1980 in each of the following seven metropolitan areas: Buffalo, Nashville, Oklahoma City, Phoenix, Pittsburgh, the Queens Borough of New York City, and Salt Lake City. Severe computer-related problems encountered in the Nashville test site made it impossible to ensure that a valid sample had been selected for this study in that city. Because the selection of a valid sample in each area was required to obtain meaningful results, it was necessary to eliminate Nashville from this study.[10] The study was, however, successfully completed in the remaining six project cities. The organizational structure for the study's operation in these six cities is provided in Appendix A. Because the NCUC had to complete its report to Congress during the summer months of 1980, whereas this final report was not scheduled for completion until January of 1981, an interim report--*Estimating Overpayments and Improper Payments in the Unemployment Insurance Program*[11]--was prepared and distributed to Commission members at the end of April, 1980.[12]

OBJECTIVES OF THE STUDY

Subject to several limitations discussed below, the principal objectives of this study were the following:

(1) To estimate the rates of *detectable* overpayments and improper payments in each city included in the project;[13]

(2) To provide a comparison of the rates of *detectable* overpayments estimated for each city with the rates of overpayments found in the same cities by routine state benefit payment control procedures;

(3) To provide a limited amount of information on the causes and types of the overpayments/improper payments for the composite six-city population;

(4) To provide estimates of the extent to which work registration requirements were satisfied in each project city;

(5) To summarize the findings of a survey of project personnel about specific problems related to the prevention and detection of overpayments; and

(6) To provide recommendations, where appropriate, based upon the study results.

True, Detectable and Routine State Rates

The primary focus of the study from the outset was to estimate the *detectable* rates of overpayments/improper payments in each of the specific city populations encompassed by this study [item (1) above], and to compare these *detectable* rates of overpayments with the estimated rates of overpayments uncovered through routine state operations for the same populations [item (2) above]. It should be emphasized strongly that the study was *not* designed to estimate the overall error rate in the payment of UI benefits, where the error rate is defined to include underpayments as well as overpayments.[14]

Because the *detectable* rate of overpayments is emphasized throughout this report, the differences between this rate and the *true* rate of overpayments should be clearly identified. The *true* rate of overpayments is defined as the rate that includes *all* violations of written law and policy in a particular state, whether or not these violations actually are detected. Because UI benefits always are paid for a week of unemployment that already has been completed, the benefits paid in any given week are for a week of unemployment that occurred one or more weeks earlier. Since it is neither operationally feasible nor desirable to monitor the behavior of *potential* claimants before they file for benefits, any study designed to estimate the *true* or *detectable* rates of overpayments/improper payments must be based on *ex post* efforts to determine the *actual* eligibility of claimants who already have been paid benefits for an earlier week. Moreover, any study designed to verify benefit eligibility must be undertaken within the constraints of employment security laws and policies, and these policies properly limit the extent to which an individual claimant's activities can be investigated to determine if UI benefits have been paid properly. Thus, any study could detect, at most, some subset of all *true* overpayments.

To minimize the gap between the *true* and the estimated *detectable* rate of overpayments, it is necessary to: (1) place essentially no limits on the investigative time allowed to complete any case selected for study; (2) minimize the lag between the payment and investigation of the weeks selected; (3) assign the most qualified and diligent personnel available to the cases selected; and (4) provide investigators with any needed supportive services

and ready access to all agency information on the claimants selected.[15] As a generalization, it appears that these conditions were met in this study to the maximum extent realistically possible in nearly all project cities, particularly given the operational/organizational constraints within which this study necessarily had to operate. Thus, the rates of *detectable* overpayments estimated in this study very likely represent the highest *detectable* rates of overpayments that realistically could have been found in nearly all project cities. At the same time, it should be emphasized that the very intensive reviews of benefit eligibility for this study were conducted completely in accord with the written employment security law and policy of each participating state. There never was any attempt, for example, to inflate the *detectable* rate by encouraging project personnel to be overly stringent in interpreting/applying written state law/policy. Rather, the emphasis was on *properly* interpreting/applying state law/policy and on *thoroughly* investigating each case selected.

The *routine state* rate of overpayments is defined for this study as the rate that is found for a particular population as a result of routine state procedures for controlling benefit payments (including any special investigations conducted for that population as a result of normal state operations). The above discussion on the differences between the *true* and *detectable* rates of overpayments should make it clear why the *detectable* rates estimated in this study should be higher than the *routine state* rates of overpayments recorded for the same populations. The major reason is that the cases selected for this study were very thoroughly investigated, according to a general procedure described below, to determine whether benefits had been properly paid. In sharp contrast with this study, individual UI jurisdictions do *not* have unlimited time and resources to conduct such investigations. In an operational program, it obviously would be neither necessary nor desirable to scrutinize each payment to the degree done for this study. In addition, the minimum qualifications and experience levels for the personnel assigned to this project were far higher than the minimums for local office personnel. Moreover, the staff for this project had much stronger support and oftentimes had access to more agency information than was the case for the local office workers who processed the payments investigated.

The differences expected in the *detectable* rates estimated in this study and the *routine state* rates for the same populations discussed above hope-

fully clarify the point that the NCUC study methodology was *not* intended as a "model" for routine payment control procedures in state UI programs. Indeed, the level of resource commitment for the NCUC study was much, much greater on a per case basis than ever could be justified on a benefit/cost basis for each payment made, because a major objective of this study was to obtain estimates of *detectable* rates of overpayments that approached as nearly as possible the *true* rates of overpayments for the study populations.

Causes of Overpayments/Improper Payments

The six basic categories developed to classify the causes for the overpayments and improper payments found in this study are presented in Table 2. Overpayments/improper payments due to unreported earnings during the week under investigation and those due to errors in reporting or recording earnings for that week were included in Categories A or B in Table 2. In four of the participating project cities, weekly UI benefits are reduced dollar for dollar for each incremental dollar earned, after some minimum "forgiveness" level, up to the maximum weekly benefit amount. In the two New York cities, the reduction in UI benefits for a week depends on days of work, rather than on dollars earned. Overpayments or improper payments that resulted from errors in reporting or recording base period earnings/employment were included in Category C of Table 2.

Subject to the possibility of quitting a job for "good cause" and the provisions found in some state laws/policies that relate to "compelling personal reasons" for leaving employment, UI claimants found to have voluntarily quit their last jobs or those discharged for cause typically are denied benefits. Overpayments or improper payments that resulted from these separation issues were included in Category D of Table 2.

In all of the participating states, claimants are required to be able and available for work, and they must not refuse suitable work to meet benefit eligibility requirements. All of the participating states, except Pennsylvania, also have formal work search requirements. Overpayments and improper payments that resulted from the failure to satisfy these eligibility requirements were included in Category E in Table 2. A residual category (F) was utilized for any overpayment or improper payment that could not be classified in one of the other categories provided in Table 2.

TABLE 2

CLASSIFICATION OF THE CAUSES OF OVERPAYMENTS/IMPROPER PAYMENTS

A. Unreported Earnings in the Key Week From:[a]

1. Self-employment
2. Commission sales
3. Concealed employment
4. Other

B. Errors in Reporting or Recording of Earnings in the Key Week Due To:[a]

5. Reporting of net vs. gross earnings
6. Underestimation of earnings
7. Earnings reported when paid rather than when earned
8. Wages that were reported but not deducted from benefits
9. Over- and under-reporting of earnings
10. Other

C. Errors in Reporting or Recording of Earnings for the Base Period Due To:

11. Earnings incorrectly reported by employers
12. Earnings incorrectly recorded by the UI agency
13. Incorrect estimation of base period earnings
14. Other

D. Separation Issues Due To:

15. Voluntary quits
16. Discharges for misconduct
17. Other causes

E. Eligibility Issues Related To:

18. Ability to work
19. Availability for work
20. Active job search
21. Refusal of suitable work
22. Other

F. Other Causes Due To:

23. Benefits paid during a period of disqualification, even though a stop-pay order should have been in effect
24. Reversals (appeal or higher authority)
25. Redetermination (at deputy level)
26. Back pay award
27. Reporting requirements
28. Other

[a] In one of the states involved in this study (New York), the law applies to unreported days of work, rather than to unreported earnings.

Types of Overpayments/Improper Payments

The different types of overpayments/improper payments identified in this study include: (1) fraudulent overpayments; (2) overpayments/improper payments due to (nonfraudulent) errors by claimants; (3) overpayments/improper payments due to (nonfraudulent) errors by employers; (4) overpayments/improper payments due to (nonfraudulent) errors by UI agency personnel; (5) overpayments established as a result of appeals procedures or higher level reviews; and (6) cases in which the exact type of overpayment/improper payment could not be clearly identified. Each of these categories is discussed briefly below.

Under the provisions of UI law and policy in the participating states, fraud overpayments are established only when there is evidence of a willful attempt on the part of the claimant to falsify statements or certifications for the purpose of receiving UI benefits. Often, legal action accompanies the establishment of a fraud overpayment.

Overpayments also arise as a result of errors that occur in the process of determining both the claimant's eligibility for benefits and the amount of benefits to which the claimant is entitled. Because claimants, the employers and the UI agency are involved in the process that ultimately results in the payment of UI benefits, overpayments or improper payments could result from errors made by any one or any combination of these parties. Claimant errors could occur on availability issues, for example, because claimants erroneously failed to report to the UI agency that they were ill or on vacation during a week for which a claim was filed and paid. Employers could make errors, for example, in reporting base period wages to the UI agency. An error committed by UI agency personnel that resulted in an overstatement of base period earnings would be an example of an agency error that could result in an overpayment. When a nonfraudulent overpayment/improper payment was due to errors by more than one of the three parties involved in the process, the informed judgment of the project staff in each city as to the primary source of the error was accepted in the final coding of project data. In some instances, however, it was not possible to identify clearly the principal source of error for a nonfraudulent overpayment or improper payment. If sufficient information for an informed judgment as to the primary source of the error was not available (and could not be obtained), the overpayment/improper payment type was classified as "uncertain."

Some overpayments are established as a result of the appeals process or review of cases by higher level authorities within the UI agency. If a higher level review resulted in the disqualification of a week of unemployment for which compensation already had been paid, an overpayment would be established for that particular week. A separate category was utilized for overpayments established because of appeals or higher level reviews.

Work Registration Requirements

UI claimants typically are required to register for work, either with the Job Service or with a union hiring hall. To determine whether these work-registration requirements were satisfied for the weeks of unemployment encompassed by this study, information was obtained from each project city on the percentage of study group key weeks during which claimants were properly registered (as required by state law/policy) with the Job Service or a union hiring hall in lieu of the Job Service. Based on this information, the proportion of each study city's population that was not properly registered for work was estimated.[16]

Project Survey

During the course of this study, it became apparent that a number of issues related to preventing and detecting overpayments/improper payments were similar among the participating states. As a result, a questionnaire was developed to obtain the perspectives of all Project Supervisors and Field Investigators on preventing and detecting overpayments.[17] This questionnaire focused on the following topics: (1) the impact on benefit payment control procedures of federal timeliness requirements for first payments and for nonmonetary determinations; (2) the emphasis placed on the prevention and detection of overpayments in local UI offices; (3) training for local office personnel on preventing and detecting overpayments; (4) the emphasis placed on the prevention and detection of overpayments to intrastate vs. interstate-agent claimants; and (5) the perceived impact on benefit payment control activities of providing additional resources to local office/mail claims center operations. The findings of this survey were expected to provide useful insights about some of the basic problems encountered in attempting to prevent and detect overpayments.

METHODOLOGY FOR VERIFYING BENEFIT ELIGIBILITY

The essence of the methodology used to obtain estimates of the *detectable* overpayment/improper payment rates for this study was to make a comprehensive determination as to whether each of the weeks in carefully selected samples of weeks drawn during the fourth quarter of 1979 (1979.4) and the first quarter of 1980 (1980.1) was properly paid.[18] The verification of benefit eligibility for each of these sampled weeks of compensated unemployment--denoted as key weeks in this study--occurred in two distinct phases. Phase I activities included all efforts to verify benefit eligibility, *except* the postaudit procedure (discussed below) for detecting unreported earnings and any other issues uncovered by the postaudit procedure. The substance of the Phase I verification of benefit eligibility typically included, but was not restricted to, the following steps:

(1) The claim record card and a printout of the UI activity for the current spell of unemployment were obtained and carefully reviewed by the investigator assigned to each key week.[19]

(2) The claimant was contacted and given an appointment for a personal interview. Normally, this interview was scheduled as soon as possible after the key week was selected in the sampling process.

(3) After a careful review of all agency records, the investigator conducted a personal interview with the claimant to determine if the requirements of employment security law and policy were followed during the week of unemployment for which compensation was claimed. (Earlier weeks in the unemployment spell also were scrutinized to determine if prior violations of law or policy had occurred that would disqualify the claimant from benefits during the key week under investigation.)

(4) Following the personal interview, the project investigator typically conducted a series of third-party verifications to substantiate relevant material facts relating to the claimant's eligibility for benefits.

(5) In determining whether valid payments had been made according to state law/policy, contacts with some of the following usually were made, depending on the particular circumstances of each case:

   (a) separation employers;
   (b) base period employers;
   (c) work search/job referral and other employers;

(d) babysitters or others who might have provided care for the claimant's dependents;
(e) school directories and other enrollment lists for academic and occupationally related schools or training programs;
(f) hospitals or physicians;
(g) industrial commissions and licensing agencies;
(h) social service agencies;
(i) the Job Service and other employment agencies;
(j) unions;
(k) other contacts, as appropriate, such as friends or coworkers.

(6) If no suspicious issues were uncovered in the review of agency records, during the personal interview, or in the process of obtaining third-party verifications, Phase I investigations were closed. In contrast, if any suspicious issues were uncovered, the investigations continued until all suspicious issues had been resolved, or until sufficient documentation was available to establish whether the key weeks selected had been properly paid.

The process in (6) above perhaps deserves additional emphasis. In contrast with the routine monitoring of benefit payments by state agencies, sufficient resources were allocated to the NCUC project to ensure that cases were not closed simply because of insufficient time. Indeed, during each week of the study period in each city, only about 10 compensated weeks of unemployment were selected for intensive review and eligibility verification. Since the number of full-time Field Investigators normally assigned to these cases was two in two cities, three in three cities and four in one city, it was possible to conduct very thorough investigations of each sampled week before making a determination as to whether each week had/had not been properly paid.[20]

The Phase II portion of the verification of benefit eligibility was designed to determine whether any claimants in the study group failed to report earnings/employment, as required by employment security law, during the key weeks investigated. This phase was accomplished by conducting a "postaudit" of each week of compensated unemployment selected for investigation.[21] The basic approach was to determine whether any study group claimant had earnings during the key week from any employer who reported earnings during the calendar quarter that included the key week investigated. Because it is a violation of the employment security laws in these states to receive UI benefits for a week without reporting earnings (or days at work) during the same week, any overpayments of this type found for the key weeks investigated then were established. Any other overpayments (e.g.,

those due to separation issues) found during the postaudit process also were established as a part of this study (if such overpayments included the key week). It should be noted that an inherent limitation of the postaudit procedure is that unreported earnings in the "cash economy" cannot be detected by examining the earnings reported by covered employers. Unfortunately, it is not possible to determine with any degree of precision how important unreported earnings in the "cash economy" might be for the study group or for UI recipients as a whole.

CLASSIFICATION OF KEY-WEEK STATUS

Once the intensive review of benefit eligibility described in the prior section had been completed, it was essential that the payment status of each key week investigated be accurately classified. The importance of accurately classifying the payment status of each week stems from the fact that this information constituted the basis for the empirical estimates of the rates of overpayments and improper payments presented in this report. Accordingly, a mutually exclusive and exhaustive schema for classifying the status of each key week was developed. On the basis of these key-week status categories, the following four measures of overpayments and improper payments were developed for this study.[22]

Measure 1 Overpayments

This category was utilized if the key week was disqualified and an overpayment was established against the key week (or an offset for the key week was voided).[23] Because claimants were formally notified of any Measure 1 overpayments established (or offsets voided), they had available to them the formal appeals process to dispute any decisions they believed were incorrect for all weeks included in this category.

Fraud Overpayments

This category encompasses those Measure 1 overpayments that were established as fraudulent overpayments. Although the specific legal language differs from state to state, willful misrepresentation of facts by the claimant to obtain benefits typically is the distinguishing characteristic of a fraudulent overpayment.

Measure 2 Overpayments/Improper Payments

This category includes all overpayments in Measure 1 (above) plus some "improper payments." The "improper payments" included are those in which disqualifying circumstances or claimant behavior during the key week did *not* lead to formal UI agency action against the key week, but the continuation of identical circumstances/behavior in one or more subsequent weeks did *directly* lead to the disqualification of the claimant from a subsequent week of benefits or to the establishment of an overpayment (voided offset) against a subsequent week. For such improper payments, the key week *itself* was classified as an improper payment for the purpose of this study, even though no formal UI agency action was taken against the key week. Because formal agency action was taken against one or more weeks of unemployment claimed or paid after the key week, however, claimants did have the formal appeals process available to dispute any decisions they believed were incorrect for the improper payments included in this category.

Measure 3 Overpayments/Improper Payments

This category includes all overpayments and improper payments in Measure 2 above plus "other improper payments." Most of these "other improper payments" were key-week payments that, in the informed professional judgments of Project Supervisors/Field Investigators, should *not* have been made according to written UI law/policy, even though the UI agency took no formal action against the key week (or any subsequent week) for the disqualifying circumstances/claimant behavior detected by the project staffs. It should be emphasized that these "other improper payments" were not subjected to the potential scrutiny of the appeals process, because claimants were not officially informed by the UI agency of any potentially disqualifying issues for these weeks. Had the UI agency taken official action against these weeks, as recommended by the project staffs, some of these cases might have been appealed and reversed.

An additional type of "other improper payment" included in Measure 3 in a very few instances arose because of "finality" rules in state laws/policies. In some cases, these finality rules foreclose the possibility of the UI agency changing an incorrect decision or issuing a reconsidered determination after a given number of days have elapsed (e.g., 14 or 21 days) since the original

determination was issued, *even* if it is discovered subsequently that the original decision was *wrong*. In general, such decisions can be changed only if *new* evidence that was not available for the original decision (and that could materially affect the original decision) is presented; to point out the fact that the original decision was wrong in terms of the evidence originally available does not constitute new evidence. The purpose of these rules is to protect claimants from the possibility of being subjected to changing eligibility interpretations on the basis of the same set of facts for a given week. According to the informed professional judgments of the project staffs for this study, some payments were made for key weeks in which claimants actually were not eligible for benefits (as defined by written UI law/policy) on the basis of information originally utilized for a nonmonetary determination, but that information was used *incorrectly* to find claimants eligible for key-week payments. Because of "finality" rules in state laws/policies, the few payments in this category technically are defined as "proper" payments by state laws/policies, but these payments are classified as Measure 3 overpayments/improper payments in this study.

SITE SELECTION CONSIDERATIONS

An "ideal" study of overpayments or improper payments in the UI program would include all 53 UI jurisdictions, because important differences in the employment security laws and policies of these UI jurisdictions make it impossible to select a sample of UI jurisdictions that would represent accurately the population of all UI jurisdictions. The time and resource constraints for this study made it impossible to even approach this ideal. Furthermore, given that the NCUC could not randomly select states for required participation in this study, the states and cities that participated were chosen nonrandomly by the research staff of the NCUC.[24] As noted earlier, the cities included were Buffalo, Oklahoma City, Phoenix, Pittsburgh, the Queens Borough of New York City and Salt Lake City. The participating local UI offices in each of these cities, with the exceptions of Phoenix and the Queens Borough, typically processed claims for all individuals who filed for benefits within their respective "city-proper" boundaries during the study period.[25] In Phoenix, the local UI offices included typically processed all claims filed within the entire

Phoenix metropolitan area during the study period. In Queens, the included office processed only a portion of all claims filed in that Borough. The participating cities represent a diverse assortment of major metropolitan areas in terms of size, location, sociodemographic composition, economic structure and UI law/policy. Some important UI characteristics of the five participating states are summarized in Table 3.

Selected information on claims flows and benefit payment control activities in the participating states during FY 1980 is provided in Table 4. The size of the claims loads in these states varied widely. For example, during FY 1980, over 600,000 first payments were made in New York and Pennsylvania, compared with only about 40,000-60,000 first payments in Utah, Oklahoma and Arizona. The first payments made by the five participating states combined represented about 16 percent of the total first payments made by all UI jurisdictions during FY 1980. In terms of total overpayment cases (including both fraud and nonfraud overpayments) detected per 1,000 first payments, only Arizona had a lower rate of detected overpayments (68 per 1,000 first payments) than that recorded for all UI jurisdictions combined (74 per 1,000 first payments). The other participating states had rates of detected overpayments that ranged from 75 per 1,000 first payments in Oklahoma to 120 per 1,000 first payments in New York.

The distribution of total overpayment cases between the fraud and nonfraud categories also differed substantially among the participating states (see Table 4). In Pennsylvania, fewer than one in twenty-five of all overpayments established during FY 1980 were classified as fraudulent, whereas one-third or more of all cases established as overpayments during the same year in Oklahoma, Arizona and Utah were classified as fraudulent. The percentage of total overpayment cases established as fraudulent in New York (26%) was nearly identical to the average for all UI jurisdictions during FY 1980.

Overall, the information reported in Tables 3 and 4 indicates that the states participating in this study had a diverse set of UI characteristics. States with quite different benefit formulas, eligibility requirements, claims loads, and detected rates of overpayments were included in the study.

TABLE 3

SELECTED ASPECTS OF EMPLOYMENT SECURITY LAW/POLICY
IN PARTICIPATING STATES

Characteristic	Arizona	New York	Oklahoma	Pennsylvania	Utah
Dependents Allowance	No	No	No	Yes	No
Waiting Week	Yes	Yes	Yes	No	Yes
Minimum WBA	$ 25	$ 25	$ 16	$ 13	$ 10
Maximum WBA[a]	$ 90	$125	$116	$143	$137
Weekly Earnings Forgiven	$ 15	NA[b]	$ 7	$ 6[c]	30% of WBA
Able to Work	Yes	Yes	Yes	Yes	Yes
Available for Work	Yes	Yes	Yes	Yes	Yes
Active Job Search	Yes	Yes	Yes	No	Yes
Wage Reporting	Yes	No	Yes	Yes	No
Base Period is 1st 4 of Last 5 Completed Calendar Quarters	Yes	No[d]	Yes	Yes	Yes

Source: *Handbook for Interstate Claims Taking*, Unemployment Insurance Service, U.S. Department of Labor. These provisions were in effect as of October, 1979, when the first sampled weeks for this study were selected.

[a]Excluding dependents allowances.

[b]In New York, there is no specific dollar amount forgiven, since reductions in the WBA due to employment are based on days worked (not dollars earned).

[c]The maximum of 40 percent of the WBA or $6.

[d]The base period in New York is defined as the 52-week period immediately prior to the filing of a valid original claim that opens a benefit year.

TABLE 4

SELECTED ADMINISTRATIVE DATA ON BENEFIT PAYMENT CONTROL ACTIVITIES FOR ALL UI JURISDICTIONS COMBINED AND PARTICIPATING STATES: FY ENDING JUNE 30, 1980

UI Jurisdiction	Total Number of First Pays[a]	Total Number of Fraud Cases	Total Number of Over-Payment Cases	Total Overpayment Cases/ 1000 First Pays	Total Fraud Cases As a Percent of Total Overpayment Cases
All jurisdictions	9,253,718	175,722	683,330	73.8	25.7
Arizona	59,409	1,387	4,008	67.5	34.6
New York	617,282	19,206	74,031	119.9	25.9
Oklahoma	50,166	1,371	3,758	74.9	36.5
Pennsylvania	696,512	2,263	57,989	83.3	3.9
Utah	41,456	1,476	4,434	107.0	33.3

Source: Office of Program Management, Unemployment Insurance Service, Employment and Training Administration, U.S. Department of Labor, November, 1980.

STATISTICAL DESIGN

The statistical design of the study is discussed in this section. The population sampled in each project city is defined, the operational procedures for selecting the cases for investigation are described, and the design levels of statistical reliability utilized to determine the minimum sample size for each city are discussed. The procedures for selecting certain *nonsampled* weeks from the study populations for the purpose of determining the *routine state* rates of overpayments for the study populations also are described.

The Study Populations

For the purposes of this study, the populations to which inferences are made on the basis of sample evidence are defined in terms of weeks of compensated unemployment, rather than in terms of UI claimants. The major reason for defining the populations in this way is that it makes it possible to verify benefit eligibility for single weeks of unemployment *without* investigating an individual's entire spell of unemployment or entire benefit year. Had claimants (rather than weeks of unemployment) been sampled, the emphasis of the study would have been on determining the proportion of *claimants* who were overpaid or improperly paid during their unemployment spells or benefit years. This approach *was not* adopted for the present study primarily for two reasons. First, the limited time framework within which this study had to be completed precluded the investigation of entire spells of unemployment or entire benefit years. Second, it very likely is not possible to conduct a continuing investigation to verify the benefit eligibility of individual claimants over a period of many weeks without claimants becoming aware that their actions are being scrutinized; because of such prolonged investigations, some claimants surely would change their labor market behavior, and the resulting overpayment rates calculated for the sample group then could *not* be appropriately generalized to the relevant populations of claimants.

The weeks of unemployment in each project city had to meet both a "compensable" and a "timely" definition to be included in the populations for this study. Compensable weeks were defined as: (1) "waiting" weeks (for states with a waiting week requirement);[26] (2) total offset weeks (weeks in which benefits would have been paid but were offset because of a prior overpayment or accounting error earlier in the claims period); and (3) weeks for

which a full or partial benefit check actually was issued to the claimant. Disqualified weeks that were claimed *but not paid* were excluded from these populations since overpayments could not result for such weeks. Because the effectiveness of any attempt to verify benefit eligibility for a specific week of unemployment likely declines as the time period between the week to be investigated and the beginning of that investigation lengthens, only weeks that were paid on a "timely" basis were included in the populations for this study. The definition of a "timely" week of compensated unemployment for this study was that the pay order for such a week (or the certification for a waiting week) had to be paid (or processed): (1) within seven calendar days of the week-ending date of the compensated week of unemployment for *weekly* certifications for benefits; or (2) within fourteen calendar days of the week-ending date of the compensated week of unemployment for *biweekly* certifications for benefits.

