Benefit Accuracy Measurement Methodology Evaluation

Final Report

March 28, 2014

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Finally, we thank our numerous colleagues at Mathematica Policy Research, whose assiduous analysis, writing, reviewing, and editing were essential and appreciated.



ABSTRACT

Errors in Federal–State Unemployment Insurance (UI) program payments have long been a concern to the U. S. Department of Labor (DOL) and other stakeholders. To maintain program solvency and public support for the program, it is crucial that payments are made only to eligible recipients and that payment amounts are correct. Since 1987, the U. S. Department of Labor (DOL) has assessed the accuracy of state UI program payments through the Benefit Accuracy Measurement (BAM) program, identified causes of improper payments, and initiated corrective action plans when systemic errors are found. Since 2002, DOL has also used BAM program data to generate UI program performance measures in compliance with the Improper Payments Information Act (IPIA) and its amendments—the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA)—and to produce several other program integrity rates.

Given their role in gauging payment propriety and producing program performance measures in compliance with federal law, it is critical that BAM program data are comprehensive and accurate. Therefore, DOL contracted with Mathematica Policy Research to conduct a thorough review of existing BAM procedures and recommend improvements when necessary. This report documents findings from site visits to eight state UI agencies and analyses of BAM program data, proposes recommendations for redesigning aspects of the BAM program, and suggests alternatives to existing program integrity measures.



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I. INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

The Federal-State Unemployment Insurance (UI) program was created in 1935 in response to massive job losses during the Great Depression. Its objective is to provide people who lose employment because of circumstances beyond their control with temporary aid while they seek new employment. If the program is to remain solvent and maintain public support, it is crucial that UI payments be issued (a) only to unemployed workers who are eligible for the benefits, and (b) for the correct amount.

Errors in UI payments have long been a concern. A study by the National Commission on Unemployment Compensation conducted in 1979 and 1980 revealed higher than anticipated error rates in benefit payments. In 1981, the U.S. Department of Labor (DOL) implemented the Random Audit program in five states, which also identified unacceptable error rate levels. In 1987, the Employment and Training Administration (ETA) of DOL established in regulation (20 Code of Federal Regulations Part 602) a quality control (QC) program for the Federal-State Unemployment Compensation (UC) system. DOL began assessing the accuracy and timeliness of benefit payments and identifying errors in the claims process through the state-administered Benefit Quality Control (BQC) program. The scope of the program has evolved over time, with changes made to procedures and state-level sample sizes. In 1996, BQC was renamed the Benefit Accuracy Measurement (BAM) program, and in 2001 it began to sample and audit denied claims in addition to paid claims. Today, state BAM programs assess the rates of improper or inaccurate payments to claimants from three major UC programs: (1) Regular State UI, (2) Unemployment Compensation for Federal Employees (UCFE), and (3) Unemployment Compensation for Ex-Service Members (UCX).

DOL uses data generated by the BAM program to construct a series of UI program performance measures in compliance with federal law, and to produce several other program integrity rates. ^{1,2} In 2002, Congress passed the Improper Payments and Information Act (IPIA), requiring all federal agencies to, among other goals, identify programs "susceptible to significant improper payments" and estimate the prevalence of the improper payments. In response to IPIA and in accordance with Office of Management and Budget (OMB) reporting guidelines, DOL began estimating and reporting state overpayments and underpayments via the improper payment rate (or the "IPIA rate"). In 2012, DOL estimated national improper benefit payments at \$9.72 billion for all programs including Regular UI, UCFE, UCX, Extended Benefits (EB) and Emergency UC (EUC), with overpayments constituting nearly 95 percent of that total. In 2013, improper payments decreased to an estimated \$7.68 billion, due primarily to a decrease in program outlays.

In 2010, Congress amended IPIA with the Improper Payments Elimination and Recovery Act (IPERA). Among other things, IPERA (a) redefined "significant improper payments" as "2.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported," or "\$100 million regardless of the improper payment percentage of total

¹ See "Unemployment Insurance (UI) Improper Payments By State," available at [http://www.dol.gov/dol/maps/map-ipia.htm].