Detectable Overpayments: Selecting Sampled Key Weeks

The populations of compensated and timely weeks of unemployment to which inferences are made in this study include both intrastate and interstate-agent UI claims. Because of differences in processing these types of claims, however, separate procedures were developed for sampling intrastate and interstate-agent key weeks. These procedures are described below, together with a discussion of the design levels of statistical reliability used to determine the minimum sample size acceptable for each city.

Intrastate Sampling. Weekly samples of intrastate claimant key weeks were selected from a computer file that contained all timely and compensated weeks filed at the participating UI local offices in four of the six project cities.[27] Each week during the 26-week sampling period, a random start number and a predetermined skip interval were used to select the sample of key weeks to be assigned for investigation.[28] In states in which no biweekly filing occurred, the key week selected by this sampling procedure always was the week investigated. In states in which biweekly filing occurred, the week selected through this sampling process was *not always* the week investigated. In instances of biweekly filing, each of the weeks selected in the sampling process was "tied" to a companion week included on the biweekly pay order, and a decision had to be made as to which of the two weeks would be inves-

tigated. The *general rule* was to verify benefit eligibility for the *more recent* of the two weeks included on biweekly pay orders.[29]

Interstate-Agent Sampling. Manual procedures were utilized to select the interstate-agent key weeks sampled in all project cities, because interstate-agent pay orders were not included in computerized files that could be accessed for sampling in these cities.[30] The "compensated" and "timely" criteria used to define the "relevant" populations of weeks for intrastate claimants also were applied in identifying the populations of key weeks for interstate-agent sampling. However, certain difficulties made it impossible to define the populations of interstate-agent weeks as precisely as was the case for intrastate weeks. A major one of these difficulties was that after a week of unemployment *claimed* by an interstate-agent claimant had been filed in the agent state, the liable state could deny payment for the claim one or more weeks later. Because it was not possible to select the sample from a population of interstate-agent weeks that actually had been paid, the Phase I investigation for sampled interstate-agent weeks had to include a contact with the liable state to determine if that week actually had been paid. If not, an overpayment obviously could not occur, and such claims were removed from the sample. A count was maintained on the proportion of sampled interstate-agent weeks that was not paid by liable states, and this information was utilized to adjust the interstate-agent population sizes (as explained in a subsequent section on empirical results). Also, because manual processing had to be utilized, it was difficult to ensure that every single week included in the weekly population counts of interstate-agent weeks actually was a "timely" week.

Statistical Reliability of Estimates. The issues involved in determining the size and type of sample for each study city were quite clear. First, proportionate stratified weekly sampling was not possible because the weekly claims load in any office varied during the six-month sampling period, but a fixed number of investigators had to be assigned to the project in each city. Second, the size of the sample that could be selected obviously involved tradeoffs between costs and statistical reliability. The larger the sample selected from each city, the more reliable would be the estimate of the rate of overpayments for each city's population. In contrast, the larger the sample from each city: (1) the larger would be the total cost of conducting

the study in each city (assuming a fixed number of investigative hours for each case); or (2) for a fixed cost (and number of investigators), the smaller would be the number of investigative hours that could be devoted to each case. Because a basic objective of the study was to minimize the difference between the *true* and the estimated *detectable* rates of overpayments in each city, it was essential that sufficient investigative time be allocated for each key week selected to thoroughly determine the status of the payment for that week. For planning purposes, it was estimated that approximately 8-10 hours of investigative time should be allowed for each case. Thus, it was assumed that each investigator could handle 3-4 cases per week (given some allowance for report writing, vacations, illness, etc.) On this basis, the only remaining issue was to determine how many weeks had to be sampled in each city to produce sufficiently "reliable" estimates for the 26-week sampling period.

The effect of varying the sample size on the statistical reliability of the study estimates is shown in Table 5.[31] It should be emphasized that these estimates were utilized only for determining the minimum sample sizes that would be acceptable for each city.[32] It is apparent from the entries in Table 5 that doubling the sample size does not proportionately reduce the sizes of the absolute errors associated with the estimates developed. On the basis of this information and the other factors described above, it was determined that *at least* 200 key weeks should be sampled in each city over the entire 26-week sampling period. This implied that weekly sample sizes of at least eight (and preferably 10) should be obtained for each city during the six-month sampling period. Given the considerations above on the size of the weekly case load that could be handled effectively by each investigator, it was determined that a minimum of at least two (and preferably three) investigators should be assigned to the project in each city.

Routine State Overpayments: Selecting Nonsampled Weeks

The *routine state* rates of overpayments were estimated for this study on the basis of a randomly selected group of *nonsampled* weeks from the cumulative *intrastate* population file for each city.[33] Comparisons of estimated *detectable* and *routine state* rates of overpayments for interstate-agent weeks of unemployment could not be developed without access to a cumulative population file of timely and compensated weeks paid to interstate-agent claimants in these project cities, and such files could not be constructed. It also should

TABLE 5

ESTIMATED BOUNDS ON THE ERRORS OF ESTIMATES OF DETECTABLE OVERPAYMENTS FOR INDIVIDUAL CITY POPULATIONS[a]

Percentage Occurrence of Detectable Rate (%)	Absolute Error With a Sample Size of 200 for Sampling Period(%)	Absolute Error With a Sample Size of 400 for Sampling Period(%)	Absolute Error With a Sample Size of 2000 for Sampling Period(%)
1.0	1.4	1.0	0.4
2.0	1.9	1.4	0.6
3.0	2.4	1.7	0.7
5.0	3.0	2.1	1.0
10.0	4.2	2.9	1.3
15.0	4.9	3.5	1.6
20.0	5.5	3.9	1.8

[a]Estimates are for attributes sampling only. The absolute errors presented in the table relate to inferences about the presence or absence of an overpayment for each key week investigated. Somewhat different absolute errors would result from variables sampling, in which the actual dollar amount of overpayments (rather than the presence/absence of overpayments) were estimated. At the 95% confidence level, the errors reported are upper bounds.

be noted that the comparisons between the *detectable* and *routine state* rates are provided only for Measure 1 overpayments (as defined above) because the *routine state* rates would be identical for all three measures of overpayments analyzed in this study. The nonsampled weeks selected were thoroughly checked against the records maintained by the participating states to identify any overpayments actually established through routine state benefit payments control procedures for these *particular weeks* of unemployment. On the basis of the findings of this review of agency files, the *routine state* rate of overpayments then was estimated for each project city. Because there often is a substantial lag between the time that a specific week of unemployment is compensated and the date at which an overpayment for that week might be established and recorded in a state's records, this review of agency records was not conducted until the summer months of 1980.[34]

Because postaudit investigations were included as a part of the total process of verifying benefit eligibility for the sampled group of key weeks, it obviously was desirable that the estimates of the *routine state* rates of overpayments include the results of whatever postaudit procedures each state routinely conducted for the calendar quarters encompassed by this study. Indeed, because many state UI agencies evidently detect most of the overpayments they normally report through postaudit procedures, an appropriate comparison of the *detectable* rate of overpayments produced by this study and the *routine state* rate of overpayments should include the findings of postaudit investigations. Given the long time delays associated with the completion of routine state postaudit procedures, it was not possible to obtain information on the postaudit results for all nonsampled cases selected for review for 1980.1. Hence, the only comparisons provided in this study between the *detectable* and the *routine state* rates of overpayments are based on evidence for 1979.4.

STUDY LIMITATIONS

In addition to the general limitations inherent in virtually any study designed to estimate rates of overpayments in the UI program (discussed above), some specific limitations of this particular study should be noted. It will be evident that most of these limitations exist because of the extremely

restricted time framework for this study, or because of resource constraints that limited the overall scope of the study. These additional limitations include the following:

(1) The results of this study can be appropriately generalized *only* to the specific populations of compensated weeks of unemployment from which the samples in each city were selected. The rates of overpayments/improper payments estimated in this study *cannot* be utilized to develop statistical inferences for: (a) other local offices within the participating states; or (b) other metropolitan areas, states or regions.

(2) Overpayment rates may be subject to cyclical or seasonal variations that are not reflected in the empirical findings of this study. The weeks of unemployment included in this study all were compensated weeks during the fourth quarter of 1979 or during the first quarter of 1980. Hence, inferences developed on the basis of these samples are strictly valid only for the study populations during these two calendar quarters.

(3) The sample size in most project cities averaged only about 10 cases per week for the 26-week sampling period. Given these relatively small sample sizes, it was not possible to develop for this study statistically reliable estimates of rates of overpayments for different types of UI claims (e.g., regular UI vs. UCFE claims or intrastate vs. interstate-agent claims). The sample sizes in each project city were designed only to be large enough to provide statistically reliable estimates of the rates of overpayments or improper payments for the *total* populations in each city. The sampling plan was *not* designed to produce statistically reliable estimates for detailed subgroups within the individual city populations.

(4) Because only "timely" weeks of compensated unemployment were included in the study populations, claims held by UI personnel for any length of time or claims otherwise delayed in processing were excluded from the study. Although a relatively small percentage of all claims was excluded by this criterion, the excluded weeks probably were less likely than included weeks to have been overpaid, because of the extra scrutiny that presumably accompanied the delays in paying at least some of the excluded weeks. Thus, the rates of overpayments estimated for the timely weeks in the study populations might be somewhat higher than the rates of overpayments for the slightly larger populations that also would include "untimely" weeks.

(5) The time framework for this study made it impossible to obtain postaudit results for *routine state* rates of overpayments for 1980.1. As a result, the comparisons of the *routine state* and the *detectable* rates of overpayments estimated in this study are based on results only for the 1979.4 study populations. It also should be noted that the comparisons of the *detectable* and *routine state* rates of overpayments are strictly valid only to the extent that the operation of this study did not significantly affect the routine benefit payment control/detection activities in participating local offices. Although substantial efforts were made to ensure that the operation of this study did not influence (either positively or negatively) normal benefit payment control/investigative activities, the potential for some influence should be noted.

(6) The rates of overpayments and improper payments estimated in this study are measured both in terms of weeks of compensated unemployment and dollars of benefits paid. Because it was not possible to develop a cumulative population file for interstate-agent key weeks, the dollars of benefits paid for these weeks is unknown. Hence, all rates of overpayments estimated for dollars of benefits paid are based solely on *intrastate* key weeks. Interstate-agent key weeks are included only in the estimates calculated for weeks of unemployment.

(7) From the outset of the study, it was agreed that all information related to overpayments or improper payments in any particular project city would be held in strict confidence. As a result, all of the empirical findings of this study are reported so as to preclude the identification of any particular project city with a particular rate of overpayments or improper payments. One result of this agreement is that certain findings cannot be reported (even anonymously) in this study, because differences in claims loads and in employment security laws/policies among the cities could permit highly informed speculation as to which rates might correspond to some project cities. Similarly, explanations for differences among project cities necessarily are severely constrained by this confidentiality requirement.

SAMPLE SELECTION

The sample and population sizes for intrastate and interstate-agent weeks of unemployment for the two-quarter sampling period are presented in Table 6.[35] Overall, 1,585 key weeks were selected out of a total of 764,558 weeks in the populations for the six cities combined. The largest sample (313 weeks) was selected in Pittsburgh, where four full-time Field

TABLE 6

SAMPLE AND POPULATION SIZES: SIX PROJECT CITIES, 1979.4 AND 1980.1

City	Intrastate Weeks		Interstate-Agent Weeks		Total Weeks	
	Sample	Population[a]	Sample	Population[b]	Sample	Population
Buffalo[c]	258	75,658	1	1,372	259	77,030
Oklahoma City	227	25,709	27	2,909	254	28,618
Phoenix[d]	204	162,229	47	38,888	251	201,117
Pittsburgh	310	229,740	3	3,063	313	232,803
Queens (NYC)[e]	242	130,624	2	1,848	244	132,472
Salt Lake City[f]	245	87,204	19	5,314	264	92,518
TOTAL	1,486	711,164	99	53,394	1,585	764,558

[a]The total dollars of UI benefits paid for these intrastate weeks were as follows: Buffalo = $6,903,792; Oklahoma City = $2,513,004; Phoenix = $12,477,118; Pittsburgh = $26,398,425; the Queens Borough of New York City = $11,896,867; and Salt Lake City = $9,530,156.

[b]Since the agent state does not determine whether an interstate claim will be compensated, the exact number of compensated interstate-agent weeks in each city's population is unknown and had to be estimated. This estimate was developed by reducing each city's population of weeks claimed by interstate-agent claimants by the proportion of all sampled interstate-agent key weeks that was not paid by liable states. For all project cities taken together, a total of 124 interstate-agent key weeks were sampled, and 25 of these weeks were not paid by liable states. Hence, the population values for interstate-agent weeks provided in the table were developed by reducing each city's population of interstate-agent weeks claimed by 25/124 or about 20.2 percent.

[c]Both the sample and population numbers for Buffalo reflect claims activity in a single local office. Two offices, however, serve the city of Buffalo. Claimants report to one or the other of these offices, based upon the last digits of their social security numbers.

[d]Sampling occurred in five local offices in the Phoenix metropolitan area, and the population totals encompass claims at all of these offices. Hence, the values for Phoenix include the entire metropolitan area, not just the city of Phoenix.

[e]Both the sample and population numbers for Queens reflect claims activity in one of two offices located in the same building in Queens; claimants report to one or the other of these offices on the basis of the last digits of their social security numbers. There are, however, other local offices in the Queens Borough of New York City. Also, the sample and population numbers for Queens reflect a 25-week sampling period, rather than a 26-week sampling period, because of a mass transit strike during the last week of the sampling period for this study.

[f]The intrastate population file received for Salt Lake City originally contained some weeks of unemployment filed by claimants from outside of the Salt Lake City area. Weeks sampled from this population that were found to have been filed by claimants from outside of the metropolitan area were excluded from the study. Because 5.8 percent of all sampled intrastate claimants were in this category (and hence removed from the study), it was assumed that 5.8 percent of the entire population of claims also were filed by claimants from outside of the Salt Lake area; the number reported in the table for the population of intrastate weeks in Salt Lake City excludes these claims.

Investigators were assigned to the project; the sampling proportion in Pittsburgh of .0013 still was quite low, however, because of the relatively large claims flow there during 1979.4 and 1980.1. In contrast, the largest sampling fraction (.0089) was recorded for Oklahoma City. The overall sampling fraction for all cities combined was .0021.

In each city the weekly claims flows increased from 1979.4 to 1980.1, as shown in Appendix D. Even in Queens, where the last week of 1980.1 was not included in the study (because of a mass-transit strike), slightly over half of the total population for 1979.4 and 1980.1 filed for benefits during 1980.1. In the remaining project cities, the percentage of the two-quarter study populations that filed during 1980.1 was 57-60 percent in four of the cities and 66 percent in Salt Lake City.[36]

Interstate-agent key weeks accounted for the largest proportion of sampled key weeks in Phoenix (18.7%), followed by Oklahoma City (10.6%) and Salt Lake City (7.2%). It should be noted that the population values recorded in Table 6 for interstate-agent weeks are estimates for each of the project cities. Estimates (rather than exact values) had to be reported for the number of interstate-agent weeks in these populations, because the agent state does not determine whether an interstate claim will be compensated by the liable state (and it was not possible to contact liable states to determine the payment status of all interstate-agent claims included in the populations for this study). The method used to estimate the number of interstate-agent claims for these populations is explained in Table 6.

As emphasized earlier in the report, approximately the same number of sample cases was selected each week in each city, even though weeks paid fluctuated from week to week (and trended up over the course of the study). Hence, before developing the empirical estimates presented in this report, the weekly samples selected were weighted to appropriately account for the varying weekly sampling fractions. For the empirical analysis in which only *intrastate* key weeks are included (for estimating rates of overpayments or improper payments expressed in dollars of benefits paid), the weekly weights assigned reflect only the varying sampling proportions for the weekly *intrastate* claims flow.[37] For the analysis in which *both* intrastate and interstate-agent key weeks are included (for estimating rates of overpayments or improper payments expressed in weeks of compensated unemployment), the weekly weights assigned reflect the varying sampling

proportions for the *combined* flows of intrastate and interstate-agent weekly claims. In both of these weighting schemes, the weight assigned to the sample for any given week in any city was equal to the proportion of the city's relevant population of total weeks for the 26-week sampling period filed during that week.

After applying the appropriate weekly weights to the samples selected in each city, probability theory was used to determine whether the characteristics of each city's (weighted) sample were likely, given the characteristics of its population.[38] Because no information was available on the personal, labor market, or UI-related characteristics of the populations of interstate-agent claimant weeks, this procedure could be used only for each city's population of *intrastate* weeks.[39] This procedure was utilized for the 1979.4 sample, the 1980.1 sample, and the combined two-quarter sample to determine the likelihood of the sample proportions, *given* the population proportions, for the following variables: (1) sex; (2) age; (3) ethnic status; and (4) the weekly benefit amount. The sample and population proportions are provided in Appendix F of this report. In each of the six project cities, no set of sample characteristics had a likelihood of occurrence of less than .10, given the set of characteristics for the population. Hence, even though very small samples were selected in each city, the samples nonetheless appropriately represent the respective populations from which they were drawn. Moreover, as explained in Appendix E, the 90 percent confidence statements for the rates of overpayments/improper payments estimated in this study very likely are precisely correct statements, because each city's sample is representative of its respective population. Selected characteristics for the intrastate weeks included in each city's population for both quarters combined are presented in Table 7.

EMPIRICAL RESULTS: DETECTABLE OVERPAYMENTS/ IMPROPER PAYMENTS

The rates of *detectable* overpayments and improper payments estimated in this study are presented below. The results reported are based on the samples selected in each city for both calendar quarters combined.[40] In most cases, the results presented reflect the information obtained by both Phase I investigations and the postaudits conducted for sampled cases.

TABLE 7

PERCENTAGE DISTRIBUTIONS FOR SELECTED POPULATION CHARACTERISTICS: SIX PROJECT CITIES, 1979.4 AND 1980.1[a]

Characteristic	Buffalo	Oklahoma City	Pittsburgh	Phoenix	Queens	Salt Lake City
SEX:						
Male	65.2	64.0	76.5	72.4	51.5	74.3
Female	33.5	36.0	23.5	27.6	47.5	25.7
Missing	1.3	0.0	0.0	0.0	1.0	0.0
AGE:						
Less than 25	26.9	21.7	23.6	19.6	16.4	32.6
25-44 years	44.0	52.0	36.8	56.9	42.9	50.6
45-64 years	24.7	24.1	28.4	22.1	33.5	16.3
65 yrs & up	3.6	2.2	4.5	1.4	6.7	0.5
Missing	0.8	0.0	6.7	0.0	0.5	0.0
ETHNIC GROUP:						
White, Not Hispanic	64.5	68.2	78.0	79.1	60.0	91.9
Other	34.6	31.8	22.0	20.3	39.3	8.1
Missing	0.9	0.0	0.0	0.6	0.7	0.0
WBA:						
Less than $50	11.4	4.8	7.5	3.5	6.7	2.9
$50-$89	32.2	30.7	20.9	24.0	37.3	23.5
$90-$109	11.5	19.6	12.9	72.4	17.4	14.9
$110 & up	44.6	44.9	58.6	0.0	38.2	58.7
Missing	0.3	0.0	0.1	0.1	0.4	0.0

[a]These characteristics are for the intrastate weeks included in each city's population.

In the two New York cities, however, it was not possible to obtain postaudit results for the weeks sampled during 1980.1.[41] Hence, the empirical estimates developed for the two New York cities reflect postaudit results only for the sample weeks selected during 1979.4, whereas the estimates developed for the other four project cities include postaudit results for both calendar quarters.[42] As noted in the prior section, the rates of overpayments and improper payments estimated for *weeks of compensated unemployment* are based on *both* intrastate and interstate-agent weeks, whereas the rates estimated for *dollars of benefits paid* are based on *only* intrastate key weeks.[43]

Measure 1: Weeks Vs. Dollars

The estimated rates of Measure 1 overpayments, both for weeks of compensated unemployment and dollars of benefits paid, are presented in Table 8 for each project city. To preserve the confidentiality of the results for individual cities, the cities are numbered from 1 through 6 in Table 8 and in subsequent tables, based on the value (from low to high) of the Measure 1 rate of overpayments estimated for dollars of benefits paid in each city. The lower and upper bounds of the confidence intervals constructed for each point estimate also are reported in Table 8.[44]

For weeks of compensated unemployment, the estimated Measure 1 rates range from a low of 5.1 percent in City 1 to a high of 31.0 percent in City 6. The estimated rates of overpayments for weeks of compensated unemployment in the remaining four cities are 10.0 percent, 13.4 percent, 15.8 percent and 25.5 percent. The lower limits of the confidence intervals reported in Table 8 for these point estimates for weeks paid indicate that one can be 90 percent confident (based on the expected results of repeated replications of exactly the same methodology for the same populations) that the rate of overpayments for weeks of unemployment is *at least* 3.4 percent in City 1 and *at least* 27.2 percent in City 6.[45] In contrast and on the same basis, one also can be 90 percent confident that the estimated rate of overpayments for weeks paid is *no larger* than 6.7 percent in City 1 and *no larger* than 34.7 percent in City 6.

The estimated rates of overpayments for dollars of benefits paid for the six study cities also are reported in Table 8. These dollar rates range from a low of 3.8 percent in City 1 to a high of 24.3 percent in City 6. The dollar rates of overpayments for the other four cities are 8.6 percent, 13.3 percent,

TABLE 8

ESTIMATED MEASURE 1 OVERPAYMENT RATES FOR DOLLARS OF BENEFITS PAID AND FOR WEEKS OF COMPENSATED UNEMPLOYMENT: SIX PROJECT CITIES, 1979.4 and 1980.1[a]

City[b]	Measure 1 Rates For Dollars of Benefits Paid			Measure 1 Rates For Weeks of Compensated Unemployment		
	Point Estimate	Confidence Interval Limits:[c] Lower	Upper	Point Estimate	Confidence Interval Limits:[c] Lower	Upper
1	3.82%	2.30%	5.34%	5.06%	3.39%	6.73%
2	8.64%	6.14%	11.15%	10.01%	7.47%	12.56%
3	13.33%	10.41%	16.24%	13.45%	10.76%	16.14%
4	16.67%	13.03%	20.31%	15.85%	12.78%	18.92%
5	16.77%	13.81%	19.72%	25.53%	22.03%	29.02%
6	24.28%	20.71%	27.84%	30.96%	27.25%	34.68%

[a]Rates calculated for weeks of compensated unemployment include both intrastate and interstate-agent key weeks. Rates calculated for dollars of benefits paid include just intrastate key weeks.

[b]Cities are ordered from 1-6 on the basis of the value of estimated Measure 1 overpayment rates calculated for dollars of benefit payments. This ranking is utilized to number cities in all subsequent tables in which empirical results appear for these individual cities.

[c]For the experiment conducted for this study, the sampling distribution for the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) 100 [1-α]% confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) 100[1-α]% of the intervals so constructed will encompass the true value of the population mean; (b) 100[1-α/2]% of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) 100[1-α/2]% of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

16.7 percent and 16.8 percent. For each city, except City 4, the point estimate for dollars of benefits paid is somewhat lower than the corresponding point estimate for weeks paid. This typical pattern between the rates of overpayments estimated for weeks of unemployment and dollars of benefits paid is the expected one for this study. To illustrate the reason for this expected relationship, consider a key week selected for investigation in which a weekly payment of $80 had been made to the claimant. If the investigation were to reveal that a "partial" overpayment of $20 had occurred, the *entire week* would be coded as an overpaid week in the overpayment measure calculated for weeks of compensated unemployment, but only 25 percent of the dollar payment received in that week would be included as an overpayment in the overpayment measure calculated for benefits paid.[46] In addition, it may be that these rates differ somewhat in certain instances because only intrastate weeks are included in the rates of overpayments for dollars of benefits, whereas both intrastate and interstate-agent weeks are included in the rates of overpayments for weeks of compensated unemployment.[47]

Because the rates of overpayments calculated for dollars of benefits paid and weeks of unemployment are quite similar and because the primary policy concern presumably is with the rate at which dollars are overpaid or improperly paid, the remaining text tables for rates of overpayments and improper payments include results only for dollars of benefits paid. However, the rates of overpayments and improper payments for weeks of unemployment that are comparable to the subsequent text tables for dollars of benefits paid are provided in Appendix H.

Measure 1 Vs. Fraud Overpayments

Estimated Measure 1 and fraud rates of overpayments for dollars of benefits paid are presented in Table 9 (see Appendix Table H-1 for the comparable rates of overpayments for weeks of compensated unemployment). The estimated fraud rates in these cities range from lows of 0.8 percent in Cities 1 and 5 to highs of 3.4 percent in City 2 and 4.6 percent in City 4.[48] Generally, there appears to be little relationship between the values of the estimated Measure 1 rates of overpayments and the estimated fraud rates for these six project cities. For example, the highest fraud rate (4.6%) was estimated for City 4 and the lowest fraud rate (0.8%) was estimated for City 5, yet the Measure 1 rates of overpayments for these two cities are

TABLE 9

ESTIMATED MEASURE 1 AND FRAUD OVERPAYMENT RATES FOR DOLLARS OF BENEFITS PAID: SIX PROJECT CITIES, 1979.4 AND 1980.1[a]

City[b]	Measure 1 Overpayment Rates			Fraud Overpayment Rates		
	Point Estimate	Confidence Interval Limits[c]		Point Estimate	Confidence Interval Limits[c]	
		Lower	Upper		Lower	Upper
1	3.82%	2.30%	5.34%	0.79%	0.19%	1.38%
2	8.64%	6.14%	11.15%	3.37%	1.73%	5.02%
3	13.33%	10.41%	16.24%	2.54%	1.09%	3.98%
4	16.67%	13.03%	20.31%	4.60%	2.55%	6.65%
5	16.77%	13.81%	19.72%	0.76%	0.14%	1.38%
6	24.28%	20.71%	27.84%	1.65% 2.27%	0.72%	2.59%

[a]Rates calculated for dollars of benefits paid include just intrastate key weeks.

[b]Cities are ordered from 1-6 on the basis of the value of estimated Measure 1 overpayment rates calculated for dollars of benefit payments.

[c]For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

almost identical. In any case, the evidence presented in Table 9 suggests that those fraudulent payments that *can* be detected by an intensive application of relatively conventional procedures do not constitute the major part of the overall benefit payments control problem for the unemployment insurance system. An unanswered question about the potential for UI fraud, however, is how much activity in the "cash economy" actually occurred for the study group *without* being detected even by the intensive procedures used in this study. Because very few "cash economy" cases were found in this study, either few such cases actually existed or the study methodology was not effective in detecting the potentially larger number of such cases that may have occurred.

Measure 1 Vs. Measure 2 Overpayments/Improper Payments

Comparisons of the Measure 1 rates of overpayments and the Measure 2 rates of overpayments and improper payments for dollars of benefits paid are provided in Table 10 (see Appendix Table H-2 for comparable rates, based on weeks of compensated unemployment). The main pattern that emerges from the results in Table 10 is that there is little or no difference between the Measure 1 and Measure 2 rates in most cities. In Cities 1 and 6 these estimated rates are *identical*, and in three additional cities (Cities 3, 4 and 5) the Measure 2 rates are only slightly higher than those for Measure 1. In City 2, however, the Measure 2 rate is considerably larger than the Measure 1 rate (14.4% vs. 8.6%). This finding indicates that the UI agency in City 2 sometimes did not establish overpayments for key weeks on the basis of improper or disqualifying circumstances found to exist during those weeks; however, when the disqualifying circumstances found for these key weeks *continued* in one or more subsequent weeks, claimants were disqualified from receiving benefits (or overpayments were established) for one or more of these subsequent weeks. On the basis of this study, it is not possible to determine whether the different pattern for City 2 than for the remaining five cities for Measure 1 and Measure 2 rates reflects differences among these cities in claimant behavior or differences in laws, policies, administrative procedures, and applications of those laws/policies/procedures.

TABLE 10

ESTIMATED MEASURE 1 AND MEASURE 2 OVERPAYMENT/IMPROPER PAYMENTS RATES FOR DOLLARS OF BENEFITS PAID: SIX PROJECT CITIES, 1979.4 AND 1980.1[a]

City[b]	Measure 1 Overpayment Rates			Measure 2 Overpayment / Improper Payment Rates		
	Point Estimate	Confidence Interval Limits[c]		Point Estimate	Confidence Interval Limits[c]	
		Lower	Upper		Lower	Upper
1	3.82%	2.30%	5.34%	3.82%	2.30%	5.34%
2	8.64%	6.14%	11.15%	14.39%	11.44%	17.33%
3	13.33%	10.41%	16.24%	13.51%	10.59%	16.44%
4	16.67%	13.03%	20.31%	17.05%	13.38%	20.73%
5	16.77%	13.81%	19.72%	16.90%	13.95%	19.86%
6	24.28%	20.71%	27.84%	24.28%	20.71%	27.84%

[a]Rates calculated for dollars of benefits paid include just intrastate key weeks.

[b]Cities are ordered from 1-6 on the basis of the value of estimated Measure 1 overpayment rates calculated for dollars of benefit payments.

[c]For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

Measure 2 Vs. Measure 3 Overpayments/Improper Payments

Measure 2 and Measure 3 rates of overpayments/improper payments for dollars of benefits paid are reported in Table 11; comparable rates for weeks of unemployment are provided in Appendix Table H-3. In evaluating the pattern of results in Table 11, it should be emphasized that the principal difference between these measures is that Measure 3 includes key weeks considered by project personnel to have been paid improperly, even though the UI agency took *no* action (on the basis of key-week circumstances/ behavior) to establish overpayments or to stop subsequent payments to the claimants who filed for benefits during these key weeks. An additional factor that contributes to the difference between the Measure 2 and Measure 3 rates in a few cases is the existence of the "finality rules" for nonmonetary determinations previously discussed. The eligibility investigations conducted for this study uncovered a few cases in which clearly incorrect determinations had been issued on the basis of the evidence available for those decisions, but these finality rules had, in effect, made these payments technically "correct" payments. For this study, however, such cases were coded as Measure 3 improper payments, because these key-week payments never should have been made.

The Measure 3 rates are identical to the Measure 2 rates for Cities 1 and 3, and the Measure 3 rate is only slightly higher than the Measure 2 rate for City 5 (see Table 11). The Measure 3 rate is somewhat higher than the Measure 2 rate in City 2 (16.8% vs. 14.4%) and in City 6 (27.5% vs. 24.3%), but the difference between the two rates is very large in City 4 (30.7% vs. 17.1%). In light of the above discussion about the differences between Measure 2 and Measure 3 improper payments, this pattern of results suggests that project personnel and UI agency personnel had few or no disagreements on the payment status of sample cases in Cities 1, 3 and 5. In Cities 2 and 6, project personnel occasionally either found incorrect original decisions covered by the finality rules discussed above, or they found some cases they considered to be improper that were not officially acted on by the UI agency. Because the differences between the Measure 2 and Measure 3 rates in Cities 2 and 6 were relatively small, no special review of these cases was undertaken by the Project Directors, beyond the normal review of case summaries for improper payments.

TABLE 11

ESTIMATED MEASURE 2 AND MEASURE 3 OVERPAYMENT/IMPROPER PAYMENT RATES FOR DOLLARS OF BENEFITS PAID: SIX PROJECT CITIES, 1979.4 AND 1980.1[a]

City[b]	Measure 2 Overpayment/ Improper Payment Rates			Measure 3 Overpayment/ Improper Payment Rates		
	Point Estimate	Confidence Interval Limits[c] Lower	Upper	Point Estimate	Confidence Interval Limits[c] Lower	Upper
1	3.82%	2.30%	5.34%	3.82%	2.30%	5.34%
2	14.39%	11.44%	17.33%	16.78%	13.68%	19.89%
3	13.51%	10.59%	16.44%	13.51%	10.59%	16.44%
4	17.05%	13.38%	20.73%	30.66%	25.96%	35.35%
5	16.90%	13.95%	19.86%	17.15%	14.18%	20.11%
6	24.28% 14.99%	20.71%	27.84%	27.45% 18.23	23.68%	31.23%

[a]Rates calculated for dollars of benefits paid include just intrastate key weeks.

[b]Cities are ordered from 1-6 on the basis of the value of estimated Measure 1 overpayment rates calculated for dollars of benefit payments.

[c]For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

The very large difference between the Measure 2 and Measure 3 rates recorded in City 4 requires more explanation than the relatively small differences found for Cities 2 and 6. This large difference in City 4 could be due to any of the following: (1) NCUC study personnel in City 4 utilized eligibility criteria that were more stringent than those appropriate in light of written employment security law/policy in deciding the status of these cases; (2) UI agency personnel in City 4 utilized eligibility criteria that were too lenient in light of written employment security law/policy in deciding whether to take action on these cases; (3) for whatever reason, the UI agency in City 4 was unwilling to take action against many of the improper payments detected during the course of this project, even though substantive evidence was provided to support the establishment of overpayments or the disqualification of claimants; (4) the project staff in City 4 found incorrect decisions covered by the finality rule discussed above, and the UI agency consequently could not take any official action against such cases; or (5) some combination of the above circumstances.

In an effort to specify more precisely the reasons for the difference in the Measure 2 and Measure 3 rates recorded for City 4, a very intensive review of the cases coded as Measure 3 improper payments in City 4 was undertaken by the authors. During the initial phases of this review, UI agency personnel who were *not* members of the project staff in City 4 participated to provide an "independent" perspective on whether an appropriate interpretation of UI law/policy had been applied to the cases originally coded as Measure 3 in City 4. *Before* this review process was initiated, there was a *much larger* difference between the Measure 2 and Measure 3 rates in City 4 than is now reported in Table 11. This is the case because, as a result of this review: (1) some cases originally coded as Measure 3 improper payments were recoded as proper payments; and (2) a number of cases originally coded as Measure 3 improper payments were established as Measure 1 overpayments.[49] In many other cases reviewed, several months had elapsed since the key week had been paid; hence, even though in some instances the authors felt there was enough evidence to justify the establishment of overpayments, such cases (which included mainly availability issues) were *not* established as Measure 1 overpayments by the City 4 UI agency because the payment had been made several months prior to the review. Based on this review process and the adjustments made in the key-week status codes, the

opinion of the authors is that each case now coded as a Measure 3 improper payment for City 4 is based on substantive evidence that claimants did *not* meet the eligibility provisions of *written* UI law/policy, even though there clearly is room for the "experts" on law/policy in City 4 to debate whether official UI agency action should have been taken in every one of these cases. Thus, the conclusion of the authors is that the main reason for the difference between the Measure 2 and Measure 3 rates reported for City 4 is that the UI agency did not take timely action to establish overpayments on the basis of substantive evidence of improper behavior/circumstances. Also contributing to the difference between the Measure 2 and Measure 3 rates in City 4 is the fact that a few clearly incorrect decisions covered by the finality rule discussed above were found for sampled key weeks.

EMPIRICAL RESULTS: TYPES AND CAUSES OF DETECTABLE OVERPAYMENTS/IMPROPER PAYMENTS

The types and causes of the overpayments/improper payments for both the intrastate and interstate-agent weeks included in each of the three measures of *detectable* overpayments/improper payments analyzed in this report are discussed in this section. In contrast with the prior section, the empirical results are reported for all six cities *combined*. The results for individual cities are not presented because such information could make it possible to associate particular overpayment/improper payment rates with specific cities. The results presented have been weighted to reflect the size of each city's population, relative to the total composite population of 764,558 intrastate and interstate-agent weeks for the six cities combined.[50]

Types of Overpayments/Improper Payments

The distribution of the overpayment/improper payment types found during 1979.4 and 1980.1 for intrastate and interstate-agent key weeks in the six cities combined is reported in Table 12.[51] The distributions for the three different measures of overpayment/improper payment types are quite similar. In each case, claimant errors account for between 42 and 44 percent of the overpayments/improper payments found. Agency errors account for between 22 and 25 percent of each of the three overpayment/improper payment measures, and employer errors make up between 8 and 9 percent of these three measures.

TABLE 12

PERCENTAGE DISTRIBUTIONS OF OVERPAYMENT/IMPROPER PAYMENT TYPES FOR INTRASTATE AND INTERSTATE-AGENT KEY WEEKS: SIX PROJECT CITIES COMBINED, 1979.4 AND 1980.1[a]

Type of Overpayment/ Improper Payment	Percentage Distribution For:[b] Measure 1 Overpayments	Measure 2 Overpayments/ Improper Payments	Measure 3 Overpayments/ Improper Payments
1. Fraud	24.6%	22.6%	18.3%
2. Claimant Error	41.6%	44.2%	44.0%
3. Employer Error	9.0%	8.2%	7.9%
4. Agency Error	23.4%	22.4%	24.7%
5. Reversal (appeals or higher authority)	0.8%[c]	0.9%[c]	0.8%[c]
6. Uncertain[d]	0.7%[c]	1.6%[c]	4.3%[c]
TOTAL	100.0%[e]	100.0%[e]	100.0%[e]

[a]See Appendix Tables I-1, I-2 and I-3 for the complete results for overpayment/improper payment type distributions, including the confidence interval for each composite percentage reported in this table.

[b]The percentage distribution of the types of overpayments/improper payments found for all intrastate and interstate-agent sampled weeks that were overpaid or improperly paid, as defined by each overpayment/improper payment measure, was calculated for each city. Then, before adding the relevant distributions for each city to obtain the composite percentage distributions reported in this table, the relevant percentage distributions for each city were weighted; the weight for each city was defined as that city's population of intrastate and interstate-agent key weeks divided by the total population of such weeks for all six cities combined. The population sizes for each city are reported in Table 6.

[c]For practical purposes, this percentage is not significantly larger than zero at the 10 percent significance level (see the Technical Appendix for an explanation of why the lower limit of this confidence interval is reported as zero, even though it is not exactly zero).

[d]If sufficient information was not available for an informed judgment as to the primary source of the error, the overpayment type was defined as uncertain.

[e]Percentages may not add to 100.0% because of rounding.

Thus, about three-fourths of each overpayment/improper payment measure is accounted for by identifiable errors made by claimants, agency personnel and employers. In evaluating the relatively large size of the claimant error category, it should be noted that some claimant errors probably are caused by the failure of local office personnel to provide proper instructions or by the absence of effective techniques for monitoring and correcting improper claimant behavior. It also may be the case that some employer errors might be due to inadequate communication of instructions from the UI agency to the employer community. Hence, the potential for reducing overpayments/improper payments by reducing agency error (broadly defined) is likely to be somewhat larger than is indicated by the percentages reported in this specific category in Table 12.

The other major overpayment type found in this study was fraud. For the six cities combined, one-fourth of the Measure 1 overpayments found were classified as fraud overpayments.[52] Although, as noted above, the exact definition of fraud varies among these cities, the common element is that fraud entails willful misrepresentation for the purpose of receiving UI benefits that otherwise would not have been paid.

Causes of Overpayments/Improper Payments

The causes of the overpayments/improper payments detected in the six project cities combined for 1979.4 and 1980.1 are reported in Table 13.[53] Eligibility issues accounted for more of the overpayments/improper payments found than any other major category; these issues accounted for 42 percent of the Measure 1 overpayments, 46 percent of the Measure 2 overpayments/improper payments and 52 percent of the Measure 3 overpayments/improper payments. As also shown in Table 13, the main eligibility issue involved in these overpayments/improper payments was the failure of claimants to conduct active job searches or their refusal of suitable work; this cause accounted for 28 percent of the Measure 1 overpayments, 33 percent of the Measure 2 overpayments/improper payments, and 39 percent of the Measure 3 overpayments/improper payments. This pattern of results for eligibility issues in general and job search/job refusal in particular shows that the UI agencies in these six cities taken together often did not act to establish overpayments for the key weeks investigated when eligibility issues were uncovered. In some cases, these eligibility issues that did *not* lead to key-week overpayments

TABLE 13

PERCENTAGE DISTRIBUTIONS OF OVERPAYMENT/IMPROPER PAYMENT CAUSES FOR INTRASTATE AND INTERSTATE-AGENT KEY WEEKS: SIX PROJECT CITIES COMBINED, 1979.4 AND 1980.1[a]

Cause of Overpayment/ Improper Payment[c]	Percentage Distribution For:[b] Measure 1 Overpayments	Measure 2 Overpayments/ Improper Payments	Measure 3 Overpayments/ Improper Payments
A. Unreported Earnings in Key Week	11.3%	10.0%	7.6%
1. Unreported Earnings due to concealed employment	*6.3%*	*5.3%*[d]	*4.0%*[d]
B. Errors in Reporting/ Recording Key-Week Earnings	6.0%	5.7%	5.2%
C. Errors in Reporting/ Recording Base Period Earnings	14.2%	12.8%	12.0%
1. Earnings Incorrectly Reported by Employers	*6.3%*	*5.8%*	*5.5%*
D. Separation Issues	16.6%	15.9%	14.0%
1. Voluntary Quits	*11.5%*	*10.9%*	*9.0%*
E. Eligibility Issues	42.5%	46.4%	51.6%
1. Unavailable For Work	*8.1%*	*8.5%*	*7.3%*
2. No Active Job Search or Refusal of Suitable Work	*28.0%*	*33.2%*	*39.1%*
F. Other Causes	9.4%	9.1%	9.5%
TOTAL	e	e	e

[a] See Appendix Tables I-4, I-5 and I-6 for the complete results for overpayment/improper payment cause distributions, including the confidence interval for each composite percentage reported in this table.

[b] The percentage distribution of the causes of the overpayments/improper payments found for all intrastate and interstate-agent sampled weeks that were overpaid or improperly paid, as defined by each overpayment/improper payment measure, was calculated for each city. Then, before adding the relevant distributions for each city to obtain the composite percentage distributions reported in this table, the relevant percentage distributions for each city were weighted; the weight for each city was defined as that city's population of intrastate and interstate-agent key weeks divided by the total population of such weeks for all six cities combined. The population sizes for each city are reported in Table 6.

[c] As shown in Table 2, a total of 28 overpayment/improper payment causes were defined in this study. For the specific categories included in each major category reported in this table, see Table 2.

[d] For practical purposes, this percentage is not significantly larger than zero at the 10 percent significance level (see the Technical Appendix for an explanation of why the lower limit of this confidence interval is reported as zero, even though it is not exactly zero).

[e] Except possibly because of rounding, the percentages for the major causes of overpayments (categories A, B, C, D, E and F) would total 100.0%.

did result in the disqualification of claimants for subsequent weeks of benefits or the establishment of overpayments against a subsequent week, and these cases then were coded as Measure 2 improper payments. In even more of these cases, however, the eligibility issues detected for these key weeks did not result in any UI agency action, against either these key weeks or against subsequent weeks; these cases were coded as Measure 3 improper payments.

The other major causes of the overpayments/improper payments found in this study were separation issues, errors in reporting/recording base period earnings and unreported earnings in the key week. Separation issues accounted for between 14 and 17 percent of the total cases included in each of the three overpayments/improper payments measures; for each measure, the major separation issue was voluntary quits. Errors in reporting/recording base period wages made up 12-14 percent of the total cases included in each overpayment/improper payment measure, whereas unreported earnings in the key week represented from 8-11 percent of the cases in each measure.

EMPIRICAL RESULTS: ROUTINE STATE VS. DETECTABLE RATES OF OVERPAYMENTS

In this section, the *routine state* overpayment rates are presented and compared with the *detectable* overpayment rates found in this study for exactly the same populations. The *routine state* rate estimated for each city's population of intrastate key weeks for 1979.4 is reported in Table 14.[54] Excluding postaudit results, the *routine state* rates estimated for the 1979.4 study populations range from lows of 0.4 percent in City 6 and 0.5 percent in City 1 to a high of 3.1 percent in City 3. Including postaudit results, the *routine state* rates vary from lows of 0.5 percent in City 1 and 0.6 percent in City 6 to highs of 2.8 percent in City 5 and 6.0 percent in City 3. Including postaudit results increases the point estimates for the *routine state* rates in all cities, except City 1, and the increase is fairly large in some cases.

The comparisons of *routine state* and *detectable* rates of overpayments for the six project cities are reported in Table 15. Because the inclusion of postaudit results makes a substantial difference in the *routine state* rates for some cities, postaudit results were included in both the *routine state* and the *detectable* rates of overpayments reported. For each city, the *detectable*

TABLE 14

ESTIMATED ROUTINE STATE OVERPAYMENT RATES INCLUDING/EXCLUDING POSTAUDIT RESULTS FOR DOLLARS OF BENEFITS PAID TO INTRASTATE CLAIMANTS: SIX PROJECT CITIES, 1979.4

City[b]	1979.4 Routine State Overpayment Rates, Including Postaudit Results[a]			1979.4 Routine State Overpayment Rates, Excluding Postaudit Results		
	Point Estimate	Confidence Interval Limits:[c] Lower	Upper	Point Estimate	Confidence Interval Limits:[c] Lower	Upper
1	0.5%	0.3%	0.8%	0.5%	0.3%	0.8%
2	1.7%	1.2%	2.2%	1.4%	1.0%	1.9%
3	6.0%	5.1%	6.9%	3.1%	2.4%	3.7%
4	2.0%	1.4%	2.5%	0.9%	0.5%	1.2%
5	2.8%	2.1%	3.5%	1.3%	0.9%	1.8%
6	0.6%	0.4%	0.9%	0.4%	0.1%	0.6%

[a] For two cities, the entire postaudit process had not been completed at the time overpayments files were reviewed for this study. Thus, two of the routine state rates (which include postaudit results) reported in this table might be slight underestimates of the actual routine state rates for these two cities for 1979.4.

[b] Cities are ordered from 1-6 on the basis of the value of estimated Measure 1 *detectable* overpayment rates calculated for dollars of benefit payments.

[c] For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

TABLE 15

ROUTINE STATE VS. DETECTABLE OVERPAYMENT RATES INCLUDING POSTAUDIT RESULTS FOR DOLLARS OF BENEFITS PAID TO INTRASTATE CLAIMANTS: SIX PROJECT CITIES, 1979.4

City[b]	1979.4 Routine State Overpayment Rates Including Postaudit Results[a]	1979.4 Detectable Measure 1 Overpayment Rates Including Postaudit Results	1979.4 Detectable Measure 1 Overpayment Rates Less 1979.4 Routine State Overpayment Rates		
	Point Estimate	Point Estimate	Point Estimate	Confidence Interval Limits:[c] Lower	Upper
1	0.5%	2.3%	1.8%	0.3%	3.3%
2	1.7%	7.0%	5.3%	2.4%	8.2%
3	6.0%	14.5%	8.5%	4.1%	13.0%
4	2.0%	14.1%	12.2%	7.4%	17.0%
5	2.8%	20.1%	17.3%	12.4%	22.1%
6	0.6%	25.4%	24.7%	19.6%	29.9%

[a] For two cities, the entire postaudit process had not been completed at the time overpayments files were reviewed for this study. Thus, two of the routine state rates (which include postaudit results) reported in this table might be slight underestimates of the actual routine state rates for these two cities for 1979.4.

[b] Cities are ordered from 1-6 on the basis of the value of estimated Measure 1 *detectable* overpayment rates calculated for dollars of benefit payments.

[c] For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

overpayment rate far exceeds the *routine state* rate (each *detectable* rate is significantly larger than its corresponding *routine state* rate at the 10 percent level of significance).[55] For each city except City 3, the *detectable* rate of overpayments found in this study is at least four times higher than the *routine state* rate, and the *detectable* rate actually is more than 40 times the *routine state* rate estimated for City 6. Stated differently, the absolute amount by which the *detectable* rate of overpayments exceeds the *routine state* rate ranges from a low of 1.8 percent in City 1 to a high of 24.7 percent in City 6.[56] Interestingly, however, the evidence reported in Table 15 suggests that there may be no relationship in given local offices or UI jurisdictions between the rates of overpayments uncovered by routine state operations and actual *detectable* rates of overpayments.

EMPIRICAL RESULTS: WORK REGISTRATION REQUIREMENTS

In each participating project city, UI law/policy requires that, except in special circumstances, UI claimants must be registered for work with the Job Service (or a union hiring hall) to be eligible for UI benefits.[57] For the weeks sampled for this study during 1979.4 and 1980.1, a very large percentage of each city's sample was required to register for work during the key weeks sampled. In fact, the smallest percentage (76%) of any sample required to register for work was recorded for Pittsburgh. In each of the other project cities, the percentage of sampled cases required to register for work with either the Job Service or a union hiring hall was 85 percent in Salt Lake City, 97 percent in Phoenix, 99.6 percent in Oklahoma and 100 percent in each New York city. To determine whether claimants actually had met these work registration requirements, unions were contacted and Job Service or UI files were checked to identify the work registration status of each sampled claimant who was required to register for work.[58]

Before discussing the estimated percentage in each city's population that was not properly registered for work, it should be emphasized that the failure to properly register for work *never* was the basis for coding any case in this study as an overpayment or improper payment. Thus, the information presented in Table 16 should be viewed as supplementing the information presented above on overpayments and improper payments. If the failure to

TABLE 16

COMPLIANCE WITH WORK REGISTRATION REQUIREMENTS:
SIX PROJECT CITIES, 1979.4 AND 1980.1

City[b]	Percentage Required to Register With Job Service That Was Not Properly Registered[a]			Percentage Required to Register With Union Hiring Hall That Was Not Properly Registered[a]		
	Point Estimate	Confidence Interval Limits:[c] Lower	Upper	Point Estimate	Confidence Interval Limits:[c] Lower	Upper
1	37.2%	32.7%	41.6%	2.3%[d]	0.0%	5.3%
2	0.6%[d]	0.0%	1.3%	2.8%[d]	0.0%	6.5%
3	0.0%[e]	0.0%	1.3%	f	f	f
4	28.6%	24.1%	33.2%	6.1%	0.7%	11.4%
5[g]	42.5%	38.1%	46.9%	2.0%[d]	0.0%	4.4%
6[g]	0.5%[d]	0.0%	1.1%	0.0%[e]	0.0%	7.0%

[a] Percentages were calculated only for intrastate key weeks.

[b] Cities are ordered from 1-6 on the basis of the value of estimated Measure 1 overpayment rates calculated for dollars of benefit payments.

[c] For the experiment conducted for this study, the sampling distribution for the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[d] For practical purposes, this percentage is not significantly larger than zero at the 10 percent significance level (see the Technical Appendix for an explanation of why the lower limit of this confidence interval is reported as zero, even though it is not exactly zero).

[e] This point estimate is not significantly greater than zero at the 10% significance level.

[f] It was not possible to compute a point estimate or confidence interval on the basis of the sample information for this city.

[g] In each of these cities, it was not possible to determine with certainty whether a large number of claimants actually were properly registered for work. For the calculations reported in this table, it was assumed that all "uncertain" cases were properly registered for work.

register properly for work had been accepted as a sufficient basis for coding a case as an improper payment, improper payment rates would have been much higher in certain project cities.