² See Appendix Table J.1 for more information on the federal laws described in this chapter.

program outlays," and (b) established that improper payments cannot exceed 10 percent of program payments. In response to IPERA, DOL created two additional integrity performance measures; an overpayment recovery measure, which required that states achieve targets for recovering overpayments, and a net improper payment rate, which measured improper payments minus those recovered by the UI agency. OMB redefined "significant overpayments" as 1.5 percent of program outlays starting in October 2012 (OMB Circular A-123 Appendix C), and approved use of the net improper payment rate in December 2012.

Congress further amended IPIA and IPERA with the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012. According to IPERIA, federal agencies must (a) "include all identified improper payments in the reported [improper payment] estimate, regardless of whether the improper payment in question has been or is being recovered" [italics added], and (b) update their improper payment measurement methodology accordingly. This precludes DOL from reporting the net improper payment rate measure that it established in response to IPERA. IPERIA and draft OMB guidance do, however, permit agencies to identify program areas with the greatest risk of overpayment and to propose program integrity measures that isolate area-specific payment errors. According to OMB, focusing on program components in this way "would allow [agencies] to prevent and reduce improper payments in the most cost-effective manner possible." DOL is in the process of reviewing this guidance and generating such measures.

A. The BAM Program

The organization of the BAM program reflects the organization of the UI system, which is federally mandated but operated by individual states. Each state must (a) establish an independent BAM unit that draws representative random samples of paid UI weeks and denied claims following specifications developed by ETA, and (b) conduct in-depth investigations of paid and denied claims to determine the accuracy of the benefit payments and denial decisions. To promote consistency in investigations, DOL developed standardized methods and procedures for states and designed questionnaires for obtaining the data necessary to operate the BAM program. These procedures are outlined in *Employment Training (ET) Handbook 395, 5th Edition*.

Each week, state BAM units randomly select and investigate a small representative sample of paid and denied UI claims from that week. For paid claims investigators examine all aspects of a claimant's eligibility to receive unemployment compensation during the sampled week, called the "key week." The audit involves (a) verifying that the claimant was, in fact, eligible for benefits at the time they applied for them, and (b) confirming that they met the state's ongoing eligibility standards during the key week. Audits of denied claims focus on the specific issue on which the denial was based. Using the information collected during these investigations, DOL estimates the percentage of claimants that were paid or denied improperly in each state, by cause and responsible party. For paid claims, BAM also estimates the dollar value and rate of improper payments (including both overpayments and underpayments).

As in any data collection operation, sampling and nonsampling errors can affect the precision and accuracy of BAM estimates and survey data. The sampling design and sample size in each state will affect the precision of the BAM estimates as well as the cost of the program. The design of BAM data collection instruments, including their flow, content, and suitability for multiple platforms, affects response rates and the accuracy of responses. In addition, the BAM

data are prone to inconsistencies caused by cross-state differences in investigative procedures, investigator training, coding, and interpretation of results.

In addition to the challenges of generating precise and accurate error rates for the UI populations currently covered by BAM audits, concern has grown about categories of UI claimants excluded from BAM. The audits have, up to now, covered only state UI, UCFE, and UCX claims, as the overwhelming majority of UI claimants have historically come from those programs. However, as a result of the persistently high unemployment rates produced by the Great Recession, post-26-week claimants receiving benefits through the EB and EUC programs have constituted a substantial portion of the claimant population in recent years. This situation has led to greater interest in generating BAM-based UI integrity measures for those claims to ensure that the program's error rate estimates reflect the integrity of the UC system as a whole.

Finally, BAM now serves as DOL's primary means of collecting data to measure state performance in accordance with IPIA, IPERA, and IPERIA. It is therefore necessary to assess program operations to ensure that BAM successfully fulfills both its quality assurance and accuracy measurement objectives.³

B. The BAM Methodology Evaluation Research Questions and Data Sources

DOL contracted with Mathematica Policy Research to conduct a comprehensive review of existing BAM procedures, identify promising BAM practices, and recommend improvements to help the program produce needed quality assurance and integrity information in a timely, cost-effective, accurate, and comprehensive manner. With guidance from DOL, Mathematica addressed relevant research questions in six major categories (see Table I.1).

Table I.1: BAM Methodology Evaluation Research Questions by Topic

Topic	Research Questions				
Alternative sampling methodologies to produce precise estimates for states and subpopulations	 What are the factors to consider in determining sample sizes by state? What sample sizes are necessary to determine whether states have met performance measure targets? 				
Integration into BAM of temporary and episodic	 What changes in methodology would be required or warranted to integrate EB and EUC claims? 				
programs such as EB and EUC	 Could a two-stage cluster sample design be used to obtain a reliable national estimate? 				
	 What sample sizes would be required for EB and EUC integrity measures? 				

[.]

³ From its inception, a major purpose of the program has been to assess the accuracy of UI payments and denials. DOL and UI stakeholders (including the predecessor to the National Association of State Workforce Agencies) agreed to a series of eight consensus principles prior to the program's implementation, one of which was that "All States would perform 'Core QC'. That is, a minimum of 400 weeks claimed cases, per State per year, would be investigated to determine whether the payments were proper" (Unemployment Insurance Program Letter No.4-86). Despite this guidance, some study states believed that BAM's original and primary purpose was quality assurance, not performance measurement, and were concerned that the BAM program was being used to generate estimates of improper payments when they thought that it was not originally designed to do so.

Topic	Research Questions				
Revision of data collection instruments and coding procedures	How might the BAM questionnaire be redesigned to increase claimant response, reduce administrative burden, and improve data quality? What revisions can be made to the BAM coding instrument and procedures to ensure consistent, high-quality coding across states? What would be the feasibility and cost of moving to web-based and mobile applications as data collection platforms?				
Alternative BAM administrative structures	 What changes to BAM administrative procedures will improve program integrity? 				
Other methodological issues, such as longitudinal tracking and inclusion of nonmonetary determinations quality scoring	 Can collection of some data be staggered across survey years? What is the feasibility of stratifying by claim type? Can longitudinally tracked samples be used? How might quarterly benefits quality assessments of nonmonetary determination be implemented as part of BAM? 				
Alternative BAM integrity rates	 How might the BAM annual overpayment rate (also referred to as the annual report rate) be improved to provide more comparable assessments of state performance? What, if any, error issues should be removed from the BAM annual overpayment rate to generate a more comparable and meaningful measure of state performance? Should DOL report any additional rates commensurate with IPERIA? 				

BAM Data. To answer many of these questions, we analyzed a combination of publically available BAM program data and additional program data collected by DOL. Specifically, we analyzed three data sets that DOL has been using to generate BAM program integrity rates since 1988:

- 1. The **BAM master file** contains overall overpayment and underpayment information for every case selected for an investigation.
- 2. The **BAM error issue file** provides information on payment errors by cause. DOL uses these data to estimate the dollar amounts of total payment errors and errors by cause: work search, Employment Services (ES) registration, benefit year earnings, and separation errors.
- 3. The **BAM comparison file** contains state population counts and sample sizes by key week, both of which DOL uses to calculate sampling weights for determining integrity rates.

Mathematica statisticians used these data (available for the years 1988 through 2012) to develop statistical models for determining state-level program sample sizes, to develop a national sample design for integrating temporary and episodic programs into BAM, and to generate alterative integrity measures.

Site Visit Data. To gather detailed information about state BAM operations and perceptions of the program, and to inform development of BAM redesign recommendations, Mathematica visited eight state UI agencies. During visits, we collected data on BAM procedures (for example, case selection, investigations, and actions that result from investigations) and the context in which they are implemented. With guidance from DOL, we used a repeated random

process to select a mix of eight states to visit that varied based on: (a) UI program size (total amount paid to UI, UCFE, and UCX claimants in 2011); (b) BAM improper payment rate; (c) DOL region; (d) characteristics of state BAM unit; and (e) prior input on BAM process. With approval from DOL, we visited Alabama, Delaware, Louisiana, Maine, Minnesota, Texas, Washington, and West Virginia during winter and spring of 2013. Our activities on site included semistructured interviews with the UI director, BAM supervisor, BAM investigation staff, and the BAM information technology systems manager. We also reviewed completed cases and questionnaires to learn more about states' investigative processes.