Given the above perspective on these work registration statistics, the results presented in Table 16 suggest that the effectiveness with which work registration requirements were enforced varied greatly among these six cities. These estimates indicate that all or virtually all claimants required to register with the Job Service in Cities 2, 3 and 6 were properly registered for work. In sharp contrast, a large percentage of the claimants required to register with the Job Service in Cities 1, 4 and 5 were not properly registered; the percentages not properly registered in these three cities were 29 percent in City 4, 37 percent in City 1, and 42 percent in City 5. The results presented in Table 16 also indicate that, in contrast with the situation for Job Service registration, failure to register for work with a union hiring hall in lieu of Job Service registration apparently was a very minor problem in these six cities. In most cases, all or nearly all of the claimants required to register with a union hiring hall were properly registered.

SURVEY OF PROJECT PERSONNEL

A questionnaire was developed to solicit the views of all Project Directors and Field Investigators assigned to this project as to the factors that might partially account for the relatively high overpayment/improper payment rates found in this study for several cities.[59] The purpose of this survey was to obtain information that might be useful in improving UI agency efforts to prevent and detect overpayments. In evaluating the views of the respondents to this survey, it should be noted that all of them were very experienced UI personnel. Many of the Field Investigators for this project had worked as adjudication deputies in UI local offices immediately prior to this study, whereas other Field Investigators had worked closely with local office personnel even though they had been employed by the Benefit Payments Control/ Investigation Units in their states. It should be strongly emphasized, however, that the questionnaire was *not* distributed to state administrators, UI directors, regional or district supervisors, local office managers or other UI program personnel. It probably is the case that the perceptions of local office managers

or other UI personnel about some of the issues addressed in the questionnaire are markedly different from the perceptions of the survey respondents. Furthermore, it should be emphasized that the purpose of this survey was *not* to identify specific problems in just those cities with high overpayment rates. Rather, the purpose was to determine whether any general consensus on problems related to the prevention and detection of overpayments would emerge from all survey responses considered together, even though overpayment rates, laws/policies/administrative structures, and city characteristics differed substantially among the project cities. Given this diversity, it seemed that any strong consensus on a particular item might be indicative of a general problem that should be considered by the UI system as a whole. Accordingly, most of the questions on the survey instrument were broadly phrased, even though the perceptions of each respondent obviously depended on his/her specific experience and knowledge.

The questionnaire consists of two parts. Part I contains 28 rating-scale questions. The following rating scale was utilized by respondents to record the extent of their agreement or disagreement with statements about which they could make an *informed judgment*: (1) strongly agree; (2) agree; (3) neither agree nor disagree;(4) disagree; and (5) strongly disagree. An additional category (don't know) was provided for respondents to indicate that they did not have enough information to make an informed judgment about a particular question. Thus, a response of "neither agree nor disagree" does not imply a lack of knowledge on the part of the respondent, but rather was used by respondents to indicate that there were equally strong reasons for disagreeing as for agreeing with the statement. Part II of the questionnaire contains a series of 15 essay questions generally related to the topics addressed in the rating-scale questions. Although the responses to *all* rating-scale questions are reported below, "composite" or summary responses have been developed and reported in Appendix J only for selected essay questions. This procedure was adopted because no identifiable consensus was evident in the responses to certain questions or, in other cases, the essay responses provided essentially no additional information beyond that reported for the rating-scale responses.

The responses to the survey are reported separately below for each of the following five basic aspects of local office/mail claims center involvement in the prevention or detection of overpayments: (1) the impact of

federal timeliness requirements on efforts to prevent and detect overpayments in UI local offices; (2) the emphasis placed on the quality of work performed in UI local offices; (3) the emphasis placed on efforts to prevent and detect overpayments to intrastate vs. interstate-agent claimants; (4) the adequacy of the training for preventing and detecting overpayments that is provided to local office personnel; and (5) the expected impact on benefit payment control efforts of increasing the resources available to local offices to prevent and detect overpayments.

Federal Timeliness Requirements

The Employment and Training Administration has specified certain performance standards that must be met in administering the UI program.[60] During the project period, the "timeliness" requirements for making first payments included the following provisions: 87 percent of all intrastate first payments and 70 percent of all interstate first payments were to be made within 21 days following the week-ending date of the first week of unemployment claimed (whether a state has a noncompensable waiting week or not). For the time period during which this study was in operation, the federal timeliness requirements for nonmonetary determinations included the following provisions: (1) the standard for "acceptable" performance for issues arising in connection with an initial claim was that the determinations for 75 percent of separation issues and 80 percent of nonseparation issues were to be made within 14 days following the week-ending date of the first week of unemployment claimed; and (2) the standard for "acceptable" performance for issues arising during a claim series was that the determinations for 75 percent of the separation issues and 80 percent of the nonseparation issues were to be made within 7 days following the week-ending date of the week in which the issue was detected.

Responses to the six rating-scale statements related to the impact of federal timeliness requirements on benefit payment control efforts in local offices are summarized in Table 17. The tabulations reveal that just over two-thirds (68%) of the respondents agreed or strongly agreed with the statement that federal timeliness requirements for first payments *greatly reduced* efforts to *prevent* overpayments in local offices. In contrast, nearly three-tenths (28%) of the respondents did not believe that the first pay timeliness requirements greatly reduced efforts by local office personnel to prevent overpayments. Although some disagreement about the effect of first pay timeliness

TABLE 17

RESPONSES TO RATING-SCALE QUESTIONS RELATED TO TIMELINESS REQUIREMENTS[a]

Statement	Percentage Distribution of Responses to Rating-Scale Questions: Don't Know or Blank	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
1. Federal timeliness requirements for FIRST PAYS have had little or no effect on efforts to prevent overpayments in local offices.	0%	12%	12%	0%	36%	40%
2. Federal timeliness requirements for FIRST PAYS have greatly reduced efforts to prevent overpayments in local offices.	0%	36%	32%	4%	20%	8%
3. The federal timeliness criteria for FIRST PAYS are commonly understood by local office personnel to include a quality as well as a quantity standard.	4%	0%	16%	4%	48%	28%
4. Federal timeliness requirements for NONMONETARY DETERMINATIONS have had little or no effect on efforts to prevent overpayments in local offices.	4%	12%	24%	0%	36%	24%
5. Federal timeliness requirements for NONMONETARY DETERMINATIONS have greatly reduced efforts to prevent overpayments in local offices.	4%	24%	40%	8%	20%	4%
6. The federal timeliness criteria for NONMONETARY DETERMINATIONS are commonly understood by local office personnel to include a quality as well as a quantity standard.	4%	0%	16%	0%	56%	24%

[a]Survey of Project Supervisors and Field Investigators associated with the NCUC Benefit Payments Control Study; tabulations based on a 96% response rate.

requirements existed among the respondents, the consensus is that these requirements have greatly reduced the efforts of local office personnel to prevent overpayments. Moreover, three-fourths of these respondents believed that federal timeliness requirements for first payments are *not* commonly understood by local office personnel in their states to include a *quality* as well as a *quantity* standard of performance. Such perceptions could contribute to an environment in which the main emphasis is on rapidly (rather than accurately) processing first payments.

A response pattern similar to the above one for first payments also emerged for the effects of federal timeliness requirements for nonmonetary determinations (see Table 17). For example, nearly two-thirds (64%) of the respondents believed that the existence of federal timeliness requirements for nonmonetary determinations have *greatly reduced* efforts to prevent overpayments by local office personnel. In contrast, about one-fourth (24%) of the respondents did not believe that the timeliness requirements for nonmonetary determinations had greatly reduced the efforts of local office personnel to prevent overpayments. However, 80 percent of the respondents *disagreed* with the statement that federal timeliness requirements for nonmonetary determinations are commonly understood by local office personnel to include a *quality* as well as a *quantity* standard. Thus, these results taken as a whole strongly suggest that, in the opinions of project personnel, the timeliness requirements for nonmonetary determinations very likely have eroded efforts to prevent overpayments in local offices.

The responses to certain essay questions included in Part II of the questionnaire provide some additional insights on the perceived impact of timeliness requirements. The composite response for essay question 1 (see Appendix J) indicates that local office personnel believe that no time (in the form of Minutes Per Unit or MPUs) is directly assigned to local offices for the prevention or detection of overpayments. Also, the respondents indicated that competition exists among local offices to exceed the federal time lapse standards, and that such competition creates a work environment that is not supportive of efforts to prevent and detect overpayments. As the composite responses for essay questions 3-4 and 9-10 indicate, the types of activities or programs suggested by project personnel to increase efforts to prevent or detect overpayments likely would require either additional resources for local office operations, or a reduction in the emphasis on the

timely payment of benefits and the timely issuing of nonmonetary determinations.

Quality of Local Office Work

The responses to eight rating-scale statements related to the quality of work performed by local office personnel are reported in Table 18. Nearly nine-tenths (88%) of the respondents believed that the quality of the work performed by local office personnel in making nonmonetary determinations does *not* receive enough emphasis in the evaluation of the work done by these personnel. Also, nearly two-thirds of the respondents (64%) indicated that the actual quality of the work done in processing continued claims does *not* receive enough emphasis in personnel performance evaluations.

The perception that little emphasis is given to the quality of work done by local office personnel in their performance evaluations could be due partially to the absence of an effective program designed to assess the actual quality of the work done by local office personnel. Indeed, only one-fourth of the respondents agreed that *effective* programs operated within their states to *regularly* assess the quality of the work done by local office personnel in issuing nonmonetary determinations and processing continued claims. In the absence of such programs, it seems highly doubtful that performance quality could be effectively included in the evaluation of local office personnel.

The survey results also reveal that, in the opinion of the majority of the respondents, local office procedures and policies are not designed to encourage local office personnel to undertake sufficient investigation of unusual or difficult cases before nonmonetary determinations are made or before continued claims are paid. Over half of the respondents (56%) did not believe that such encouragement exists for nonmonetary determinations, and over two-thirds (68%) did not believe that such encouragement exists for the payment of continued claims. The survey results presented in Table 18 also show that over three-fourths (76%) of the respondents disagreed or strongly disagreed with the statement that most overpayments established are called to the attention of the local office personnel who processed the claim.

Further insight into the emphasis placed on the quality of work performed by local office personnel is provided by the responses to the statement related to the effective use of the results of quality appraisals performed to evaluate

TABLE 18

RESPONSES TO RATING-SCALE QUESTIONS RELATED TO QUALITY OF LOCAL OFFICE WORK[a]

Statement	Percentage Distribution of Responses to Rating-Scale Questions					
	Don't Know or Blank	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
1. The actual quality of the NONMONETARY DETERMINATIONS made by local office personnel does not receive enough emphasis in the evaluation of their work.	0%	44%	44%	8%	4%	0%
2. The actual quality of the work done in the processing of CONTINUED CLAIMS does not receive enough emphasis in personnel performance evaluations.	16%	24%	40%	0%	16%	4%
3. An effective program exists within your state to regularly assess the quality of NONMONETARY DETERMINATIONS made by local office personnel.	0%	0%	24%	0%	40%	36%
4. An effective program exists within your state to regularly assess the quality of work done in processing CONTINUED CLAIMS.	12%	0%	24%	0%	40%	24%
5. Local office personnel are encouraged to undertake sufficient investigation of unusual or difficult cases before a NONMONETARY DETERMINATION is issued.	4%	4%	36%	0%	44%	12%
6. Local office personnel are encouraged to undertake sufficient investigation of unusual or difficult cases before a CONTINUED CLAIM is paid.	4%	0%	20%	8%	56%	12%
7. In your state, most overpayments established are called to the attention of the local office personnel who processed the claim.	4%	4%	8%	8%	52%	24%
8. The results of quality appraisals of local office operations in your state are effectively utilized to improve efforts by local offices to prevent overpayments.	8%	0%	8%	8%	48%	28%

[a]Survey of Project Supervisors and Field Investigators associated with the NCUC Benefit Payments Control Study; tabulations based on a 96% response rate.

the operations of local offices (see Table 18). Although quality appraisals are mandated by the Employment and Training Administration on a periodic basis, only 8 percent of these respondents believed that the results of local office quality appraisals actually were *effectively* utilized to improve local office efforts to prevent overpayments. In fact, three-fourths (76%) of the respondents *disagreed* or *strongly disagreed* with the statement that these periodic quality appraisals were effectively utilized to improve efforts to prevent overpayments in their states.

Intrastate Vs. Interstate-Agent Claims

Four rating-scale questions were included to determine the perceptions of project personnel about the emphasis given to preventing or detecting overpayments to intrastate vs. interstate-agent claimants (see Table 19). Just over one-half (52%) of the respondents believed that little or no emphasis was placed on *preventing* overpayments to intrastate claimants, whereas nearly nine-tenths (88%) believed that little or no emphasis was given to *preventing* overpayments to interstate-agent claimants. About four-fifths of the respondents agreed or strongly agreed that little or no emphasis is placed by local office personnel on *detecting* overpayments to either intrastate or interstate-agent claimants. Overall, these respondents thought that very little emphasis is placed on controlling benefit payments to either intrastate or interstate-agent claimants.

Adequacy of Training

The responses to six rating-scale questions about both current levels of training and the possible need for additional training in benefit payment control procedures for local office personnel are reported in Table 20. Over four-fifths of the respondents either *disagreed* or *strongly disagreed* with the statement that "permanent" local office employees receive sufficient training in the prevention and detection of overpayments. Even a larger proportion of the respondents believed that "temporary" employees lack adequate training. In fact, virtually all respondents (100% and 96%, respectively) *disagreed* or *strongly disagreed* with the statements that adequate training in the prevention and detection of overpayments is provided to "temporary" or "seasonal" employees. If these findings accurately depict current conditions, they suggest that additional training is one requirement

TABLE 19

RESPONSES TO RATING-SCALE QUESTIONS RELATED TO BENEFIT PAYMENTS CONTROL ACTIVITIES FOR INTRASTATE AND INTERSTATE CLAIMANTS[a]

Statement	Percentage Distribution of Responses to Rating-Scale Questions					
	Don't Know or Blank	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
1. Little or no emphasis is placed on the prevention of overpayments to intrastate claimants by local office personnel.	0%	20%	32%	12%	36%	0%
2. Little or no emphasis is placed on the detection of overpayments to intrastate claimants by local office personnel.	0%	16%	64%	4%	16%	0%
3. Little or no emphasis is placed on the prevention of overpayments to interstate-agent claimants by local office personnel.	0%	56%	32%	4%	8%	0%
4. Little or no emphasis is placed on the detection of overpayments to interstate-agent claimants by local office personnel.	4%	48%	36%	4%	8%	0%

[a]Survey of Project Supervisors and Field Investigators associated with the NCUC Benefit Payments Control Study; tabulations based on a 96% response rate.

TABLE 20

RESPONSES TO RATING-SCALE QUESTIONS RELATED TO THE ADEQUACY OF TRAINING[a]

Statement	Percentage Distribution of Responses to Rating-Scale Questions: Don't Know or Blank	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
1. In your state, adequate training in overpayments prevention is provided to local office personnel who are hired as "permanent" employees.	0%	0%	4%	12%	48%	36%
2. In your state, adequate training in overpayments detection is provided to local office personnel who are hired as "permanent" employees.	0%	0%	4%	12%	40%	44%
3. In your state, adequate training in overpayments prevention is provided to local office personnel who are hired as "temporary" or "seasonal" employees.	0%	0%	0%	0%	48%	52%
4. In your state, adequate training in overpayments detection is provided to local office personnel who are hired as "temporary" or "seasonal" employees.	0%	0%	4%	0%	40%	56%
5. Given local office operations as they exist in your state, additional training in the prevention of overpayments would serve as an effective device for reducing overpayments on a continuing basis.	0%	28%	52%	12%	0%	8%
6. Given local office operations as they exist in your state, additional training in the detection of overpayments would serve as an effective device in reducing overpayments on a continuing basis.	0%	28%	52%	8%	4%	8%

[a]Survey of Project Supervisors and Field Investigators associated with the NCUC Benefit Payments Control Study; tabulations based on a 96% response rate.

for improving local office efforts to prevent and detect overpayments. In fact, this view was supported strongly by the respondents, four-fifths of whom believed that additional training in the prevention and detection of overpayments would serve as an effective device for reducing overpayments on a *continuing basis.*

The composite response to essay question 8 (see Appendix J) reinforces the above rating-scale responses, that indicated effective and ongoing programs to train local office employees in the prevention and detection of overpayments typically do not exist. The responses to this essay question further indicate that what training is conducted often is prepared by a centralized training staff. Respondents believed that additional training in the prevention and detection of overpayments is needed, but they thought that the materials developed for such training should be prepared by those directly responsible for preventing and detecting overpayments.

Impact of Increased Resource Availability

Staffing levels for local UI offices are based on weekly claims loads and estimates of the time required for the various activities that must be conducted to process claims. Four questions were included in Part I of the questionnaire to assess the expected impact on efforts to prevent and detect overpayments of increasing the time allotted for taking continued claims and making nonmonetary determinations. The responses to these questions are reported in Table 21. Over two-thirds of the respondents believed that an increase in the time (measured in MPUs) allotted for taking continued claims and for making nonmonetary determinations *clearly would increase* efforts to *prevent* overpayments in local offices. In contrast, between one- eighth and one-fifth of the respondents thought that an increase in the time allotted to these activities would have little or no effect on efforts to prevent overpayments in local offices.

Responses to the essay portion of the questionnaire provide some suggestions on how increased resources could be utilized to prevent and detect overpayments (see Appendix J). For example, the responses to essay questions 9 and 10 indicated that effective efforts to prevent/detect overpayments would be aided by increased emphasis on the importance of such activities within UI local offices. Closer monitoring of work search activities, improved and expanded benefit eligibility rights interviews, more frequent contacts with separation employers, and some type of random audit program also were suggested by the respondents.

TABLE 21

RESPONSES TO RATING-SCALE QUESTIONS RELATED TO THE IMPACT OF INCREASED RESOURCE AVAILABILITY[a]

Statement	Percentage Distribution of Responses to Rating-Scale Questions: Don't Know or Blank	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
1. An increase in the time (MPUs) allotted for the taking of CONTINUED CLAIMS would have little or no effect on efforts to prevent overpayments in local offices.	4%	4%	16%	4%	52%	20%
2. An increase in the time (MPUs) allotted for the taking of CONTINUED CLAIMS clearly would increase efforts to prevent overpayments in local offices.	4%	28%	40%	8%	20%	0%
3. An increase in the time (MPUs) allotted for making NONMONETARY DETERMINATIONS would have little or no effect on efforts to prevent overpayments in local offices.	4%	0%	12%	8%	48%	28%
4. An increase in the time (MPUs) allotted for making NONMONETARY DETERMINATIONS clearly would increase efforts to prevent overpayments in local offices.	8%	40%	32%	4%	16%	0%

[a]Survey of Project Supervisors and Field Investigators associated with the NCUC Benefit Payments Control Study; tabulations based on a 96% response rate.

FOOTNOTES

[1]See *A Briefing for the National Commission on Unemployment Compensation on Benefit Payment Control,* U.S. Department of Labor, 1979; pp. 1-2.

[2]Ibid., p. 5.

[3]A major study of fraud and abuse in UI was published in 1953: Joseph M. Becker, *The Problem of Abuse in Unemployment Benefits.* New York: Columbia University Press, 1953. Prior to the present study, Becker's study was the only major published study that dealt with UI overpayments.

[4]Beginning April 1, 1979, the timeliness requirements established by the U.S. Department of Labor for first payments included the following: 87 percent of all intrastate first payments (and 70 percent of all interstate first payments) must be made within 21 days following the week-ending date of the first week of unemployment claimed (whether a state has a noncompensable waiting week or not). Furthermore, the decision of the Supreme Court in the 1971 *Java* case gave rise to a series of federal timeliness requirements for issuing nonmonetary determinations. For the time period during which this study was in operation, the federal timeliness requirements for nonmonetary determinations included the following: (1) the standard for "acceptable" performance for issues arising in connection with an initial claim was that the determinations for 75 percent of separation issues and 80 percent of nonseparation issues must be made within 14 days following the week-ending date of the first week of unemployment claimed; and (2) the standard for "acceptable" performance for issues arising during a claim series was that the determinations for 75 percent of the separation issues and 80 percent of the nonseparation issues must be made within 7 days following the week-ending date of the week in which the issue was detected. See: *ETA Handbook #365,* Employment and Training Administration, August, 1980, p. IV-2; and *The Unemployment Insurance Quality Appraisal Results for FY 1979,* Employment and Training Administration, May, 1980, p. 6.

[5]It should be noted that detected overpayments could rise either because of an increase in the *true* rate of overpayments or because of increased emphasis given to efforts to detect overpayments. The number of paid positions allocated to control benefit payments increased by 54 percent (from about 1,744 to an estimated 2,687) from FY 1976 to FY 1980.

[6]The "60 Minutes" broadcast aired on CBS television on April 25, 1976, for example, contained a segment on abuse in the UI program.

[7]The NCUC was established by the Congress as part of the Unemployment Compensation Amendments (Public Law 94-566) signed into law October 20, 1976.

[8]See Paul L. Burgess and Jerry L. Kingston, *Estimating Overpayments and Improper Payments in the Unemployment Insurance Program*, Washington, D.C., National Commission on Unemployment Compensation, April, 1980, Appendix A.

[9]See ibid., Appendix B, for a discussion of the administration of the study. That discussion includes a summary of the procedures used to select and train project personnel, the monitoring techniques utilized to supervise project activities in the individual states, project organization and a project time schedule. The principal technique used to direct and coordinate project activities in the participating project states was a series of NCUC Benefit Payments Control Bulletins. Copies of these bulletins are included in Appendix C of the interim report.

[10]This decision was reached in August, 1980 after numerous attempts had been made to "salvage" the Nashville study results. By that time, it had become apparent that the computer programming problems in Nashville would not be resolved within the time framework for this study. Hence, no reliable evidence on overpayments rates in Nashville was ever developed for this study.

[11]Burgess and Kingston, loc. cit. This interim report was released for public circulation in July, 1980; at the time this report was written, this interim report was scheduled for publication by the NCUC early in 1981.

[12]Copies of the interim report are available from the National Commission on Unemployment Compensation or the Office of Program Management of the Unemployment Insurance Service.

[13]Originally, the objectives of the study also included the preparation of estimates for: the *absolute amounts* of overpayments in the populations encompassed by the study in each project city; and the rate and amount of UI overpayments in the composite seven-city population encompassed by the study. It became evident, however, that estimation/publication of both the amounts of overpayments for each project city and the amount and rate of overpayments for the composite six-city population would contradict an absolute constraint under which this study was developed; this constraint was that estimates could *not* be published in any way that would allow specific cities to be associated with specific rates of overpayments. Each city participated on the condition that its rate and amount of overpayments would *not* be associated with its name. Otherwise, several of the states would not have been willing to participate. Because of the greatly differing sizes of the cities involved in this project, it is possible that individual cities could be identified simply on the basis of the absolute amounts of overpayments reported. That is, a city with even a relatively small rate of overpayments could have a large amount of dollars overpaid, merely because of the size of the claims load in that city. Similarly, the confidentiality requirement precludes the estimation and publication of the rate and amount of overpayments for the six-city composite population. Hence, only rates of overpayments for the individual project cities are provided in

this report. The other alternative would have been to publish *just* the composite rate of overpayments for the six cities combined.

[14]The difference between the appropriate populations for studies of overpayments and underpayments perhaps deserves additional emphasis. It seems very likely that only a small proportion of those who are underpaid benefits would be found among the population for this study--claimants who receive some payment (or serve a waiting week) in a particular week. Presumably, the majority of claimants who are underpaid benefits in a particular week would be found among the population of claimants who applied for but were improperly denied benefits for that week. This latter population is *not* represented in this study.

[15]The *true* rate also would be expected to exceed the *detectable* rate because complex state laws/policies make it difficult to accurately identify all violations of those laws/policies. However, this factor is not included in the text discussion at this point because the complexity of each state's law/policy was given for each of the participating cities. At the same time, as discussed in the text, the staff assigned to this project essentially had all the time that productively could be utilized in interpreting/applying their state laws/policies.

[16]The idea of determining work registration errors was provided to the authors by Clarkson, Gordon & Company and the Canadian Auditor General's Office in a briefing on the Canadian methodology for estimating overpayments and improper payments in unemployment insurance. The Canadian studies gathered information on the frequency with which the specific provisions of Canadian law and policy were not met by claimants or by UI program personnel (e.g., the lack of specific written documentation for decisions reached, or the failure of claimants to register for work). These and other departures from written law/policy provisions were referred to as "compliance deviations" in the Canadian studies. For a discussion of these compliance deviations and estimated overpayments for Canadian UI payments, see "Report to the Minister of Employment and Immigration on the Examination of the Accounts and Financial Statements of the UNEMPLOYMENT INSURANCE ACCOUNT for the year ended December 31, 1976;" and "Report to the Minister of Employment and Immigration on the Examination of the Accounts and Financial Statements of the UNEMPLOYMENT INSURANCE ACCOUNT for the year ended December 31, 1978," Ottawa, Canada: Auditor General of Canada, September 30, 1977 and September 18, 1979.

[17]A copy of this questionnaire is included as Appendix C of this report.

[18]The technical details of the sampling methodology are discussed in a subsequent section of the report.

[19]When interstate-agent key weeks were selected, the liable state was contacted to determine whether the week claimed and selected for eligibility verification actually was paid by the liable state. If not, the week selected was excluded from the study because it was not actually a compensated week of unemployment.

[20]During each week of the study, the city with four full-time investigators normally drew a sample of 12 weeks for investigation. In the other five cities, 10 weeks normally were sampled each week.

[21]In the three wage-reporting states included in the study, this procedure is a routine one that is based on quarterly wage reports provided by covered employers. In the other two states--New York and Utah--special arrangements either existed or were made to allow a postaudit procedure similar to that utilized in wage-reporting states. It also should be noted that the discussion in the text is applicable to all study states, except New York (where days of employment rather than earnings must be reported).