To guide these activities, we developed discussion protocols and observation instruments. Discussion topics included: (a) the context for BAM in the state (population size, error rate, and state UI policies and procedures); (b) the organization of the BAM office (its place in the state agency, its available resources, and the challenges it faces in fulfilling its mission); (c) BAM case selection; (d) BAM case investigations; (e) BAM case determinations; and (f) staff insights on challenges in the BAM process, promising practices, and the feasibility of making changes. We spoke with multiple respondents to obtain different perspectives on each issue.

We began analyzing site visit data immediately after each visit. This included searching for themes and patterns, looking for clusters of similar observations, and noting differences across sites and in respondents' experiences (as documented in visitors' site visit reports, which followed a standard outline based on the discussion guides). Although the generalizability of qualitative findings is limited by the narrow scope of states and respondents interviewed, this method provided in-depth insight into BAM procedures, as well as interviewees' perceptions of their challenges and strengths in BAM procedures. Once all visits were completed, the research team organized and analyzed coded interview transcripts using qualitative data analysis software to identify key themes and relationships, and vivid, interesting examples of different BAM investigation approaches from across sites.

In May 2013, Mathematica submitted to DOL interim findings based on study site visits; these are summarized in Appendices A (State BAM Programs) and B (State Perspectives on the Feasibility of BAM Program Changes). It should be noted that these interim findings predated the release of Unemployment Insurance Program Letter Number (UI Program Letter No.) 28-13 and draft IPERIA guidance. We also recommended a plan for the remainder of the evaluation for each of the six topics listed in Table I.1. Together with DOL, Mathematica assessed these recommendations within the context of agency priorities, as well as the scope and schedule of the project, and isolated as the most critical elements to explore in this final report: (a) alternative sampling methodologies, (b) integration of temporary and episodic programs into BAM, (c) revisions to BAM data collection instruments, and (d) alternative integrity rates.

C. Summary of Recommendations for BAM Program Improvement

The remaining chapters of this report present our final recommendations for BAM program improvements. Chapter II discusses the BAM program's existing sampling procedures and suggests a revised approach that will increase the precision of estimates produced by the program

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⁴ Atlas.ti.

while minimizing investigative burden. Chapter III assesses the feasibility of integrating temporary and episode programs into BAM, and describes an approach for doing so. In Chapter IV, we discuss states' perspectives on BAM data collection instruments and procedures and present our suggestions for a revised Paid Claims Claimant Questionnaire and Data Collection Instrument. Finally, in Chapter V, we summarize states' concerns about the IPIA and IPERA program integrity measures, and suggest ways that DOL can address these concerns as well as respond to IPERIA and related OMB guidance.

Key recommendations for BAM program revisions based on our analysis of site visit and BAM data are summarized below. Each recommendation was generated from thorough analyses and represents a potential program improvement, but the relevant chapters also discuss the potential methodological and operational limitations involved in implementing them. Readers should note that DOL must further assess the resource and staffing requirements needed to implement these recommendations at both the federal and state levels to determine their feasibility.

- Set BAM sample sizes based on states' improper payment rates (Chapter II). The state-level variance in estimated rates is driven primarily by the BAM improper payment rate, and we developed a model for generating BAM sample sizes to meet OMB precision standards (where the precision is the half-width of a 95 percent confidence interval of +/- 3 percentage points around the improper payment rate). An important implication is that states with higher improper payment rates will need to have larger sample sizes in order to meet a desired level of precision.
- Use a two-stage national sample design to select a sample of temporary and episodic claims for inclusion in BAM audits (Chapter III). Should DOL include reviews of temporary and episodic program claims (such as EB or EUC) in BAM, a two-stage sample design (in which states would be selected first, then claims) would enable DOL to obtain estimates of improper payments that meet OMB precision requirements (a 95 percent confidence interval of +/- 3 percentage points), while minimizing the burden across all states by reducing the number of states that participate. We used available BAM data to estimate the design parameters, such as intracluster correlation coefficient (the average correlation among responses within a state), and develop guidance for DOL regarding how to develop a national survey design to achieve this objective with respect to the number of states and cases required in the sample to execute this approach relative to the number of states participating in the program.
- Redesign the BAM Paid Claims Claimant Questionnaire (Chapter IV). BAM investigators reported the following concerns with the questionnaire: (a) it is redundant and burdensome; (b) claimants skip or misreport items with unfamiliar terms or concepts, and those that seem to require them to perform a calculation; and (c) instructions and item formatting confuse claimants. Few states have revised the questionnaire to address these and other issues, despite having the option of proposing changes for DOL approval. Therefore, Mathematica redesigned the questionnaire included in ET Handbook 395, 5th Edition to serve as a "gold standard" survey that reflects industry best practices and enhances investigators' ability to obtain comprehensive and accurate information from claimants and code determinations. For example, to improve the instrument's organization and flow we