[22]See Appendix B for more detail on the classification of key-week status, including the definitions of the 13 different status categories that form the basis for identifying the measures of overpayments/improper payments discussed in the text.

[23]It should be noted that offset weeks were treated as if the amount offset actually had been paid. Similarly, voided offsets were treated as if the amount of the voided offset had been established as an overpayment. In the case of a waiting week that was disqualified, the formal agency action against the waiting week would be to void the waiting week and to require that the claimant serve a substitute waiting week (since an overpayment can not be established directly against a waiting week). Because claimants must meet all eligibility requirements during waiting or substitute-waiting weeks, however, such key weeks that were disqualified are included in the classification system as Measure 1 overpayments. It may be noted that very few waiting weeks actually were found to be Measure 1 overpayments in this study.

[24]Several factors were important in determining the specific states and cities that actually participated in the study. Especially critical was the fact that the NCUC could not require the participation of any state. In fact, some states originally contacted by the NCUC chose not to participate in the study. These decisions not to participate undoubtedly occurred for a variety of reasons. Some states very likely decided to avoid a study that focused on an issue as sensitive as overpayments. Given the very short planning period for this project, other states probably were unable to participate because they could not meet the computer and personnel requirements for the project. A factor that probably increased the concerns of some potential participants was that, at the time initial contacts were made (July-August, 1979), most informed observers believed that a major recession would begin during the two quarters of the study period (1979.4-1980.1). This expected increase in the workload obviously made it more difficult to meet one of the requirements for participation in the NCUC study--the selection by participating states of highly qualified UI personnel, and a strong commitment to leave the selected personnel assigned to the study for the entire project period.

[25]In Buffalo, the study office processed about one-half of the city-wide claims load, with claimants randomly divided between the study office and the other Buffalo local office on the basis of social security numbers. A similar situation existed in Queens, where claimants were randomly assigned to the participating local office and its companion office on the basis of social security numbers. However, the Queens study office (and its companion office) did not process all UI claims in the Queens Borough; UI claimants in Queens also were served during the study period by other local offices.

[26]Even though waiting weeks are not compensable weeks in the sense that benefits actually are paid, they are included in the study because claimants are expected to satisfy the same requirements for benefit eligibility during these weeks as during weeks for which payments are received. Also, exclusion of waiting weeks could have imparted a downward bias to the estimated rate of *detectable* overpayments, because it may be that claimants are less likely to be able/available for work and less likely to conduct active job searches (if required) during these weeks simply because no compensation is received for waiting weeks.

[27]In these four cities, the likelihood that the sample selected would be representative of the population in terms of weekly UI benefit payments was increased by arraying the records in the population file by the weekly benefit amount (and then by social security number within each WBA interval) prior to the computerized selection of the weekly samples. The population file in each of these four cities was cumulated from week to week throughout the 26-week sampling period (1979.4 and 1980.1). See Burgess and Kingston, op. cit., Appendix C, Bulletins #4 and #7, for the detailed instructions provided to the states for developing the data files that contain the information on these cumulative populations. Computerized sampling procedures for the selection of intrastate claimants were *not utilized* for the two New York cities, even though computerized population files were developed for these two cities. Manual procedures, designed to approximate the computerized techniques, had to be used in the two New York cities. As a part of these manual procedures, it was not possible to array the relevant weekly population of intrastate claimant weeks by either social security number or weekly benefit amount before the sampling actually occurred. To obtain consistent data for the populations in all six project cities, model programs were flowcharted and distributed to the data processing units in all participating states to assist in the programming efforts required to develop these population files. Each record in these population files contained information about both the personal and UI characteristics of the individual who filed the claim, so that it could be determined if the samples actually selected were representative (with respect to these specific characteristics) of the populations from which these samples were drawn.

[28]Each week the skip interval for sampling was defined as a/b, where a equals the population of weeks and b equals the number of key weeks to be sampled. Random numbers between 0 and 1 were generated for each of the 26 weeks included in the study for each city, and the random start to begin the sampling for each week was determined by multiplying the random

number for that week by the skip interval for that week. For further details on the sampling procedures in the four cities in which computerized sampling was utilized, see Burgess and Kingston, op. cit., Appendix C, Bulletins #7, #10 and #11. In the two New York cities, the size of the population for each week had to be estimated at the time the sample was drawn, and the population could not be arrayed by weekly benefit amount or social security number before selecting the weeks for investigation. Because claimants in the two New York cities are randomly assigned (on the basis of social security numbers) to report to local offices at particular hours on particular days, however, the pay orders from which the sample was systematically (and manually) selected in the two New York cities should have been randomly ordered.

[29]Exceptions to this general rule to investigate the more recent of the two weeks were made, for example, to investigate the earlier week, if that earlier week was a waiting week. This procedure was required if any waiting weeks included in populations of biweekly pay orders were to be investigated, because the more recent week on a biweekly pay order could not, by definition, be a waiting week.

[30]For much more detail than is provided in the text on interstate-agent sampling, see Burgess and Kingston, op. cit., Appendix C, Bulletin #2.

[31]The information in Table 5 can be interpreted in the following manner. If the *detectable* rate of overpayments found in one city's population were 10 percent, then the maximum *absolute* error of the point estimate (at a 95 percent level of confidence) would be approximately: (1) plus or minus 4.2 percent with a sample size of 200; (2) plus or minus 2.9 percent with a sample size of 400; and (3) plus or minus 1.3 percent with a sample size of 2,000.

[32]The actual statistical reliability of the study estimates is based on the actual study results, which are presented in a subsequent section of the report.

[33]All compensated weeks for persons who had a key week selected for investigation during the 26-week sampling period were excluded from the population file before selecting these nonsampled weeks; the reason for excluding these weeks is explained in Appendix E. Procedures similar to those described above for determining the appropriate sample sizes for estimating the *detectable* rates of overpayments were utilized to determine the number of weeks to be selected from the nonsampled population for estimating the *routine state* rates of overpayments. The guideline error estimates reported in Table 5 also were applicable in determining the number of nonsampled weeks to select. However, because the costs per case for processing each week selected from the nonsampled population were far less than the costs per case of investigating cases to determine the *detectable* rates of overpayments, it was feasible to utilize much larger sample sizes to estimate the *routine state* rates of overpayments. Also, because the *routine state* rates were to be directly compared with the *detectable* rates for the

same populations, it was highly desirable to have relatively small absolute sampling errors associated with the *routine state* rates. Given these considerations, and the bounds on the errors of estimates reported in Table 5, it was determined that approximately 1,000 weeks would be selected each calendar quarter out of each city's nonsampled population for estimating *routine state* rates of overpayments.

[34]Given the time framework for this study, this allowed the maximum time possible for such overpayments to be detected and recorded in a state's files. For the details of the procedures actually utilized for reviewing state files, see Burgess and Kingston, op. cit., Appendix C, Bulletin #21.

[35]Tables that contain the sample and population sizes separately for 1979.4 and 1980.1 are provided in Appendix D.

[36]Some background on the values reported for Queens and Salt Lake City should be noted. The sample and population values reported for Queens represent only a 25-week sampling period; the last week of 1980.1 was not included in the study in the Queens office due to the transit strike that was in progress in New York City during that week. Also, the size of the population of intrastate key weeks reported for Salt Lake City was estimated, rather than measured precisely, because certain claimants who lived outside of Salt Lake City were erroneously given the Salt Lake City local office code at the time they filed for benefits. Because the Salt Lake City local office code had been entered erroneously for all of the weeks of timely and compensated weeks of unemployment filed by these "outlying" claimants, the population file in Salt Lake included these weeks. However, any time that one of these weeks was selected randomly by the sampling program, that case was *not* assigned for investigation. During the study, 5.8 percent of all cases randomly selected had erroneous local office codes. On this basis, it was assumed that 5.8 percent of the cases in the population file for Salt Lake City had erroneous local office codes, and the total weeks and dollars reported on the Salt Lake City population tape accordingly were reduced by 5.8 percent. This procedure for reducing the population values for Salt Lake City is a reasonable one since, based on information provided by the Salt Lake City Project Supervisor, the average weekly benefit amount for claimants in this outlying area evidently is nearly the same as the average weekly benefit amount for Salt Lake City claimants.

[37]As noted earlier in the report, no information on the characteristics of the *population* of interstate-agent claims is available. Because no information is available on the total amount of benefits received by this *population*, only intrastate claimants are included in the dollar estimates of overpayments and improper payments.

[38]This procedure is explained in Appendix E of this report.

[39]The interstate-agent weekly samples in each city were selected manually from the IB-2 forms processed daily by the participating local offices. Because no computerized file of the population of interstate-agent

claims could be constructed, no information is available on the characteristics of the populations of interstate-agent weeks in the six participating cities.

[40]Rates for individual calendar quarters are not reported for two reasons. First, the study was designed to provide statistically reliable estimates for the two quarters combined, and those estimates are somewhat more precise than the separate quarterly estimates. Second, because of the availability of post-audit results for the two New York cities for 1979.4 but not for 1980.1, the information on the rates for each calendar quarter would provide the basis for highly informed speculation as to which cities were the New York cities; accordingly, such information cannot be reported.

[41]The lag in conducting a postaudit for a particular calendar quarter is longer in New York than in the other four participating states, because the New York UI agency must rely on another state agency for the employer wage records required for the postaudit. Given the deadline for completing this study, it was possible to obtain 1979.4 postaudit results for sampled claimants in the two New York cities, but it was not possible to obtain postaudit results for 1980.1 sampled cases.

[42]Because of the confidentiality requirement discussed above, it also was not possible to publish separate rates of overpayments that excluded postaudit results.

[43]See Appendix E for a discussion of the statistical procedures utilized to develop the estimated *detectable* rates of overpayments/improper payments for each city. A complete set of overpayment rates estimated for each project city is presented in Appendix G.

[44]See Appendix E for a discussion of the procedures utilized to develop the point estimates and confidence intervals for these and all other *detectable* rates of overpayments and improper payments presented in this report.

[45]Importantly, the study replication referred to would have to include an exactly comparable project staff, as well as exact comparability for the numerous other nonsampling factors that are reflected in these empirical results.

[46]Partial overpayments may be established for a variety of reasons. For example, a recomputation of the claimant's weekly benefit amount on the basis of revised earnings/employment data could result in a partial overpayment, as could unreported earnings violations that amount to less than the full amount paid to the claimant during the key week.

[47]As shown in Table 6, however, interstate-agent claimants could have very little impact on calculated rates of overpayments for Buffalo, Pittsburgh and Queens because no more than three interstate-agent claims were included in the samples in those three cities. In the remaining three cities, between 7 and 19 percent of all sample cases were accounted for by interstate-agent claimants.

[48]As explained in a prior section, the establishment of a fraud overpayment in these cities typically is based on strong evidence that a claimant knowingly made false statements for the purpose of collecting UI benefits to which he/she legally was not entitled.

[49]Based on this review, 20 cases for 1979.4 and 1980.1 that the UI agency originally had not acted on in any official way were established as overpayments. Seven of these cases then were appealed by claimants; the UI agency was upheld in four cases, reversed in two, and in one case a reconsidered determination was issued by the agency prior to the close of the appeals process.

[50]See Appendix E for a discussion of the procedure used to estimate the point estimates and confidence intervals for the results reported in this section.

[51]See Appendix Tables I-1, I-2 and I-3 for the confidence intervals constructed for the point estimates reported in Table 12.

[52]The fraud category was utilized solely for Measure 1 overpayments. Thus, the relative size of the fraud category necessarily is smaller for Measure 2 than for Measure 1, and for Measure 3 than for Measure 2, because none of the improper payments added to Measure 1 to obtain Measures 2 and 3 was coded as fraud.

[53]See Appendix Tables I-4, I-5 and I-6 for the confidence intervals constructed for the point estimates reported in Table 13.

[54]Because the population files maintained for this study included just intrastate weeks of compensated unemployment, the *routine state* rate of overpayments estimated for each city excludes all interstate-agent weeks. Because postaudit results had not been completed in some cities for 1980.1 at the time agency files were reviewed for this study, *routine state* rates are reported only for 1979.4.

[55]Because state UI agencies routinely do not record information on the types of improper payments included in the Measure 2 and Measure 3 overpayment/improper payment rates estimated for this study, *routine state* rates are compared only with the Measure 1 *detectable* rates estimated in this study. Overpayments established by routine state operations meet the definition of Measure 1 overpayments utilized in this study. See Appendix E for an explanation of the procedure used for comparing *routine state* and *detectable* rates of overpayments.

[56]It is not possible to report the actual dollar totals for *routine state* and *detectable* overpayments either for individual cities or for the six cities combined because that information could be utilized to identify certain project cities.

[57]A common exception to work registration requirements is that claimants who are on "temporary" layoffs with definite recall dates typically need not register for work.

[58]The exact procedure varied somewhat among the cities, depending on the information available in each city. Generally, Job Service files were checked directly to determine the registration status of each claimant. However, UI files were utilized rather than Job Service files in some cases to determine Job Service registration status. For example, the UI agency in Pittsburgh cannot directly check Job Service files for a claimant unless a Job Service identification number has been entered in UI agency files for that claimant; accordingly, Job Service registration verification in Pittsburgh was based on UI files. As another example, a special Job Service registration procedure was in effect in selected local offices in Phoenix during the study period; for claimants in these offices, the existence of a "skeleton" registration form in UI files was accepted as meeting the registration requirement, if the key week occurred within 60 days of the date of the "skeleton" registration or if these claimants contacted the Job Service directly within 60 days of their "skeleton" registration.

[59]As previously explained, the study originally encompassed seven metropolitan areas. Because of certain computer-related problems, however, it was necessary to exclude Nashville from the study. At the time the survey of project personnel was distributed, it was expected that all seven of the metropolitan areas would remain in the study, and the questionnaire was distributed to the project staffs in all seven metropolitan areas. Because the responses to the questionnaire were entirely anonymous, it was not possible to remove from the tabulations the responses provided by the project staff in Nashville. Hence, the survey responses summarized in this section are those provided by project personnel in all seven metropolitan areas where the NCUC study was originated. The response rate for the rating-scale questions was 96%, whereas the response rate for each essay question varied substantially. A copy of the questionnaire is provided in Appendix C of this report.

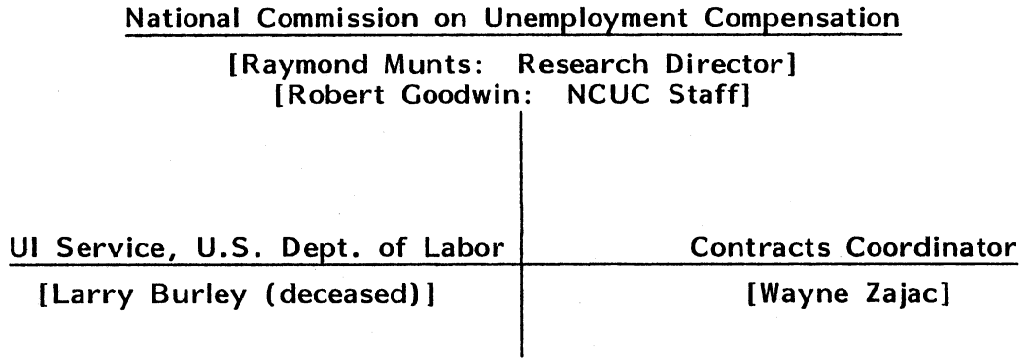
[60]See *ETA Handbook #365,* loc. cit., and *The Unemployment Insurance Quality Appraisal Results For FY 1979,* loc. cit.

APPENDIX A

THE BENEFIT PAYMENT CONTROL STUDY ORGANIZATION

APPENDIX A

THE BENEFIT PAYMENT CONTROL STUDY ORGANIZATION



	Arizona	New York	Oklahoma	Pennsylvania	Utah
Project Director:	Florence Bade	Ray Diaz (Assisted by Carolyn Sperber)	David Murrie	Patsy Fao	Evan Mattinson
Field Investigators:	Kris Garrison Dorothy Perez Jacquie Porterfield	Judith Lewis Vincent Mecca Chris Phillips Ellen Warmstein	Terry McHale Dewey Reeves Mary Ann Travis	Dorothy Feree Grace Hatcher Edna Wade Edward Wuenstel	Leroy Archibald Sandra Arritola Gerald Warner
Clerk/Typist:	Linda DePew	Wilda Roldan	Janet Emerson	Jamie Bauer	Kathy Elkins
Programming/ Data Processing:	Gladys House	Emil Shenbaum	Judy George	Larry Punch	Mike Dodas

APPENDIX B

KEY-WEEK STATUS AND OVERPAYMENT/ IMPROPER PAYMENT CATEGORIES

APPENDIX B

KEY-WEEK STATUS AND OVERPAYMENT / IMPROPER PAYMENT CATEGORIES[a]

PART I. KEY WEEK NOT A WAITING WEEK OR SUBSTITUTE WAITING WEEK

1. *Proper Payment/Offset:* The investigation of the key week indicated that the payment was appropriate under the laws and policy of the state, and no overpayment was established for the key week.

2. *Proper Payment/Offset.* The investigation of the key week indicated that the payment was appropriate under the laws and policy of the state, but an overpayment was established or an offset voided during the key week due to disqualifying circumstances that did not apply to the key week. No overpayment will be coded for weeks in this category, because the weeks were properly paid. (This category was included solely for clarification for operational personnel, since the weeks in this category actually meet the definition for category 1).

3a. *Improper Payment/Offset, and Recoverable Overpayment Established for Key Week.*[b] The investigation of the key week indicated that the payment was not appropriate under the laws and policy of the state, and a recoverable overpayment was established or an offset voided for the key week.

3b. *Improper Payment/Offset and Nonrecoverable Overpayment Established for Key Week.*[b] The investigation of the key week indicated that the payment was not appropriate under the laws and policy of the state, and a nonrecoverable overpayment was established for the key week.

4. *Improper Payment/Offset, No Overpayment Established for Key Week, but One or More Subsequent Weeks Disqualified.* The investigation of the key week indicated that disqualifying circumstances occurred during the key week and continued in one or more subsequent weeks; as a result of these circumstances during subsequent weeks, an overpayment was established or an offset voided for one or more subsequent weeks, or a payment was not made for one or more of these subsequent weeks because the claimant was determined to be ineligible for benefits. No UI agency action was taken against the key week.

5. *Improper Payment/Offset but No Overpayment Established for Key Week and No Subsequent Weeks Disqualified.* The investigation of the key week indicated that disqualifying circumstances occurred during the key week and continued in one or more subsequent weeks. Nonetheless, these subsequent week circumstances did not directly lead to the establishment of an overpayment, a voided offset, or a disqualification for any of these subsequent weeks. No UI agency action was taken against the key week.

APPENDIX B (continued)

6. *Improper Payment/Offset, but No Overpayment Established for Key Week and No Subsequent Weeks Disqualified.* The investigation of the key week indicated that disqualifying circumstances occurred during the key week, but did not continue in one or more subsequent weeks. As a result, the key week circumstances did not directly lead to a disqualification, the establishment of an overpayment, or a voided offset for any of these subsequent weeks. No UI agency action was taken against the key week.

PART II: KEY WEEK WAS A WAITING WEEK OR SUBSTITUTE WAITING WEEK

7. *Proper Waiting Week or Substitute Waiting Week.* The investigation of the key week indicated that the waiting week provisions of law and policy were satisfied.

8. *Improper Waiting Week or Substitute Waiting Week, this Week Disqualified, and Overpayment Established.* The investigation of the key week indicated that the waiting week provisions of law and policy were not satisfied, and this week was disqualified. As a result of this disqualification, an overpayment was established, an offset was voided or a substitute waiting week was utilized.

9. *Improper Waiting Week, this Week Disqualified, but No Dollar Overpayment Established.* The investigation of the key week indicated that the waiting week provisions of law and policy were not satisfied, and the waiting week was disqualified. Nonetheless, no overpayment was established (or no offset voided) because the claimant was not paid any additional benefits during his/her benefit year (prior to the close of this study). No dollar amount will be associated with improper payments in this category since no benefits actually were overpaid.

10. *Improper Waiting Week or Substitute Waiting Week and this Week Not Disqualified, but One or More Subsequent Weeks Disqualified.* The investigation of the key week indicated that disqualifying circumstances occurred during the key week, but this week was not disqualified. However, the circumstances detected during the key week continued in one or more subsequent weeks, and these circumstances directly led to the establishment of an overpayment (or voided offset) or to a disqualification of one or more of these subsequent weeks.

11. *Improper Waiting Week or Substitute Waiting Week, but this Week Not Disqualified and No Subsequent Weeks Disqualified.* The investigation of the key week indicated that disqualifying circumstances occurred during the key week and continued for one or more subsequent weeks, but none of these weeks was disqualified because of these circumstances, nor were overpayments (voided offsets) established for any of these weeks.

12. *Improper Waiting Week or Substitute Waiting Week, but this Week Not Disqualified and No Subsequent Weeks Disqualified.* The investigation of the key week indicated that disqualifying circumstances occurred during the key week, but this week was not disqualified. Because these key-week circumstances did not continue in one or more subsequent weeks, none of these subsequent weeks was disqualified and no subsequent overpayments were established as a result of key-week circumstances.

APPENDIX B (continued)

PART III. OVERPAYMENT/IMPROPER PAYMENT CATEGORIES

1. *Measure 1 Overpayments* include items 3a, 3b, 8 and 9 above.

2. *Measure 2 Overpayments and Improper Payments* include items 3a, 3b, 4, 8, 9 and 10 above (or Measure 1 Overpayments plus items 4 and 10 above).

3. *Measure 3 Overpayments and Improper Payments* include items 3a, 3b, 4, 5, 6, 8, 9, 10, 11 and 12 above (or Measure 2 Overpayments/Improper Payments plus items 5, 6, 11 and 12 above).

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[a]See Paul L. Burgess and Jerry L. Kingston, *Estimating Overpayments and Improper Payments in the Unemployment Insurance Program*, Washington, D.C., National Commission on Unemployment Compensation, April, 1980, Bulletins #6 and #18 in Appendix C, for the exact wording of the definitions provided to project personnel. The definitions in this appendix have been condensed somewhat, compared to the more detailed ones actually utilized.

[b]See idem for instructions on distinguishing between recoverable and nonrecoverable overpayments.

APPENDIX C

NCUC BENEFIT PAYMENTS CONTROL QUESTIONNAIRE

NCUC BENEFIT PAYMENTS CONTROL BULLETIN #23

TO: Project Supervisors and Field Investigators

FROM: Jerry L. Kingston / Paul L. Burgess

RE: Procedures/Instructions for Completing Attached Questionnaire

DATE: March 5, 1980

An important dimension of the NCUC Benefit Payments Control Study is an assessment of current procedures and policies related to the prevention and detection of overpayments in the participating states. During the last several months, we have visited with project supervisors and field investigators about current policies and problems that relate to both of these aspects of benefit payments control. These discussions have indicated that we should endeavor to obtain additional information about overpayments prevention and detection efforts within local UI offices, as well as within Benefit Payments Control units. The NCUC has strongly supported further development of this phase of the study. At the February 14-15 meeting in Phoenix, it was agreed that a questionnaire should be developed and distributed to all project supervisors and field investigators. This questionnaire is attached to this Bulletin.

We believe that the responses to this questionnaire will provide information of use to policy makers on how the UI program's benefit payments control efforts can be strengthened. Thus, we hope that you will provide candid and detailed responses to each of the questions. Individual responses will be held in the strictest of confidence, and any tabulations reported will be so organized that no one individual response to any question can be identified from the published data. For example, if mean responses to the rating scale questions are reported, an upper bound reporting limit of 4.8 would be established even in the event that all respondents recorded a rating of 5 for a specific question. Hence, even in the reporting of unanimous responses, the confidentiality of individual responses will be preserved.

Given the time framework for our submission of the Interim Report to the NCUC, please mail the completed questionnaire to us at your earliest convenience (and not later than March 14, 1980, if possible).

This Bulletin and questionnaire are being mailed separately to each project supervisor and field investigator involved in the NCUC Benefit Payments Control Study. We request that you complete this questionnaire and return it to us in accordance with the following instructions:

(1) Please work individually in completing the questionnaire, because the purpose is to determine your individual opinions on these questions.

(2) Because the questionnaire is quite detailed, please plan to devote at least one-half to a full day of work to its completion.

(3) Typed responses to the essay questions are preferred. In the event that you do not type, however, neatly written responses will be appreciated. Please begin your response to each of the essay questions on a separate page.

(4) After you have completed all parts of the questionnaire, place the completed questionnaire and your responses to the essay questions in the smaller envelope supplied in the "package" of materials. Print or write your name on the outside of this smaller envelope, and place it inside the larger brown envelope that already has been addressed to Burgess/Kingston.

When we receive these brown envelopes, we will ascertain that the name written on the outside of the smaller envelope matches our list of persons assigned to the project. We then will remove the questionnaire from the smaller envelope and destroy that envelope. HENCE, FROM THAT POINT FORWARD NO ONE (INCLUDING OURSELVES) WILL BE ABLE TO IDENTIFY ANY INDIVIDUAL RESPONDENT OR THE RESPONDENTS FROM ANY ONE CITY OR STATE. By use of these procedures, will we be able to guarantee that all individual responses will remain anonymous from the point at which we receive the questionnaires.

Notwithstanding the procedures described above to guarantee that individual responses will be held in strictest confidence, if any project supervisor or field investigator does not wish to complete all or part of the questionnaire, return the uncompleted questionnaire or your partial responses to us (according

to the above instructions) with an indication that all or part of the questionnaire was not completed.

Thank you for your candid and complete responses.

Attachments: 1 NCUC Benefit Payments Control Study Questionnaire
1 Smaller Envelope
1 Larger Envelope preaddressed to Burgess/Kingston

NCUC BENEFIT PAYMENTS CONTROL PROJECT

QUESTIONNAIRE

Part I: Rating Scale Questions

INSTRUCTIONS: This part of the questionnaire contains a set of statements related to benefit payments control procedures--both prevention and detection--as they currently operate in your state. All questions should be answered in the context that they apply to overpayments of any type, not just to fraud overpayments. Please indicate the extent of your agreement or disagreement with these statements by selecting the appropriate rating scale number (1,2,3,4 or 5) and recording it in the appropriate blank on the coding form attached as the last page of this questionnaire.

To facilitate appropriate interpretation of the responses, the questions are quite direct and specific. Because of this, some rating scale questions may appear "negative" or "problem-oriented." This is necessary, however, in order for us to identify any problem areas that may exist, and to appropriately interpret your responses as to the importance or severity of such problems.

Each of your responses should be based on an informed judgment as to the issue or issues raised in each question. In the event that you believe that you do not have sufficient knowledge for an informed judgment, simply record a DK (for "don't know") in the appropriate blank for that question. If you believe you can make an informed judgment, select the appropriate number from the rating scale provided below.

1	2	3	4	5
Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree

A response of 3 should NOT be utilized if you lack sufficient background or information for an informed judgment. Rather, a response of 3 should be utilized when you neither agree nor disagree or when you believe that strong arguments exist on "both sides" of a particular issue, so that you are not able to either agree or disagree with the statement.

Please read each question very carefully and form your opinion about the questions as they are stated. Any qualifications or concerns about a question can be clarified in your responses to the essay questions provided in Part II of this questionnaire.

In answering these questions, please note that the terms local offices and local personnel include (where appropriate) mail claims locations and personnel who work in mail claims locations.

RECORD YOUR RATING SCALE RESPONSE ON THE ATTACHED ANSWER SHEET

1. Federal timeliness requirements for FIRST PAYS have had little or no effect on efforts to prevent overpayments in local offices.

2. Federal timeliness requirements for FIRST PAYS have greatly reduced efforts to prevent overpayments in local offices.

3. Federal timeliness requirements for NONMONETARY DETERMINATIONS have had little or no effect on efforts to prevent overpayments in local offices.

4. Federal timeliness requirements for NONMONETARY DETERMINATIONS have greatly reduced efforts to prevent overpayments in local offices.

5. The actual quality of the NONMONETARY DETERMINATIONS made by local office personnel does not receive enough emphasis in the evaluation of their work.

6. The actual quality of the work done in the processing of CONTINUED CLAIMS does not receive enough emphasis in personnel performance evaluations.

7. The federal timeliness criteria for FIRST PAYS are commonly understood by local office personnel to include a quality as well as a quantity standard.

8. The federal timeliness criteria for NONMONETARY DETERMINATIONS are commonly understood by local office personnel to include a quality as well as a quantity standard.

9. An effective program exists within your state to regularly assess the quality of NONMONETARY DETERMINATIONS made by local office personnel.

10. An effective program exists within your state to regularly assess the quality of work done in processing CONTINUED CLAIMS.

11. Little or no emphasis is placed on the prevention of overpayments to intrastate claimants by local office personnel.

12. Little or no emphasis is placed on the detection of overpayments to intrastate claimants by local office personnel.

13. Little or no emphasis is placed on the prevention of overpayments to interstate-agent claimants by local office personnel.

14. Little or no emphasis is placed on the detection of overpayments to interstate-agent claimants by local office personnel.

15. Given local office operations as they exist in your state, additional training in the prevention of overpayments would serve as an effective device for reducing overpayments on a continuing basis.

16. Given local office operations as they exist in your state, additional training in the detection of overpayments would serve as an effective device in reducing overpayments on a continuing basis.

17. Local office personnel are encouraged to undertake sufficient investigation of unusual or difficult cases before a NONMONETARY DETERMINATION is made.

18. Local office personnel are encouraged to undertake sufficient investigation of unusual or difficult cases before a CONTINUED CLAIM is paid.

19. In your state, adequate training in overpayments prevention is provided to local office personnel who are hired as "permanent" employees.

20. In your state, adequate training in overpayments detection is provided to local office personnel who are hired as "permanent" employees.

21. In your state, adequate training in overpayments prevention is provided to local office personnel who are hired as "temporary" or "seasonal" employees.

22. In your state, adequate training in overpayments detection is provided to local office personnel who are hired as "temporary" or "seasonal" employees.

23. In your state, most overpayments established are called to the attention of the local office personnel who processed the claim.

24. The results of quality appraisals of local office operations in your state are effectively utilized to improve efforts by local offices to prevent overpayments.

25. An increase in the time (MPUs) allotted for taking CONTINUED CLAIMS would have little or no effect on efforts to prevent overpayments in local offices.

26. An increase in the time (MPUs) allotted for taking CONTINUED CLAIMS clearly would increase efforts to prevent overpayments in local offices.

27. An increase in the time (MPUs) allotted for making NONMONETARY DETERMINATIONS would have little or no effect on efforts to prevent overpayments in local offices.

28. An increase in the time (MPUs) allotted for making NONMONETARY DETERMINATIONS clearly would increase efforts to prevent overpayments in local offices.

Part II: Essay Questions

INSTRUCTIONS:

Please respond as completely as possible to each of the following questions. Each question should be answered in the context that it applies to all types of overpayments, not just to fraud overpayments. Provide specific examples to illustrate general points you wish to emphasize. The answer to each of these questions must be completely self-contained. That is, do not refer us back to your responses to other questions in answering any specific question. We realize that, in some cases, this may require some duplication of responses on your part because some issues or problems may be relevant to several of the questions. We regret the extra time that it may take to provide complete and self-contained answers to each question, but this procedure is required because all answers for each question will be analyzed separately to determine whether any group consensus exists for that question. You are requested to submit typed responses, if possible. If you do not type, your efforts to provide legible handwritten responses will be appreciated. PLEASE BEGIN YOUR RESPONSE TO EACH QUESTION ON A SEPARATE PAGE. Answers to more than one question should not appear on a single page (either front or back side). As was the case for the rating scale questions, the terms local offices and local office personnel include (where appropriate) mail claims locations and personnel who work in mail claims locations.

1. Discuss how local office personnel in your state are encouraged or discouraged in their efforts to: (a) prevent overpayments; and (b) detect overpayments.

2. Discuss how Benefit Payment Control Unit personnel in your state are encouraged or discouraged in their efforts to detect and establish overpayments.

3. List and explain any specific changes in STATE policy or procedures that you would recommend be adopted to increase efforts to prevent overpayments to: (a) intrastate claimants; and (b) interstate-agent claimants.

4. List and explain any specific changes in STATE policy or procedures that you would recommend be adopted to increase efforts to detect overpayments to: (a) intrastate claimants; and (b) interstate-agent claimants.

5. List and explain any specific changes in FEDERAL policy or procedures that you would recommend be adopted to increase efforts to prevent overpayments to: (a) intrastate claimants; and (b) interstate-agent claimants.

6. List and explain any specific changes in FEDERAL policy or procedures that you would recommend be adopted to increase efforts to detect overpayments to: (a) intrastate claimants; and (b) interstate-agent claimants.

7. Does an effective and on-going program exist in your state to monitor and evaluate the quality of work performed by local office personnel? If YES, describe the basic features of this program. If NO, discuss what would be required to successfully implement such a program, and describe its basic features.

8. Does an effective and on-going program to train local office personnel in the prevention and detection of overpayments exist in your state? If YES, describe the basic features of this training program (e.g., who prepares the training materials, who actually conducts the training, how frequently is this training provided?). If NO, discuss what would be required to successfully implement such a program, and describe its basic features.

9. What has been learned from this NCUC-sponsored Benefit Payments Control Study that could be of operational significance for the prevention of overpayments in your state? Fully explain your answer, and provide specific details.

10. What has been learned from this NCUC-sponsored Benefit Payments Control Study that could be of operational significance for the detection of overpayments in your state? Fully explain your answer, and provide specific details.

11. Does a system through which local office personnel receive "credit" or "count" for the types of activities required to effectively prevent overpayments exist in your state? If YES, describe the basic features of this system. If NO, discuss what would be required to successfully implement such a system, and describe its basic features.

12. Does a system through which local office personnel receive "credit" or "count" for the types of activities required to effectively detect overpayments exist in your state? If YES, describe the basic features of this system. If NO, discuss what would be required to successfully implement such a system, and describe its basic features.

13. If no changes were made in the federal timeliness requirements for either FIRST PAYS or NONMONETARY DETERMINATIONS, do you believe additional resources could be effectively utilized in your state to: (a) prevent overpayments; and (b) detect overpayments. If YES, explain how these additional resources could be utilized. If NO, explain why these additional resources could not be effectively utilized.

14. Currently, is it possible to carry out completely the letter and spirit of your state's UI law and benefit policy rules? If it currently is not possible, please discuss whether it would be possible if changes were made in: (a) the UI law or benefit policy rules; (b) the resources available for administering the law; and (c) federal performance criteria.

15. Discuss any other issues of importance that are related to this study but are not covered in your responses to the above questions.

CODING SHEET FOR ALL RATING SCALE QUESTIONS

Rating Scale

1	2	3	4	5
Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree

RECORD A RESPONSE OF "DK" (FOR DON'T KNOW) FOR ANY QUESTION FOR WHICH YOU LACK SUFFICIENT BACKGROUND OR KNOWLEDGE FOR AN INFORMED JUDGMENT.

Record Your Responses Below:

_____ 1.	_____ 15.
_____ 2.	_____ 16.
_____ 3.	_____ 17.
_____ 4.	_____ 18.
_____ 5.	_____ 19.
_____ 6.	_____ 20.
_____ 7.	_____ 21.
_____ 8.	_____ 22.
_____ 9.	_____ 23.
_____ 10.	_____ 24.
_____ 11.	_____ 25.
_____ 12.	_____ 26.
_____ 13.	_____ 27.
_____ 14.	_____ 28.

AFTER COMPLETING PART I, GO ON TO THE ESSAY QUESTIONS IN PART II.

APPENDIX D

QUARTERLY SAMPLE AND POPULATION SIZES

APPENDIX TABLE D-1

SAMPLE AND POPULATION SIZES: SIX PROJECT CITIES, 1979.4

City	Intrastate Key Weeks		Interstate-Agent Key Weeks		Total Key Weeks	
	Sample	Population	Sample	Population[a]	Sample	Population
Buffalo[b]	129	32,188	1	596	130	32,784
Oklahoma City	112	10,345	13	1,424	125	11,769
Phoenix[c]	98	64,498	25	16,624	123	81,122
Pittsburgh	154	91,856	3	1,466	157	93,322
Queens (NYC)[d]	125	62,144	2	979	127	63,123
Salt Lake City[e]	122	28,928[d]	12	2,410	134	31,338
TOTAL	740	289,959	56	23,499	796	313,458

[a]Since the agent state does not determine whether an interstate claim will be compensated, the exact number of compensated interstate-agent weeks in each city's population is unknown and had to be estimated. This estimate was developed by reducing each city's population of weeks claimed by interstate-agent claimants by the proportion of all sampled interstate-agent key weeks that was not paid by liable states. For all project cities taken together, a total of 124 interstate-agent key weeks were sampled, and 25 of these weeks were not paid by liable states. Hence, the population values for interstate-agent weeks provided in the table were developed by reducing each city's population of interstate-agent weeks claimed by 25/124 or about 20.2 percent.

[b]Both the sample and population numbers for Buffalo reflect claims activity in a single local office. Two offices, however, serve the city of Buffalo. Claimants report to one or the other of these offices, based upon the last digits of their social security numbers.

[c]Sampling occurred in five local offices in the Phoenix metropolitan area, and the population totals encompass claims filing at all of these local offices. Hence, the values for Phoenix include the entire metropolitan area, and not just the city of Phoenix.

[d]Both the sample and population numbers for Queens reflect claims activity in one of two offices located in the same building in Queens; claimants report to one or the other of these offices on the basis of the last digits of their social security numbers. There are, however, other UI local offices in the Queens Borough of New York City.

[e]The intrastate population file received for Salt Lake City originally contained some weeks of unemployment filed by claimants from outside of the Salt Lake City area. Weeks sampled from this population that were found to have been filed by claimants from outside of the metropolitan area were excluded from the study. Because 5.8 percent of all sampled intrastate claimants were in this category (and hence removed from the study), it was assumed that 5.8 percent of the entire population of claims also were filed by claimants from outside of the Salt Lake area; the number reported in the table for the population of intrastate weeks in Salt Lake City excludes these claims.

APPENDIX TABLE D-2

SAMPLE AND POPULATION SIZES: SIX PROJECT CITIES, 1980.1

City	Intrastate Key Weeks		Interstate-Agent Key Weeks		Total Key Weeks	
	Sample	Population	Sample	Population[a]	Sample	Population
Buffalo[b]	129	43,470	0	776	129	44,246
Oklahoma City	115	15,364	14	1,485	129	16,849
Phoenix[c]	106	97,731	22	22,264	128	119,995
Pittsburgh	156	137,884	0	1,597	156	139,481
Queens (NYC)[d]	117	68,480	0	869	117	69,349
Salt Lake City[e]	123	58,276[d]	7	2,904	130	61,180
TOTAL	746	421,205	43	29,895	789	451,100

[a]Since the agent state does not determine whether an interstate claim will be compensated, the exact number of compensated interstate-agent weeks in each city's population is unknown and had to be estimated. This estimate was developed by reducing each city's population of weeks claimed by interstate-agent claimants by the proportion of all sampled interstate-agent key weeks that was not paid by liable states. For all project cities taken together, a total of 124 interstate-agent key weeks were sampled, and 25 of these weeks were not paid by liable states. Hence, the population values for interstate-agent weeks provided in the table were developed by reducing each city's population of interstate-agent weeks claimed by 25/124 or about 20.2 percent.

[b]Both the sample and population numbers for Buffalo reflect claims activity in a single local office. Two offices, however, serve the city of Buffalo. Claimants report to one or the other of these offices, based upon the last digits of their social security numbers.

[c]Sampling occurred in five local offices in the Phoenix metropolitan area, and the population totals encompass claims filing at all of these local offices. Hence, the values for Phoenix include the entire metropolitan area, and not just the city of Phoenix.

[d]Both the sample and population numbers for Queens reflect claims activity in one of two offices located in the same building in Queens; claimants report to one or the other of these offices on the basis of the last digits of their social security numbers. There are, however, other UI local offices in the Queens Borough of New York City. Also, the sample and population numbers for Queens reflect a 12-week sampling period, rather than a 13-week sampling period, because of a mass transit strike during the last week of the sampling period for this study.

[e]The intrastate population file received for Salt Lake City originally contained some weeks of unemployment filed by claimants from outside of the Salt Lake City area. Weeks sampled from this population that were found to have been filed by claimants from outside of the metropolitan area were excluded from the study. Because 5.8 percent of all sampled intrastate claimants were in this category (and hence removed from the study), it was assumed that 5.8 percent of the entire population of claims also were filed by claimants from outside of the Salt Lake area; the number reported in the table for the population of intrastate weeks in Salt Lake City excludes these claims.

APPENDIX E

TECHNICAL APPENDIX

APPENDIX E

TECHNICAL APPENDIX

This appendix outlines the statistical procedures used in this study. The discussion focuses on the procedures selected, the assumptions upon which those procedures are based, and the extent to which those assumptions likely were satisfied in this study. The appendix is divided into five sections, each of which correspond to a major statistical procedure utilized in the study. Procedures employed to estimate each of the following are discussed: (1) the likelihood of drawing a sample that has the characteristics of the sample actually selected; (2) *detectable* overpayment/improper payment rates; (3) types and causes of overpayments/improper payments; (4) work registrations; and (5) *detectable* less *routine state* rates of overpayments.

LIKELIHOOD OF SELECTING THE SAMPLE ACTUALLY DRAWN

The sample selection procedures utilized for this study are discussed in the text. Although the selection of a probability sample (a stratified random sample in this case) does not guarantee that the sample will be representative of the population, it does ensure that probability theory can be used to quantify the amount of risk inherent in describing the population on the basis of the sample information. The process of quantifying risk usually culminates in a statement such as: one can be X percent confident that the sample estimate differs from the population value by no more than Y. In this type of statement, Y typically is either a relative error (a percentage) or an absolute error (a magnitude). Unfortunately, unless the population values for the variables under consideration actually are known, it cannot be known with certainty that any specific sample estimate for a variable differs from the population value for that variable by no more than Y. But if values for certain characteristics of the target population are known, it is possible to observe how similar the sample is to the target population with respect to these *known* characteristics. If it can be shown that the sample is very similar to the target population with respect to these *known* characteristics, it can be assumed the sample is similar to the target population with respect to *unknown* characteristics.

In this study, a population data tape was constructed for each city to obtain information on the sex, age, ethnic group and weekly benefit amount associated with each week in the target population. The same data elements were available for the sample selected out of the population in each city. These characteristics were grouped as shown in Table 7; these groupings made it possible to conduct 16 different comparisons between the sample estimates and the population values for each city. The probability of obtaining each sample estimate, given the known population value, was computed. In evaluating these probabilities it should be noted that for W independent comparisons between sample estimates and known population values: (1) the probability is $[1-(1-Z)^W]$ that *at least* one of the W sample estimates will have a probability of Z or less of occurring due to chance alone; and (2) $[1-(1-Z)^W]$ is much larger than Z when W is large.[1] Thus, given W independent comparisons, and assuming that a sample will be accepted as representative unless the set of observed sample characteristics has a probability of less than Z of occurring due to chance, then the sample should be accepted as representative unless some individual sample estimate has a probability of occurrence due to chance of less than $(1-\sqrt[W]{1-Z})$ which approximately equals $\frac{Z}{W}$.

The reason it is important to determine the likelihood of drawing a sample with the observed set of sample characteristics is that this likelihood serves as a basis for determining the level at which confidence intervals should be constructed for estimates based on the sample. For example, if the set of characteristics in a sample has a very small likelihood of occurring (e.g., .01 to .03), then the confidence intervals developed for estimates based on that sample should be constructed at very high levels (e.g., the 99 or 97 percent levels). On the other hand, if the set of characteristics in the sample has a larger likelihood of occurring (e.g., .10 to .25), then 90 percent or even 75 percent confidence intervals would be appropriate for the estimates based on that sample. For this study, the decision was made to accept the sample as representative of the population unless the probability of occurrence due to chance alone for the entire set of observed sample characteristics was less than .10. On this basis, the sample in each city was accepted as being representative of its population. Hence it is reasonable to make 90 percent confidence statements based on the samples for this study.

DETECTABLE OVERPAYMENT/IMPROPER PAYMENT RATES

A sample of approximately 250-300 compensable weeks of unemployment was selected from each city's population over a six-month period. On the basis of the investigative evidence obtained for this sample of weeks, estimates of the ratio of overpayments (or overpayments + improper payments) to total payments were made for the population of weeks paid during the six-month interval in each project city. This type of sample estimate is termed a "ratio estimate" (r), and is typically represented as $r = \frac{\bar{y}}{\bar{x}}$ or $r = \frac{N\bar{y}}{N\bar{x}}$, where $\bar{y}$ is the sample mean for the numerator, $\bar{x}$ is the sample mean for the denominator, and N is the number of elements in the population. In this study, $\bar{y}$ is the mean amount overpaid (or overpaid + improperly paid) per week sampled, $\bar{x}$ is the mean amount paid per week sampled, and N is the total number of compensable weeks of unemployment for the 26-week period.

One characteristic of ratio estimators is that:

$$(1) \qquad Var(r) = \frac{Var(\bar{y}) + R^2 Var(\bar{x}) - 2R\ Cov(\bar{x}\bar{y})}{\mu_x^2 \left[1 + \frac{\bar{x} - \mu_x}{\mu_x}\right]^2}$$

where Var denotes the variance, Cov denotes the covariance, R is $\frac{\mu_y}{\mu_x}$, μ_x denotes the population mean for x and μ_y denotes the population mean for y.[2] If the sample size is large enough, then $\bar{x}$ can be expected to closely approximate μ_x, and the variance of r can be approximated by

$$(2) \qquad Var(r) \doteq \frac{Var(\bar{y}) + R^2 Var(\bar{x}) - 2R\ Cov(\bar{x}\bar{y})}{\mu_x^2}$$

This approximation for Var(r) can be estimated by substituting sample values throughout; r for R, var($\bar{y}$) for Var($\bar{y}$), var($\bar{x}$) for Var($\bar{x}$) and cov($\bar{x}\bar{y}$) for Cov($\bar{x}\bar{y}$). If the sample size is not large enough, then $\bar{x}$ cannot be expected to be close to μ_x, and the variance of r cannot be reliably estimated. Most authors suggest that the sample size be large enough to ensure that the coefficient of variation of $\bar{x}$ equals no more than .1, before one substitutes sample values to estimate the Var(r) in (2) above.[3]

Another characteristic of ratio estimators is that they are not, in general, unbiased. However, the bias can be shown to be equal to $-(\rho_{r\bar{x}})(\sigma_r)(C_{\bar{x}})$, where $\rho_{r\bar{x}}$ is the correlation between r and $\bar{x}$, σ_r is the standard error of r, and $C_{\bar{x}}$ is the coefficient of variation of $\bar{x}$.[4] In this study, even if the mean payment per week for the sampled weeks is greater or less than the mean payment per week for the weeks in the population, there is no reason to suspect that the *percent* of dollars overpaid or improperly paid in the sample is either higher or lower than the percent of dollars overpaid or improperly paid in the population. In other words, there is no reason to believe that the *percent* of dollars overpaid or improperly paid is different for high WBA claimants than for low WBA claimants. Hence, in this study, $\rho_{r\bar{x}}$ is probably zero, and the ratio estimators are probably unbiased, even for very small samples where $C_{\bar{x}}$ could be greater than one-tenth.

If the values of N and μ_x are known, the shortcomings of ratio estimators (described above) are no longer present. The ratio estimator (r) becomes $\frac{N\bar{y}}{\mu_x}$, and Var(r) becomes $\frac{Var(\bar{y})}{\mu_x^2}$. This estimator is not biased, and the variance of this estimator can be determined regardless of sample size. For four of the cities included in this study, the mean payment per compensable week of unemployment and the total payments for all compensable weeks of unemployment in the population were *known*. Hence, for these four cities, it was possible to estimate the ratio of overpayments (or overpayments + improper payments) to total payments by utilizing sample data for overpayments/improper payments and population values for total payments. For the remaining two cities, however, it was necessary to estimate the ratio of overpayments (or overpayments + improper payments) to total payments with a slightly different procedure. This procedure is described below.

In one of these remaining two cities, the sampled population included a relatively small number of weeks of compensated unemployment *that should not have been included* in the target population; when one of these weeks was selected in the sampling process, that week was excluded from the study and not investigated. Although the exact number of weeks that should have been excluded from the target population is unknown, it almost certainly is less than 10 percent of the total number of weeks in that population, based on the number of sample cases that were excluded. In the remaining city,

weeks represented by transitional claims, and all of the population weeks that corresponded to one specific sampling week for 1979.4 were inadvertently excluded from the target population data tape after the sample had been selected; although the exact number of excluded weeks is unknown, it almost certainly is less than 5 percent of the total number of weeks in that population. An important characteristic of the included weeks in the one city and the excluded weeks in the other city is that the value of the average payment per compensated week of unemployment in the population in each case very likely was affected little, if at all. Hence, even given these inclusions and exclusions, it still was possible to compute $r = \frac{\bar{y}}{\mu_x}$ and $\text{var}(r) = \frac{\text{var}(\bar{y})}{\mu_x^2}$, and to analyze the results as a stratified random sample, even though the sample for each week was very small.[5]

For all six cities a problem in attempting to estimate $\text{Var}(\bar{y})$ arose because the total of overpayments (or overpayments + improper payments) for the very small samples in given weeks (8-12 compensable weeks) frequently was zero; this caused the estimated $\text{Var}(\bar{y})$ for such weeks to be zero, when in fact the $\text{Var}(\bar{y})$ clearly was not actually zero. Two alternatives were available to deal with the problem of zero estimates for $\text{Var}(\bar{y})$. The first was to assume that the variance of y was the same for each week for a given city; in this case, the variance of y would be estimated from 26 weeks of data, and then the variance of $\bar{y}$ for a given week would be computed by using the variance of y estimated for all 26 weeks and the sample size for that week. The other approach for dealing with the problem of zero estimates for $\text{Var}(\bar{y})$ was to estimate $\text{Var}(\bar{y})$ for each week, and to allow zero variances for some weeks since this also would result in overstatements of the variances for other weeks. This second procedure was the one used in this study. This approach was adopted because: (1) the number of compensable weeks increased during each week of the study period, and this made it undesirable to assume that the variance was the same for each calendar week; and (2) the procedure chosen generally results in a larger estimate of Var(r) and hence generally results in more "conservative" estimates (in the sense that the reliability of the estimates is understated).

TYPES AND CAUSES OF OVERPAYMENTS/IMPROPER PAYMENTS

Because of the confidentiality requirements imposed on this study, the distributions for the types and causes of overpayments/improper payments could not be reported for individual cities. Hence, distributions for the types and causes of overpayments/improper payments were estimated only for the composite six-city population of weeks.