grouped thematically similar items, and enhanced its visual appearance and clarity through enumerating every question and sub-question. We also provided respondents with more detailed completion instructions. Additionally, we developed revisions to the BAM Paid Claims Data Collection Instrument (DCI) to align with the redesigned questionnaire and to promote more consistent investigation coding across states.

• Develop integrity measure alternatives—specifically, develop a BAM annual overpayment rate that excludes work search overpayments, and develop a separate work search overpayment rate (Chapter V). State UI leaders are concerned that including work search overpayments in BAM program performance measures weakens the validity of cross-state comparisons. They argued that existing rates punish states with strict work search policies, and noted that most claimant work searches are unverifiable despite the immense amount of time and effort that BAM investigators spend contacting employers. We concur with those concerns and recommend that DOL track and report work search errors separately. Mathematica used available BAM data to model an annual overpayment rate that excludes work search overpayments and develop a separate work search overpayment rate, over a five-year period. We also recommend that DOL improve the transparency of BAM rates through improved communication strategies to reduce apparent confusion among state policymakers and the media about the rates.

⁵ The sample size analysis presented in Chapter II of this report is based on states' 2013 improper payment rates and the current improper payment rate definition. The alternative improper payment rate definitions that are discussed in Chapter V are presented for consideration by DOL. Any revised integrity rate definition will require OMB approval. Pending that approval, DOL will need to conduct the appropriate analyses to ensure that sample allocations reflect states' performance on the new metric.



II. CHANGES TO BAM SAMPLE SIZES

One of the Department of Labor's (DOL's) highest priorities for the Benefit Accuracy Measurement (BAM) Methodology Evaluation is a review of the number of Unemployment Insurance (UI) claims sampled by states for BAM investigations. Because DOL uses BAM data to estimate national improper payment rates and comply with Improper Payments and Information Act of 2002 (IPIA), Improper Payments and Recovery Act of 2010 (IPERA), and Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) performance requirements, it is critical that the number of claimants selected for investigation is sufficient to produce reliable results in a cost-effective and otherwise efficient manner. While the existing sampling approach produces statistically reliable results and complies with precision requirements for reporting survey-based estimates, as established by the Office of Management and Budget (OMB), it does so only for the production of national improper payment rate estimates. DOL also endeavors to use BAM program data to generate reliable state-level improper payment rates that better characterize the experiences of individual states and to evaluate state performance against targets set for integrity performance measures, and our recommendations aim to guide DOL in setting sample sizes that meet those needs while minimizing burden.

In this chapter, we provide an algorithm for DOL to use to determine the sample size for improper payment rates to achieve a desired level of precision for both national *and* state-level estimates. The algorithm is based on the state's improper payment rate as well as the state's size (using the annual total payments in the state) and its contribution to the national estimate. This approach is recommended over other approaches—for example, basing sample sizes on state UI caseload alone (discussed in Section C) or on a linear model computed using the improper payment rates from prior years. This approach is recommended because it incorporates the two main drivers of precision of the rates—the proportion of recipients in a state with an improper payment and the average size of the improper payment in the state, as well as the variation in both of these estimates. This approach is flexible, and can be used to determine sample size allocations for the annual overpayment rate as well as for other rates generated using BAM program data.