A number of problems were encountered in attempting to estimate these distributions for the multi-city population. One problem is inherent in the nature of the estimates themselves, because they involve calculating a ratio of two variables, neither of which has a *known* value in the population (for example, the ratio of overpayments of a *certain type* to the total of all overpayments). Hence, a ratio estimator of the form $r = \frac{\bar{y}}{\bar{x}}$ must be used. As discussed in the previous section, this type of estimator can be biased, and sample sizes must be large enough to ensure that $C_{\bar{x}}$ is less than or equal to one-tenth for the estimator's reliability to be determined. For this study, however, it seems unlikely that the ratio estimators used to estimate the multi-city distributions of overpayments/improper payments by type and cause are biased. This is the case because it is likely that the number of overpayments/improper payments in a particular sample is *not* related to the incidence of any particular type or cause of overpayment/improper payment in that sample. The requirement that the sample size be large enough to ensure that $C_{\bar{x}}$ be less than or equal to .1, however, has important implications for the study. It makes it impossible to weight the results by week within a given city, since the variance of weekly ratio estimates cannot be accurately determined on the basis of only nine or ten sample observations per week. If the distributions of overpayments/improper payments by types and causes were identical during each and every study week, then the stratified random sample actually drawn in each city would be equivalent to a simple random sample; in this case, no problem would exist with respect to computing a ratio estimate for the entire 26-calendar week period. In contrast, if the proportion of overpayments/improper payments of a certain type or cause were to increase or decrease as the workload increases (and the workload did increase throughout the 26-week study period), then analyzing the stratified random sample as a simple random sample would not

be strictly valid. Given that the design of this study was developed for estimating rates of overpayments (not types and causes of overpayments), there was no alternative to analyzing the sample as if it were a random sample, even though workloads and particular types and causes of overpayments might be related.[6]

Another problem that arose in attempting to determine the reliability of the estimates of the types and causes of overpayments/improper payments for the composite, six-city population can be seen by examining the standard computational formula given below for estimating the variance of r:

$$(3) \qquad \text{var}(r) = \left[\frac{N-n}{N-1}\right]\left[\frac{1}{n}\right]\left[\frac{1}{\bar{x}^2}\right]\frac{\left(\Sigma y_i^2 + r^2\ \Sigma x_i^2 - 2r\ \Sigma x_i y_i\right)}{n-1}.$$

All variances computed from (3) for zero rates would be equal to zero, since $\Sigma y_i^2 = 0$ and $r = 0$. Nonetheless, the variable "weeks with overpayments or improper payments of a specific type or cause in the sample" has a distribution that can be derived from the binomial; furthermore, the binomial can be used to determine a value for the parameter "weeks with overpayments or improper payments of a specific type or cause in the population" such that the probability of obtaining a sample with a value of zero is .005 or less. If this value for the parameter is used to estimate Σy_i and r in (3) above, a high-side estimate for Var(r) is obtained. This is the procedure that was used to estimate Var(r); accordingly, the reliability of the composite six-city estimates for the types and causes of overpayments/improper payments is at least as high as that reported in Appendix I.

One additional problem that arose in developing the estimated distributions for the types and causes of overpayments relates to those instances in which the point estimate was positive but the lower limit of the confidence interval was *reported as zero.* Given that the point estimate *exceeded zero,* it is clear that the value for the population out of which the sample was drawn also must exceed zero. Accordingly, even though the confidence intervals *reported* for such cases include zero, the *actual* lower limit of such confidence intervals must exceed zero. The lower limit values were *reported* as zero because the normal distribution was used to approximate the binomial distribution, but this normal approximation is not an exact one for an attribute that has a very small percentage occurrence in the population. The *exact*

lower limits of these confidence intervals could have been constructed, but this was not done since these lower limits would have been, for all practical purposes, zero in any event. When the lower limits of such confidence intervals for the types and causes of overpayments are for *practical purposes* equal to zero (rather than being *exactly zero*), this fact is stated in a table footnote.

WORK REGISTRATIONS

Because each of the states that participated in this study had a work registration requirement, it was possible to estimate and report work registration statistics for each city without violating any confidentiality requirements. The statistic estimated in this case is the proportion of claimants required to register with the Job Service (or a union hiring hall) that was NOT in fact properly registered.

Most of the problems confronted in attempting to estimate work registration statistics were those also encountered in attempting to estimate the types and causes of overpayments/improper payments, as discussed in the prior section. For example, a ratio estimator of the form $\frac{\bar{y}}{\bar{x}}$ was utilized to develop work registration estimates. Moreover, in some cases the sample estimate for the population value was zero, just as was the case in estimating the type and cause distributions. These problems were handled in exactly the same manner as described above for the type and cause distributions. For the work registration estimates developed, an essential assumption is that the percent of persons in the sample that should have but did not register with the Job Service is unaffected by the percent of persons in the sample that should have registered with the Job Service. Given this assumption, the correlation between r and $\bar{x}$ is zero so that the estimator $r = \frac{\bar{y}}{\bar{x}}$ is unbiased.

Another problem encountered for the work registration statistics was how to construct the lower limits of confidence intervals for small percentage point estimates that were greater than zero. As explained in the prior section, this problem was resolved by constructing confidence intervals with lower limits of zero, even though the lower limits of these intervals actually are slightly larger than zero. When the lower limits of the confidence intervals

for the percentage of claimants not properly registered with the Job Service (or a union hiring hall) are zero *for practical purposes* (rather than *exactly* zero), this fact is stated in table footnotes.

ROUTINE STATE RATES VS. DETECTABLE RATES

Two problems were encountered in estimating the *routine state* rates of overpayments. First, as noted above, the sampled populations were not identical to the target populations in two of the project cities. There is no reason, however, to suspect that the divergence of the sample populations from the target populations for these two cities caused the rates of overpayments for the sampled populations to differ from the rates of overpayments for the target populations in these cities. This is important because the samples drawn for the purpose of estimating the *routine state* rates of overpayments had to be drawn from the available population tapes; no other sampling frame was available. Because the sampling to estimate *routine state* rates was done from the population tapes for these cities, it was possible to estimate the *routine state* rate with the estimator $r = \frac{N\bar{y}}{N\mu_x}$; this made it possible to avoid the problems typically associated with ratio estimators.

The second problem confronted arose because all prior weeks in a claimant's benefit year--up to and including the key week selected for this study--were investigated for each claimant who had a key week sampled. Therefore, if a compensable week had been claimed by any person who had one or more weeks investigated as a part of this special study for the purpose of estimating the *detectable* rate of overpayments, then that week was deleted from the population tape before the sample was selected to estimate the *routine state* rate of overpayments for that city. This procedure was utilized to avoid allowing the special investigations for this study to have an impact on the *routine state* rates estimated.

The procedure used to determine the reliability of the estimate of the difference between the *routine state* rate and the *detectable* rate of overpayments in each city assumes that two independent random samples were selected from populations with different means and variances. The formulas used to compute each point estimate and its reliability are provided below as (4) and (5), respectively:

(4) $d = r_1 - r_2$, where d is the difference and r_1 and r_2 are, respectively, the estimated *detectable* and *routine state* rates; and

(5) $var(d) = var(r_1) + var(r_2)$. [7]

FOOTNOTES

[1]For a more detailed explanation of simultaneous confidence intervals see: Leo A. Goodman, "On Simultaneous Confidence Intervals for Multinomial Proportions," *Technometrics* (Vol. 7, No. 2), May, 1965, pp. 247-255.

[2]For a discussion of the variance of ratio means see: Leslie Kish, *Survey Sampling* (New York: John Wiley and Sons, 1965), pp. 206-208.

[3]See, for example,: Ibid., p. 208; or Richard L. Scheaffer, William Mendenhall, and Lyman Ott, *Elementary Survey Sampling*, 2nd ed. (North Scituate, Massachusetts: Duxbury Press, 1979), p. 119.

[4]For a discussion of the bias of ratio means see: Leslie Kish, op. cit., pp. 208-211.

[5]The alternative to this procedure would have been to assume that the population of compensable weeks did not change over time, and to analyze the sample as a simple random sample; under this alternative procedure, the sample size would have been large enough so that the $Var(\bar{y}/\bar{x})$ could be reliably estimated. This alternative approach was considered to be inferior to the approach actually used for this study.

[6]The analysis of types and causes of overpayments was included to provide additional information that might be useful in evaluating the rates of overpayments/improper payments found in this study. Even though the assumptions needed to make the estimates may not be met, it appeared far preferable to develop these estimates than to *not* report estimates of the types and causes of overpayments/improper payments for the composite six-city population.

[7]A more detailed discussion of experiments of comparison is contained in: Charles Lipson and Narendar Sheth, *Statistical Design and Analysis of Engineering Experiments* (New York: McGraw-Hill Book Company, 1973), pp. 100-160.

APPENDIX F

SAMPLE AND POPULATION PROPORTIONS

APPENDIX TABLE F-1

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND POPULATION CHARACTERISTICS FOR BUFFALO: 1979.4 AND 1980.1

Characteristic	Sample Proportion[a]	Population Proportion
SEX:		
Male	62.8	65.2
Female	35.3	33.5
Missing	1.9	1.3
AGE:		
Less than 25 years	27.0	26.9
25-44 years	39.2	44.0
45-64 years	29.4	24.7
65 years & up	3.3	3.6
Missing	1.1	0.8
ETHNIC GROUP:		
White, Not Hispanic	68.5	64.5
Other	30.4	34.6
Missing	1.1	0.9
WEEKLY BENEFIT AMOUNT:		
Less than $50	9.2	11.4
$50 - $89	34.5	32.2
$90 -$109	12.9	11.5
$110 & up	43.0	44.6
Missing	0.4	0.3

[a]Sample proportions calculated on the basis of weighted weekly samples to account for the fact that nonproportionate sampling was used.

APPENDIX TABLE F-2

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND POPULATION CHARACTERISTICS FOR OKLAHOMA CITY: 1979.4 AND 1980.1

Characteristic	Sample Proportion[a]	Population Proportion
SEX:		
Male	61.0	64.0
Female	39.0	36.0
Missing	0.0	0.0
AGE:		
Less than 25 years	18.8	21.7
25-44 years	55.8	52.0
45-64 years	21.9	24.1
65 years & up	3.5	2.2
Missing	0.0	0.0
ETHNIC GROUP:		
White, Not Hispanic	66.4	68.2
Other	33.6	31.8
Missing	0.0	0.0
WEEKLY BENEFIT AMOUNT:		
Less than $50	7.2	4.8
$50 - $89	29.3	30.7
$90 -$109	19.2	19.6
$110 & up	44.3	44.9
Missing	0.0	0.0

[a]Sample proportions calculated on the basis of weighted weekly samples to account for the fact that nonproportionate sampling was used.

APPENDIX TABLE F-3

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND POPULATION CHARACTERISTICS FOR PITTSBURGH: 1979.4 AND 1980.1

Characteristic	Sample Proportion[a]	Population Proportion
SEX:		
Male	76.1	76.5
Female	23.9	23.5
Missing	0.0	0.0
AGE:		
Less than 25 years	24.1	23.6
25-44 years	31.7	36.8
45-64 years	32.3	28.4
65 years & up	5.1	4.5
Missing	6.8	6.7
ETHNIC GROUP:		
White, Not Hispanic	76.1	78.0
Other	23.9	22.0
Missing	0.0	0.0
WEEKLY BENEFIT AMOUNT:		
Less than $50	6.8	7.5
$50 - $89	21.3	20.9
$90 -$109	12.5	12.9
$110 & up	59.4	58.6
Missing	0.0	0.1

[a]Sample proportions calculated on the basis of weighted weekly samples to account for the fact that nonproportionate sampling was used.

APPENDIX TABLE F-4

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND POPULATION CHARACTERISTICS FOR PHOENIX: 1979.4 AND 1980.1

Characteristic	Sample Proportion[a]	Population Proportion
SEX:		
Male	69.3	72.4
Female	30.7	27.6
Missing	0.0	0.0
AGE:		
Less than 25 years	19.3	19.6
25-44 years	55.2	56.9
45-64 years	25.5	22.1
65 years & up	0.0	1.4
Missing	0.0	0.0
ETHNIC GROUP:		
White, Not Hispanic	81.6	79.1
Other	17.9	20.3
Missing	0.5	0.6
WEEKLY BENEFIT AMOUNT:		
Less than $50	3.8	3.5
$50 - $89	24.1	24.0
$90 -$109	72.1	72.4
$110 & up	0.0	0.0
Missing	0.0	0.1

[a]Sample proportions calculated on the basis of weighted weekly samples to account for the fact that nonproportionate sampling was used.

APPENDIX TABLE F-5

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND POPULATION CHARACTERISTICS FOR QUEENS: 1979.4 AND 1980.1

Characteristic	Sample Proportion[a]	Population Proportion
SEX:		
Male	42.8	51.5
Female	54.9	47.5
Missing	2.3	1.0
AGE:		
Less than 25 years	16.5	16.4
25-44 years	42.7	42.9
45-64 years	32.9	33.5
65 years & up	7.1	6.7
Missing	0.8	0.5
ETHNIC GROUP:		
White, Not Hispanic	59.6	60.0
Other	39.2	39.3
Missing	1.2	0.7
WEEKLY BENEFIT AMOUNT:		
Less than $50	9.1	6.7
$50 - $89	40.4	37.3
$90 -$109	14.5	17.4
$110 & up	36.0	38.2
Missing	0.0	0.4

[a]Sample proportions calculated on the basis of weighted weekly samples to account for the fact that nonproportionate sampling was used.

APPENDIX TABLE F-6

PERCENTAGE DISTRIBUTIONS FOR SELECTED SAMPLE AND POPULATION CHARACTERISTICS FOR SALT LAKE CITY: 1979.4 AND 1980.1

Characteristic	Sample Proportion[a]	Population Proportion
SEX:		
Male	75.3	74.3
Female	24.7	25.7
Missing	0.0	0.0
AGE:		
Less than 25 years	34.2	32.6
25-44 years	45.7	50.6
45-64 years	19.6	16.3
65 years & up	0.5	0.5
Missing	0.0	0.0
ETHNIC GROUP:		
White, Not Hispanic	89.8	91.9
Other	10.2	8.1
Missing	0.0	0.0
WEEKLY BENEFIT AMOUNT:		
Less than $50	1.2	2.9
$50 - $89	23.8	23.5
$90 -$109	16.7	14.9
$110 & up	58.3	58.7
Missing	0.0	0.0

[a]Sample proportions calculated on the basis of weighted weekly samples to account for the fact that nonproportionate sampling was used.

APPENDIX G

ESTIMATED DETECTABLE OVERPAYMENT/ IMPROPER PAYMENT RATES: SIX PROJECT CITIES: 1979.4 AND 1980.1

APPENDIX TABLE G-1

ESTIMATED OVERPAYMENT/IMPROPER PAYMENT RATES FOR CITY 1: 1979.4 AND 1980.1

Overpayment/Improper Payment Measures	Point Estimate	Confidence Interval Limits[a] Lower	Upper
A. Weeks Overpaid[b]			
Measure 1:[c]	5.06%	3.39%	6.73%
Fraud:	1.07%	0.36%	1.79%
Measure 2:[d]	5.06%	3.39%	6.73%
Measure 3:[e]	5.06%	3.39%	6.73%
B. Dollars Overpaid[f]			
Measure 1:[c]	3.82%	2.30%	5.34%
Fraud:	0.79%	0.19%	1.38%
Measure 2:[d]	3.82%	2.30%	5.34%
Measure 3:[e]	3.82%	2.30%	5.34%

[a] For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[b] Rates estimated for weeks of unemployment include both intrastate and interstate-agent key weeks.

[c] This measure includes as overpaid only those key weeks for which overpayments actually were established or offsets voided.

[d] This measure includes all of the Measure 1 overpayments and some "improper" payments. The "improper" payments included are those in which the circumstances/behavior that occurred during the key week did not lead to any UI agency action against the key week; however, the continuation of these same circumstances in a week after the key week did lead directly to the disqualification of that week or the establishment of an overpayment (or voided offset) against that subsequent week.

[e] This measure includes all of the overpayments encompassed by Measure 2 plus all other payments which, in the judgment of the Field Investigators and Project Supervisors, were improper (even though no official UI agency action was taken in these additional cases).

[f] Rates estimated for dollars paid include just intrastate key weeks. Interstate-agent key weeks are excluded from this measure.

APPENDIX TABLE G-2

ESTIMATED OVERPAYMENT/IMPROPER PAYMENT RATES FOR CITY 2: 1979.4 AND 1980.1

Overpayment/Improper Payment Measures	Point Estimate	Confidence Interval Limits[a] Lower	Upper
A. Weeks Overpaid[b]			
Measure 1:[c]	10.01%	7.47%	12.56%
Fraud:	3.53%	1.93%	5.13%
Measure 2:[d]	15.55%	12.60%	18.50%
Measure 3:[e]	18.56%	15.38%	21.74%
B. Dollars Overpaid[f]			
Measure 1:[c]	8.64%	6.14%	11.15%
Fraud:	3.37%	1.73%	5.02%
Measure 2:[d]	14.39%	11.44%	17.33%
Measure 3:[e]	16.78%	13.68%	19.89%

[a]For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[b]Rates estimated for weeks of unemployment include both intrastate and interstate-agent key weeks.

[c]This measure includes as overpaid only those key weeks for which overpayments actually were established or offsets voided.

[d]This measure includes all of the Measure 1 overpayments and some "improper" payments. The "improper" payments included are those in which the circumstances/behavior that occurred during the key week did not lead to any UI agency action against the key week; however, the continuation of these same circumstances in a week after the key week did lead directly to the disqualification of that week or the establishment of an overpayment (or voided offset) against that subsequent week.

[e]This measure includes all of the overpayments encompassed by Measure 2 plus all other payments which, in the judgment of the Field Investigators and Project Supervisors, were improper (even though no official UI agency action was taken in these additional cases).

[f]Rates estimated for dollars paid include just intrastate key weeks. Interstate-agent key weeks are excluded from this measure.

APPENDIX TABLE G-3

ESTIMATED OVERPAYMENT/IMPROPER PAYMENT RATES FOR CITY 3: 1979.4 AND 1980.1

Overpayment/Improper Payment Measures	Point Estimate	Confidence Interval Limits[a] Lower	Upper
A. Weeks Overpaid[b]			
Measure 1:[c]	13.45%	10.76%	16.14%
Fraud:	2.50%	1.20%	3.80%
Measure 2:[d]	13.73%	11.02%	16.44%
Measure 3:[e]	13.73%	11.02%	16.44%
B. Dollars Overpaid[f]			
Measure 1:[c]	13.33%	10.41%	16.24%
Fraud:	2.54%	1.09%	3.98%
Measure 2:[d]	13.51%	10.59%	16.44%
Measure 3:[e]	13.51%	10.59%	16.44%

[a]For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[b]Rates estimated for weeks of unemployment include both intrastate and interstate-agent key weeks.

[c]This measure includes as overpaid only those key weeks for which overpayments actually were established or offsets voided.

[d]This measure includes all of the Measure 1 overpayments and some "improper" payments. The "improper" payments included are those in which the circumstances/behavior that occurred during the key week did not lead to any UI agency action against the key week; however, the continuation of these same circumstances in a week after the key week did lead directly to the disqualification of that week or the establishment of an overpayment (or voided offset) against that subsequent week.

[e]This measure includes all of the overpayments encompassed by Measure 2 plus all other payments which, in the judgment of the Field Investigators and Project Supervisors, were improper (even though no official UI agency action was taken in these additional cases).

[f]Rates estimated for dollars paid include just intrastate key weeks. Interstate-agent key weeks are excluded from this measure.

APPENDIX TABLE G-4

ESTIMATED OVERPAYMENT/IMPROPER PAYMENT RATES FOR CITY 4: 1979.4 AND 1980.1

Overpayment/Improper Payment Measures	Point Estimate	Confidence Interval Limits[a] Lower	Upper
A. Weeks Overpaid[b]			
Measure 1:[c]	15.85%	12.78%	18.92%
Fraud:	4.26%	2.59%	5.93%
Measure 2:[d]	16.15%	13.06%	19.24%
Measure 3:[e]	28.46%	24.58%	32.34%
B. Dollars Overpaid[f]			
Measure 1:[c]	16.67%	13.03%	20.31%
Fraud:	4.60%	2.55%	6.65%
Measure 2:[d]	17.05%	13.38%	20.73%
Measure 3:[e]	30.66%	25.96%	35.35%

[a]For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[b]Rates estimated for weeks of unemployment include both intrastate and interstate-agent key weeks.

[c]This measure includes as overpaid only those key weeks for which overpayments actually were established or offsets voided.

[d]This measure includes all of the Measure 1 overpayments and some "improper" payments. The "improper" payments included are those in which the circumstances/behavior that occurred during the key week did not lead to any UI agency action against the key week; however, the continuation of these same circumstances in a week after the key week did lead directly to the disqualification of that week or the establishment of an overpayment (or voided offset) against that subsequent week.

[e]This measure includes all of the overpayments encompassed by Measure 2 plus all other payments which, in the judgment of the Field Investigators and Project Supervisors, were improper (even though no official UI agency action was taken in these additional cases).

[f]Rates estimated for dollars paid include just intrastate key weeks. Interstate-agent key weeks are excluded from this measure.

APPENDIX TABLE G-5

ESTIMATED OVERPAYMENT/IMPROPER PAYMENT RATES FOR CITY 5: 1979.4 AND 1980.1

Overpayment/Improper Payment Measures	Point Estimate	Confidence Interval Limits[a] Lower	Upper
A. Weeks Overpaid[b]			
Measure 1:[c]	25.53%	22.03%	29.02%
Fraud:	1.99%	0.84%	3.14%
Measure 2:[d]	25.96%	22.45%	29.47%
Measure 3:[e]	26.22%	22.70%	29.74%
B. Dollars Overpaid[f]			
Measure 1:[c]	16.77%	13.81%	19.72%
Fraud:	0.76%	0.14%	1.38%
Measure 2:[d]	16.90%	13.95%	19.86%
Measure 3:[e]	17.15%	14.18%	20.11%

[a] For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[b] Rates estimated for weeks of unemployment include both intrastate and interstate-agent key weeks.

[c] This measure includes as overpaid only those key weeks for which overpayments actually were established or offsets voided.

[d] This measure includes all of the Measure 1 overpayments and some "improper" payments. The "improper" payments included are those in which the circumstances/behavior that occurred during the key week did not lead to any UI agency action against the key week; however, the continuation of these same circumstances in a week after the key week did lead directly to the disqualification of that week or the establishment of an overpayment (or voided offset) against that subsequent week.

[e] This measure includes all of the overpayments encompassed by Measure 2 plus all other payments which, in the judgment of the Field Investigators and Project Supervisors, were improper (even though no official UI agency action was taken in these additional cases).

[f] Rates estimated for dollars paid include just intrastate key weeks. Interstate-agent key weeks are excluded from this measure.

APPENDIX TABLE G-6

ESTIMATED OVERPAYMENT/IMPROPER PAYMENT RATES FOR CITY 6: 1979.4 AND 1980.1

Overpayment/Improper Payment Measures	Point Estimate	Confidence Interval Limits[a] Lower	Upper
A. Weeks Overpaid[b]			
Measure 1:[c]	30.96%	27.25%	34.68%
Fraud:	2.31%	1.12%	3.50%
Measure 2:[d]	30.96%	27.25%	34.68%
Measure 3:[e]	34.39%	30.47%	38.30%
B. Dollars Overpaid[f]			
Measure 1:[c]	24.28%	20.71%	27.84%
Fraud:	1.65%	0.72%	2.59%
Measure 2:[d]	24.28%	20.71%	27.84%
Measure 3:[e]	27.45%	23.68%	31.23%

[a] For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[b] Rates estimated for weeks of unemployment include both intrastate and interstate-agent key weeks.

[c] This measure includes as overpaid only those key weeks for which overpayments actually were established or offsets voided.

[d] This measure includes all of the Measure 1 overpayments and some "improper" payments. The "improper" payments included are those in which the circumstances/behavior that occurred during the key week did not lead to any UI agency action against the key week; however, the continuation of these same circumstances in a week after the key week did lead directly to the disqualification of that week or the establishment of an overpayment (or voided offset) against that subsequent week.

[e] This measure includes all of the overpayments encompassed by Measure 2 plus all other payments which, in the judgment of the Field Investigators and Project Supervisors, were improper (even though no official UI agency action was taken in these additional cases).

[f] Rates estimated for dollars paid include just intrastate key weeks. Interstate-agent key weeks are excluded from this measure.

APPENDIX H

ESTIMATED MEASURE 1, FRAUD, MEASURE 2 AND MEASURE 3 DETECTABLE OVERPAYMENT/IMPROPER PAYMENT RATES FOR WEEKS OF COMPENSATED UNEMPLOYMENT: SIX PROJECT CITIES, 1979.4 AND 1980.1

APPENDIX TABLE H-1

ESTIMATED MEASURE 1 AND FRAUD OVERPAYMENT RATES FOR WEEKS OF COMPENSATED UNEMPLOYMENT: SIX PROJECT CITIES, 1979.4 AND 1980.1[a]

City[b]	Measure 1 Overpayment Rates			Fraud Overpayment Rates		
	Point Estimate	Confidence Interval Limits[c]		Point Estimate	Confidence Interval Limits[c]	
		Lower	Upper		Lower	Upper
1	5.06%	3.39%	6.73%	1.07%	0.36%	1.79%
2	10.01%	7.47%	12.56%	3.53%	1.93%	5.13%
3	13.45%	10.76%	16.14%	2.50%	1.20%	3.80%
4	15.85%	12.78%	18.92%	4.26%	2.59%	5.93%
5	25.53%	22.03%	29.02%	1.99%	0.84%	3.14%
6	30.96%	27.25%	34.68%	2.31%	1.12%	3.50%

[a] Rates for weeks of unemployment include both intrastate and interstate-agent key weeks.

[b] Cities are ordered from 1-6 on the basis of the value of estimated Measure 1 overpayment rates calculated for dollars of benefit payments.

[c] For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

APPENDIX TABLE H-2

ESTIMATED MEASURE 1 AND MEASURE 2 OVERPAYMENT/IMPROPER PAYMENT RATES FOR WEEKS OF COMPENSATED UNEMPLOYMENT: SIX PROJECT CITIES, 1979.4 AND 1980.1[a]

City[b]	Measure 1 Overpayment Rates			Measure 2 Overpayment/ Improper Payment Rates		
	Point Estimate	Confidence Interval Limits[c]		Point Estimate	Confidence Interval Limits[c]	
		Lower	Upper		Lower	Upper
1	5.06%	3.39%	6.73%	5.06%	3.39%	6.73%
2	10.01%	7.47%	12.56%	15.55%	12.60%	18.50%
3	13.45%	10.76%	16.14%	13.73%	11.02%	16.44%
4	15.85%	12.78%	18.92%	16.15%	13.06%	19.24%
5	25.53%	22.03%	29.02%	25.96%	22.45%	29.47%
6	30.96%	27.25%	34.68%	30.96%	27.25%	34.68%

[a] Rates for weeks of unemployment include both intrastate and interstate-agent key weeks.