A. Current Sample Size Approach

Each week, state BAM units select random samples of paid UI claims, representing both intrastate and interstate original payments (including combined wage claims), and denied claims from the three permanent UI programs—(1) State UI, (2) Unemployment Compensation for Federal Employees (UCFE), and (3) Unemployment Compensation for Ex-Service Members (UCX). BAM investigators audit each selected claim and, for paid claims, examine all aspects of a claimant's eligibility to receive unemployment compensation during the sampled week, called the "key week." DOL requires that the 10 states with the smallest UI program workloads (defined as the number of UI weeks paid during the previous five years) select at least 360 cases for investigation per year, and that all other states select at least 480 cases per year. ⁶

⁶ Some states electively select samples that exceed these required minimums, so that they can collect additional data for state analyses and related purposes.

Existing BAM state sample sizes are consistent with the reporting standard of a 95 percent confidence interval of +/- 3 percentage points for national estimates as established by OMB in Appendix C of OMB Circular A-123 (OMB Memorandum M-11-16, April 14, 2011). OMB established an alternative standard of a 90 percent confidence interval of +/- 2.5 percentage points (these are statistically equivalent). The procedure currently used by DOL to set state sample sizes is described in UI Program Letter No. 3-97. In order to stabilize state staffing, DOL examines UI program workloads to identify the 10 smallest states every three years. This approach is consistent with accepted statistical methods for sample size determination around an estimate of a proportion near 0.12, which is the approximate historical value for the BAM estimated improper payment rate.

The current algorithm for determining the state sample sizes does not fully account for the complexity of the BAM improper payment rate. This algorithm for the sample size for a state was based on an assumption of the same underlying rate for each state and the relative size of the state. The recommended algorithm takes into account the historic rates and the variation in these rates.

The BAM improper payment rate is the ratio of two weighted sums: (1) the weighted sum of the dollars improperly paid, and (2) the weighted sum of dollars paid in all claims. The variance of the rate is based on these two weighted sums. The improper payment rate can be written as:

Improper Payment Rate (R)=Total Improper Payments (Y)/Total Payments (X)

Note also that components of the rates can be recast as shown below:

1. the total improper payments equals the product of the number of recipients with an improper payment and the mean improper payment among recipients with improper payments:

Total Improper Payments (Y) = Number of Improper Payments (
$$N_{Imp}$$
) *

Mean Improper Payment (\overline{Y}),

2. the total payments equals the product of the number of UI recipients and the mean total UI recipient payment:

Total Payments (X) = Number of Recipients with Payments (
$$N_{Rec}$$
) *
Mean Total Payment (\overline{X}),

3. the proportion of UI recipients with an improper payment is the ratio of the number of recipients with an improper payment (from 1 above) to the total number of UI recipients (from 2 above):

Proportion of Recipients with Improper Payments (P)=Number of Improper Payments (N_{Imp})/
Number of Recipients with Payments (N_{Rec})

Using substitution, the improper payment rate can then be written as the product of the proportion of UI recipients with an improper payment and the mean improper payment among recipients with an improper payment, divided by the mean total UI payment:

Improper Payment Rate (R)=[Proportion of Recipients with Improper Payments (P)*

Mean Improper Payment (\overline{X})]

Mean Total Payment (\overline{X}) ,

Improper Payment Rate (R)=
$$[P*\overline{Y}]/\overline{X}$$
 (1)

The statistic of interest is a function of a proportion (Proportion of Recipients with Improper Payments), but it is also a function of the mean of the improper payments for UI recipients who received an improper payment and the mean payment to all recipients. Because the precision of the improper payment rate estimate is based on the level of the improper payment rate, and the improper payment rate is a function of those components, the sample size for each state must account for those components.

B. Recommended Approach: Samples Based on BAM Improper Payment Rates

As one of the priorities for the BAM Methodology Evaluation, we sought to develop for DOL an algorithm founded on sound statistical theory to determine the sample sizes needed for the BAM reviews in each state. This approach will allow DOL to determine the minimum sample sizes needed to achieve a desired level of precision, commensurate with OMB requirements, for both national and state-level estimates. The current requirement is a 95 percent confidence interval of no greater than +/-3 percentage points. For an improper payment rate of 12 percent, the guidance implies that a 95 percent confidence interval needs to be less than an interval of 9 and 15 percent. Using BAM data from CY 2012, the improper payment rate and the precision of the improper payment rate (the half-width of the 95 percent confidence interval) is computed for each state. Figure II.1 shows the plot of the improper payment rate and the precision for all states. We see that precision is strongly related to the size of the improper payment rate and exceeds +/- 3 percentage points for 9 of the 52 UI jurisdictions. Most states do better than the target precision which suggests that some states may be investigating more cases and expending more resources than needed.