[b] Cities are ordered from 1-6 on the basis of the value of estimated Measure 1 overpayment rates calculated for dollars of benefit payments.

[c] For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

APPENDIX TABLE H-3

ESTIMATED MEASURE 2 AND MEASURE 3 OVERPAYMENT/IMPROPER PAYMENT RATES FOR WEEKS OF COMPENSATED UNEMPLOYMENT: SIX PROJECT CITIES, 1979.4 AND 1980.1[a]

City[b]	Measure 2 Overpayment/ Improper Payment Rates			Measure 3 Overpayment/ Improper Payment Rates		
	Point Estimate	Confidence Interval Limits[c] Lower	Upper	Point Estimate	Confidence Interval Limits[c] Lower	Upper
1	5.06%	3.39%	6.73%	5.06%	3.39%	6.73%
2	15.55%	12.60%	18.50%	18.56%	15.38%	21.74%
3	13.73%	11.02%	16.44%	13.73%	11.02%	16.44%
4	16.15%	13.06%	19.24%	28.46%	24.58%	32.34%
5	25.96%	22.45%	29.47%	26.22%	22.70%	29.74%
6	30.96%	27.25%	34.68%	34.39%	30.47%	38.30%

[a]Rates for weeks of unemployment include both intrastate and interstate-agent key weeks.

[b]Cities are ordered from 1-6 on the basis of the value of estimated Measure 1 overpayment rates calculated for dollars of benefit payments.

[c]For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) 100[1-α]% confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) 100[1-α]% of the intervals so constructed will encompass the true value of the population mean; (b) 100[1-α/2]% of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) 100[1-α/2]% of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

APPENDIX I

OVERPAYMENT/IMPROPER PAYMENT TYPES AND CAUSES FOR INTRASTATE AND INTERSTATE-AGENT KEY WEEKS: SIX PROJECT CITIES COMBINED, 1979.4 AND 1980.1

APPENDIX TABLE I-1

PERCENTAGE DISTRIBUTION OF MEASURE 1 OVERPAYMENT TYPES FOR INTRASTATE AND INTERSTATE-AGENT KEY WEEKS: SIX PROJECT CITIES COMBINED, 1979.4 AND 1980.1[a]

Type of Overpayment	Point Estimate	Confidence Interval Limits[b] Lower	Upper
1. Fraud	24.56%	18.86%	30.26%
2. Claimant Error	41.61%	36.05%	47.17%
3. Employer Error	8.97%	5.22%	12.72%
4. Agency Error	23.35%	17.55%	29.15%
5. Reversal (appeals or higher authority)	0.78%[c]	0.00%	6.33%
6. Uncertain[d]	0.70%[c]	0.00%	6.36%
TOTAL	100.00%[e]		

[a]The percentage distribution of the types of the overpayment/improper payments found for all intrastate and interstate-agent sampled weeks that were overpaid or improperly paid, as defined by each measure of overpayments/improper payments, was calculated for each city. Before adding the distributions for all six cities to obtain the composite percentage distribution reported in this table, the percentage distribution for each city was weighted; the weight for each city was defined as that city's population of intrastate and interstate-agent key weeks divided by the total population of such weeks for all six cities combined. The population sizes for each city are reported in Table 6.

[b]For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[c]For practical purposes, this percentage is not significantly larger than zero at the 10 percent significance level (see the Technical Appendix for an explanation of why the lower limit of this confidence interval is reported as zero, even though it is not exactly zero).

[d]If sufficient information was not available for an informed judgment as to the primary source of error, the overpayment type was defined as uncertain.

[e]Percentages may not add to 100.0% because of rounding.

APPENDIX TABLE I-2

PERCENTAGE DISTRIBUTION OF MEASURE 2 OVERPAYMENT/ IMPROPER PAYMENT TYPES FOR INTRASTATE AND INTERSTATE-AGENT KEY WEEKS: SIX PROJECT CITIES COMBINED, 1979.4 AND 1980.1[a]

	Type of Overpayment/ Improper Payment	Point Estimate	Confidence Interval Limits[b] Lower	Upper
1.	Fraud	22.61%	19.66%	25.56%
2.	Claimant Error	44.24%	38.75%	49.73%
3.	Employer Error	8.20%	4.59%	11.81%
4.	Agency Error	22.42%	17.12%	27.72%
5.	Reversal (appeals or higher authority)	0.87%[c]	0.00%	6.39%
6.	Uncertain[d]	1.61%[c]	0.00%	6.85%
	TOTAL	100.00%[e]		

[a]The percentage distribution of the types of the overpayment/improper payments found for all intrastate and interstate-agent sampled weeks that were overpaid or improperly paid, as defined by each measure of overpayments/improper payments, was calculated for each city. Before adding the distributions for all six cities to obtain the composite percentage distribution reported in this table, the percentage distribution for each city was weighted; the weight for each city was defined as that city's population of intrastate and interstate-agent key weeks divided by the total population of such weeks for all six cities combined. The population sizes for each city are reported in Table 6.

[b]For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[c]For practical purposes, this percentage is not significantly larger than zero at the 10 percent significance level (see the Technical Appendix for an explanation of why the lower limit of this confidence interval is reported as zero, even though it is not exactly zero).

[d]If sufficient information was not available for an informed judgment as to the primary source of error, the overpayment type was defined as uncertain.

[e]Percentages may not add to 100.0% because of rounding.

APPENDIX TABLE I-3

PERCENTAGE DISTRIBUTION OF MEASURE 3 OVERPAYMENT/ IMPROPER PAYMENT TYPES FOR INTRASTATE AND INTERSTATE-AGENT KEY WEEKS: SIX PROJECT CITIES COMBINED, 1979.4 AND 1980.1[a]

	Type of Overpayment/ Improper Payment	Point Estimate	Confidence Interval Limits[b] Lower	Upper
1.	Fraud	18.28%	13.16%	23.40%
2.	Claimant Error	44.03%	38.92%	49.14%
3.	Employer Error	7.92%	4.74%	11.10%
4.	Agency Error	24.70%	19.12%	30.28%
5.	Reversal (appeals or higher authority)	0.77%[c]	0.00%	6.02%
6.	Uncertain[d]	4.29%[c]	0.00%	9.62%
	TOTAL	100.00%[e]		

[a]The percentage distribution of the types of the overpayment/improper payments found for all intrastate and interstate-agent sampled weeks that were overpaid or improperly paid, as defined by each measure of overpayments/improper payments, was calculated for each city. Before adding the distributions for all six cities to obtain the composite percentage distribution reported in this table, the percentage distribution for each city was weighted; the weight for each city was defined as that city's population of intrastate and interstate-agent key weeks divided by the total population of such weeks for all six cities combined. The population sizes for each city are reported in Table 6.

[b]For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[c]For practical purposes, this percentage is not significantly larger than zero at the 10 percent significance level (see the Technical Appendix for an explanation of why the lower limit of this confidence interval is reported as zero, even though it is not exactly zero).

[d]If sufficient information was not available for an informed judgment as to the primary source of error, the overpayment type was defined as uncertain.

[e]Percentages may not add to 100.0% because of rounding.

APPENDIX TABLE I-4

PERCENTAGE DISTRIBUTION OF MEASURE 1 OVERPAYMENT CAUSES FOR INTRASTATE AND INTERSTATE-AGENT KEY WEEKS: SIX PROJECT CITIES COMBINED, 1979.4 AND 1980.1[a]

Cause of Overpayment[b]	Point Estimate	Confidence Interval Limits[c] Lower	Upper
A. Unreported Earnings in Key Week	11.28%	7.53%	15.02%
1. Unreported Earnings Due to Concealed Employment	*6.32%*	*0.84%*	*11.80%*
B. Errors in Reporting/ Recording Key-Week Earnings	6.05%	2.10%	10.00%
C. Errors in Reporting/ Recording Base Period Earnings	14.18%	10.00%	18.36%
1. Earnings Incorrectly Reported by Employers	*6.33%*	*0.65%*	*12.00%*
D. Separation Issues	16.63%	11.30%	21.96%
1. Voluntary Quits	*11.49%*	*7.10%*	*15.88%*
E. Eligibility Issues	42.48%	37.43%	47.53%
1. Unavailable For Work	*8.07%*	*4.58%*	*11.56%*
2. No Active Job Search or Refusal of Suitable Work	*27.99%*	*21.96%*	*34.02%*
F. Other Causes	9.35%	8.00%	10.70%
TOTAL	d		

[a]The percentage distribution of the causes of the overpayments/improper payments found for all intrastate and interstate-agent sampled weeks that were overpaid or improperly paid, as defined by each measure of overpayments/improper payments, was calculated for each city. Before adding the distributions for all six cities to obtain the composite percentage distribution reported in this Table, the percentage distribution for each city was weighted; the weight for each city was defined as that city's population of intrastate and interstate-agent key weeks divided by the total population of such weeks for all six cities combined. The population sizes for each city are reported in Table 6.

[b]As shown in Table 2, a total of 28 overpayment/improper payment causes were defined in this study. For the specific categories included in each major category reported in this table, see Table 2.

[c]For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[d]Except possibly for rounding, the percentages for the major causes of overpayments (categories A, B, C, D, E and F) would total 100.0%.

APPENDIX TABLE I-5

PERCENTAGE DISTRIBUTION OF MEASURE 2 OVERPAYMENT/IMPROPER PAYMENT CAUSES FOR INTRASTATE AND INTERSTATE-AGENT KEY WEEKS: SIX PROJECT CITIES COMBINED, 1979.4 AND 1980.1[a]

Cause of Overpayment/ Improper Payment[b]	Point Estimate	Confidence Interval Limits[c] Lower	Upper
A. Unreported Earnings in Key Week	10.01%	6.43%	13.59%
1. Unreported Earnings Due to Concealed Employment	*5.30%*[d]	*0.00%*	*10.69%*
B. Errors in Reporting/ Recording Key-Week Earnings	5.66%	1.78%	9.54%
C. Errors in Reporting/ Recording Base Period Earnings	12.82%	8.79%	16.85%
1. Earnings Incorrectly Reported by Employers	*5.75%*	*0.15%*	*11.35%*
D. Separation Issues	15.92%	10.66%	21.18%
1. Voluntary Quits	*10.88%*	*6.59%*	*15.17%*
E. Eligibility Issues	46.45%	41.47%	51.43%
1. Unavailable For Work	*8.47%*	*5.03%*	*11.91%*
2. No Active Job Search or Refusal of Suitable Work	*33.23%*	*27.13%*	*39.33%*
F. Other Causes	9.11%	4.68%	13.54%
TOTAL	[e]		

[a] The percentage distribution of the causes of the overpayments/improper payments found for all intrastate and interstate-agent sampled weeks that were overpaid or improperly paid, as defined by each measure of overpayments/improper payments, was calculated for each city. Before adding the distributions for all six cities to obtain the composite percentage distribution reported in this Table, the percentage distribution for each city was weighted; the weight for each city was defined as that city's population of intrastate and interstate-agent key weeks divided by the total population of such weeks for all six cities combined. The population sizes for each city are reported in Table 6.

[b] As shown in Table 2, a total of 28 overpayment/improper payment causes were defined in this study. For the specific categories included in each major category reported in this table, see Table 2.

[c] For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[d] For practical purposes, this percentage is not significantly larger than zero at the 10 percent significance level (see the Technical Appendix for an explanation of why the lower limit of this confidence interval is reported as zero, even though it is not exactly zero).

[e] Except possibly for rounding, the percentages for the major causes of overpayments (categories A, B, C, D, E and F) would total 100.0%.

APPENDIX TABLE I-6

PERCENTAGE DISTRIBUTION OF MEASURE 3 OVERPAYMENT/ IMPROPER PAYMENT CAUSES FOR INTRASTATE AND INTERSTATE-AGENT KEY WEEKS: SIX PROJECT CITIES COMBINED, 1979.4 AND 1980.1[a]

Cause of Overpayment/ Improper Payment[b]	Point Estimate	Confidence Interval Limits[c] Lower	Upper
A. Unreported Earnings in Key Week	7.60%	4.52%	10.68%
1. Unreported Earnings Due to Concealed Employment	*3.96%*[d]	*0.00%*	*9.17%*
B. Errors in Reporting/ Recording Key-Week Earnings	5.22%	1.43%	9.01%
C. Errors in Reporting/ Recording Base Period Earnings	12.02%	8.10%	15.94%
1. Earnings Incorrectly Reported by Employers	*5.51%*	*0.17%*	*10.84%*
D. Separation Issues	14.04%	9.08%	19.05%
1. Voluntary Quits	*8.96%*	*5.03%*	*12.89%*
E. Eligibility Issues	51.60%	47.15%	56.05%
1. Unavailable For Work	*7.26%*	*4.21%*	*10.31%*
2. No Active Job Search or Refusal of Suitable Work	*39.06%*	*33.31%*	*44.81%*
F. Other Causes	9.49%	5.08%	13.90%
TOTAL	e		

[a] The percentage distribution of the causes of the overpayments/improper payments found for all intrastate and interstate-agent sampled weeks that were overpaid or improperly paid, as defined by each measure of overpayments/improper payments, was calculated for each city. Before adding the distributions for all six cities to obtain the composite percentage distribution reported in this Table, the percentage distribution for each city was weighted; the weight for each city was defined as that city's population of intrastate and interstate-agent key weeks divided by the total population of such weeks for all six cities combined. The population sizes for each city are reported in Table 6.

[b] As shown in Table 2, a total of 28 overpayment/improper payment causes were defined in this study. For the specific categories included in each major category reported in this table, see Table 2.

[c] For the experiment conducted for this study, the sampling distribution of the mean can be approximated very closely by a normal distribution. When the sampling distribution is normal, the best (i.e., narrowest) $100[1-\alpha]\%$ confidence interval is symmetrical. It is possible to interpret such intervals in three ways: (a) $100[1-\alpha]\%$ of the intervals so constructed will encompass the true value of the population mean; (b) $100[1-\alpha/2]\%$ of the intervals so constructed will have an upper bound which exceeds or is equal to the true value of the population mean; and (c) $100[1-\alpha/2]\%$ of the intervals so constructed will have a lower bound which is less than or equal to the true value of the population mean. Hence, one can be 90% confident that the true value of the population mean is at least as large as the lower limit of the 80% confidence intervals reported in this table.

[d] For practical purposes, this percentage is not significantly larger than zero at the 10 percent significance level (see the Technical Appendix for an explanation of why the lower limit of this confidence interval is reported as zero, even though it is not exactly zero).

[e] Except possibly for rounding, the percentages for the major causes of overpayments (categories A, B, C, D, E and F) would total 100.0%.

APPENDIX J

COMPOSITE RESPONSES TO SELECTED ESSAY QUESTIONS INCLUDED IN NCUC BENEFIT PAYMENT CONTROL STUDY QUESTIONNAIRE

COMPOSITE RESPONSE TO QUESTION 1

Question: Discuss how local office personnel in your state are encouraged or discouraged in their efforts to: (a) prevent overpayments; and (b) detect overpayments.

Normally, no special programs exist within UI local offices to prevent overpayments, but routine activities conducted by local office personnel that would tend to prevent overpayments include: (1) careful screening of new and continued claims for potential issues that require adjudication; (2) complete fact-finding to accompany each nonmonetary determination issued; (3) full explanations to claimants of their rights and responsibilities as UI beneficiaries; and (4) periodic seated interviews with claimants to substantively review their ability to work, their availability for work, and their efforts to search for work (where required by UI law or policy). To the extent to which the above activities were conducted consistently and effectively, no special programs would be required to encourage local office personnel to prevent overpayments.

Unfortunately, the work environment and the "incentives/reward" system for local office employees do not effectively encourage the prevention of overpayments. Even though the UI cost model provides minutes per unit (MPUs) for the prevention of overpayments by local office personnel, the primary emphasis within the local office is on "production" and not on preventing overpayments. Local office employees do not believe they are given sufficient time to effectively conduct the activities described above and, beyond the cost-model time credited for issuing a nonmonetary determination, local office personnel believe that they receive no positive encouragement to prevent overpayments. Employees with the least experience oftentimes are placed on the new claims line and, because they lack training and experience, they are unable to detect a number of potential issues that should be referred for adjudication. Moreover, once potential issues are referred for adjudication, the local office deputies typically are under great pressure to issue nonmonetary determinations within a relatively short period of time. Personnel performance evaluations for these local office deputies often place great weight on the number of determinations issued per day or per week.

Federally mandated timeliness requirements for making first payments and issuing nonmonetary determinations, and competition among local office managers to exceed these time lapse standards, are perceived to be the basis of the pressure to emphasize the rapid payment of benefits over the accurate payment of benefits. (Survey respondents also frequently mentioned the lack of resources and the pressures created by these timeliness criteria in their responses to other survey questions.) Also, during periods of high workloads, long lines of claimants in local offices create additional pressures: to not refer too many cases to adjudication deputies; and for adjudication deputies to issue determinations very quickly. Seated interviews that focus on availability tend to be shortened or eliminated completely when local office claims loads increase substantially.

Local office personnel also are not encouraged to prevent overpayments because there is no system in place to measure, let alone reward, local office personnel for preventing overpayments. In the absence of any means by which this dimension of performance could be assessed, it is not surprising that relatively little emphasis is placed on the types of activities that would tend to prevent overpayments. Rather, local office employees are encouraged to achieve relatively high rankings for their local offices, as measured by the monthly reports of first pay timeliness performance. However, the respondents also stressed in their comments on Questions 11 and 12 (related to developing incentives to prevent overpayments) that any "incentives" system developed for local office personnel should be based on an evaluation of the *overall quality* of work performed, and not on a "count" of overpayments prevented.

Local office personnel generally are not actively involved in the detection of overpayments. Overpayments sometimes are detected when an additional claim is filed, because routine checks are conducted to identify overlaps between weeks of work (or earnings) and weeks when UI benefits were received. Overpayments also could be detected during seated interviews with claimants who have been called in for periodic reviews. Apart from these activities, and those related to local office actions prompted by unsolicited tips about improper behavior on the part of claimants, local office personnel typically are not involved in the process of detecting overpayments. No specific incentives exist to encourage local office employees to detect overpayments.

COMPOSITE RESPONSE TO QUESTION 3 AND 4

Question: List and explain any specific changes in STATE policy or procedures that you would recommend be adopted to increase efforts to prevent or detect overpayments to: (a) intrastate claimants; and (b) interstate-agent claimants.

Perhaps because of the widely differing state laws and procedures applicable to the circumstances in the participating project states, many different types of suggestions were put forth by survey respondents. The strongest consensus apparent in the responses was related to the pressures created by time lapse standards that reduce efforts to prevent or detect overpayments. Also, there was a general recognition of the need for additional training of local office personnel in the prevention and detection of overpayments. Several respondents emphasized that a reduction in the use of mail claims and more frequent in-person reporting requirements also would aid in the prevention and detection of overpayments.

Other suggestions advanced by respondents that did not necessarily represent consensus positions included the following:

(1) Greater efforts should be made to obtain third-party verifications of claimants' statements and certifications.

(2) Employers should be required to report all new hires to the UI agency.

(3) States should implement programs designed to measure the quality of work performed by local office employees. Also, greater emphasis should be placed on the quality of work done by local office personnel, with less emphasis placed on the quantity of work produced.

(4) Random audits of claims filed in local offices and mail claims centers should be conducted on a continuing basis, and extensive followup should occur once the results of these audits are known.

(5) New and more extensive procedures are needed to control benefit payments to interstate claimants. Multi-state crossmatch systems, for example, should be developed for states that share the responsibility of administering the UI program to a large and common group of claimants.

(6) Additional efforts should be made to encourage the employer community to assist in the prevention and detection of overpayments. Employers should be encouraged to cooperate with field investigators and to respond quickly and accurately to efforts to obtain third-party verifications of claimants' statements and certifications.

(7) Efforts should be undertaken to require additional proof of identity at the time claims for benefits are filed.

(8) The prevention of overpayments would be improved by *effectively* providing claimants with clear information on their rights and responsibilities as UI claimants at the time they first file for benefits. Also, seated interviews should be conducted more frequently to carefully determine eligibility and to remind claimants of their rights and responsibilities.

(9) Clarification of certain provisions of employment security law and policy would aid in the prevention and detection of overpayments in some states. Furthermore, greater efforts to share recent interpretations and opinions of employment security law and policy with local office personnel would be useful. Local office personnel should not be allowed to change standard procedures for processing claims, or to use procedures that are contrary to written law and policy.

COMPOSITE RESPONSE TO QUESTION 7

Question: Does an effective and ongoing program exist in your state to monitor and evaluate the quality of work performed by local office personnel? If YES, describe the basic features of this system. If NO, discuss what would be required to successfully implement such a program, and describe its basic features.

Effective and continuing programs to evaluate the quality of work performed typically do not exist in UI local offices. In one participating project state, however, respondents felt a very effective program existed to evaluate the quality of work performed by local office employees. Although most other respondents described some type of existing program that is used to monitor work performed in local offices, the types of programs described by these respondents typically were *not* characterized as being either effective or continuing. Furthermore, in several instances it was noted that no consistent procedures exist for followup or remedial action once problems have been identified. For example, there typically is no system for routinely informing local office employees of errors that they have made in processing/adjudicating claims; without such a feedback system, employees may not even be aware of errors that they have made. Reviews of local office operations by regional or district supervisors generally are not performed on the basis of a scientifically selected set of cases, so that no inference to the quality of all local office work could be made on the basis of these reviews.

COMPOSITE RESPONSE TO QUESTION 8

Question: Does an effective and ongoing program to train local office personnel in the prevention and detection of overpayments exist in your state? If YES, describe the basic features of this training program (e.g., who prepares the training materials, who actually conducts the training, how frequently is this training provided?). If NO, what would be required to successfully implement such a program, and describe its basic features.

Effective and ongoing programs to train local office personnel in the prevention and detection of overpayments typically do not exist. Much of the training that is provided to local office personnel is developed by a centralized training staff, and is presented to local office personnel if time permits (rather than on a regular basis). In effect, most of the training related to the prevention and detection of overpayments that does occur is incidental in nature, and is not provided through a structured training program.

The absence of effective and continuing programs to train local office personnel in the prevention and detection of overpayments reflects the relative emphasis accorded these topics, at least as far as the role of local office personnel in this process is concerned. Generally, the respondents believed that if this type of training were provided, the training materials should be developed by those directly responsible for preventing and detecting overpayments. Within the current local office environment, which stresses the quantity of claims processed at the expense of program quality, however, some respondents questioned the usefulness of training for local office personnel in the prevention and detection of overpayments.

COMPOSITE RESPONSE TO QUESTIONS 9 AND 10

Question: What has been learned from this NCUC-sponsored study that could be of operational significance for the prevention and detection of overpayments in your state? Fully explain your answer, and provide specific details.

Most respondents believed that more overpayments could be prevented and detected if a greater emphasis were placed on the prevention and detection of overpayments in state UI programs. Generally, respondents emphasized that additional time is needed to process/adjudicate UI claims and that better training of local office personnel in the prevention and detection of overpayments should be provided. In some instances, reduced use of mail claims was suggested to reduce overpayments. Also, some respondents emphasized the need for better cooperation between the UI local offices and the Job Service.

In addition to the above suggestions, which represent the collective views of a number of respondents, it also may be useful to identify other ideas put forth by individual respondents. The following suggestions for preventing or detecting overpayments were made by one or more respondents:

(1) Closer monitoring of work search activities of claimants, where required by law or policy, and more frequent third-party verification of claimants' statements and certifications were proposed.

(2) Improved methods of informing claimants of their rights and responsibilities as UI claimants and a reinstitution of the Benefit Rights Interview were suggested.

(3) More vigorous prosecution of fraud cases and more publicity of UI agency action on fraud cases were recommended.

(4) It was recommended that greater efforts be made to contact separation employers at the time an initial or additional claim is filed.

(5) More questions related to continued eligibility for benefits should be placed on the claims form, and greater attention should be given to these questions at the time the claimant reports to the local office.

(6) Development of a policy on work search that is interpretable and enforceable is needed.

(7) Local office personnel should be trained to utilize the information available in the agency's computer files in reviewing a claimant's eligibility for benefits.

(8) Detailed questionnaires periodically should be completed by randomly selected UI claimants, who would report in person to the local office; these claimants should be given an in-depth Eligibility Rights Interview, and third-party verification of the claimant's responses should occur while the claimant is present.

OVERPAYMENT/IMPROPER PAYMENTS RATES ESTIMATED FROM THE NCUC STUDY DATA FOR THE POPULATION OF INTERSTATE CLAIMS FILED IN PHOENIX, SALT LAKE CITY AND OKLAHOMA CITY DURING 1979.4 AND 1980.1: WEEKS OF COMPENSATED UNEMPLOYMENT AND DOLLARS OF BENEFITS PAID

Rates for Weeks of Compensated Unemployment:

Measure	Point Estimate	80% Confidence Interval	
		Lower Limit	Upper Limit
1	11.36%	6.09%	16.63%
2	11.36%	6.09%	16.63%
3	18.39%	11.95%	24.82%
Fraud	4.34%	1.08%	7.59%

Rates for Dollars of Benefits Paid:

Measure	Point Estimate	80% Confidence Interval	
		Lower Limit	Upper Limit
1	11.48%	4.95%	18.00%
2	11.48%	4.95%	18.00%
3	17.95%	10.42%	25.48%
Fraud	3.42%	0.27%	6.22%