⁷ Mathematica used the BAM Improper Payment Rate to develop and test the sample size estimator tool described in this section, but DOL could use this approach to generate sample sizes for other rates generated using BAM program data.

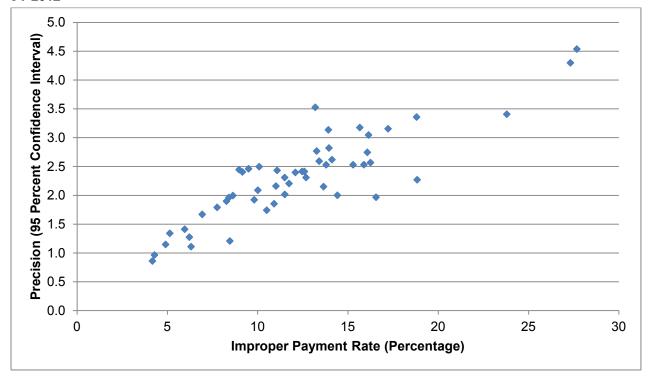


Figure II.1. Plot of States' Improper Payment Rate and Precision using Current Sample Sizes, CY 2012

Source: DOL unreported computations, 2013

1. Sample Size Requirements for the BAM Improper Payment Rates

The determination of the sample size for an estimator needs to take into account the type of the estimate of interest and the variance of the estimator. In other words, the minimum sample size needed depends on two primary components:

- 1. The size and variation in the proportion of recipients with an improper payment among all recipients
- 2. The size and variation in the improper payment for recipients with an improper payment for a key week

This section of the report provides the statistical explication of this concept.

Because the improper payment rate is a ratio of two totals:

Improper Payment Rate (R) = Total Improper Payments (Y)/Total Payments (X)

the variance of the improper payment rate (Var (R)) can be written using a Taylor series expansion of the ratio to convert the ratio of the variances to a weighted sum of variances of the numerator and denominator of the ratio, and covariance of the numerator and denominator. That is, it is the sum of the

1. variance for the numerator of the ratio

- 2. the variance for the denominator of the ratio times the square of the ratio less 2 times the product of the ratio
- 3. the covariance of the numerator and denominator of the ratio

All this is then divided by the square of the denominator. This equation can be represented as:

$$Var(R) = Var(Y/X) = (1/X^2) [Var(Y) + R^2 Var(X) - 2 * R Cov(Y, X)].$$

When the value for total payments (X, the denominator) can be assumed to be known, the total payments has no variance term and no covariance so the variance of the improper payment rate is based on the numerator (the estimated Total Improper Payments) only. The variance is then:

$$Var(R) = Var(Y/X) = Var(Y) / X^{2}$$

Using the variance model for the improper payment rate given above in equation (1) with a known value for total payments (X), the improper payment rate is

Improper Payment Rate (R) = $P * \overline{Y} / \overline{X}$.

The variance of the improper payment rate (Var (R)) can be written as:

$$Var(R) = Constant(C)^2 Var(P * \overline{Y}),$$

where Constant (C) = 1/Mean Total Payment (\overline{X}), and P is the proportion of UI recipients with an improper payment and \overline{Y} is the mean improper payment among recipients with an improper payment. Using the Taylor Series expansion of a nonlinear estimator, the variance can be written as the constant (C) squared times the sum of the square of \overline{Y} times the variance of P and the square of P times the variance of \overline{Y} :

$$\operatorname{Var}(R) = (C)^{2} \operatorname{Var}(P * \overline{Y}) = C^{2} \operatorname{Im}(\overline{Y}^{2}) \operatorname{Var}(P) + P^{2} \operatorname{Var}(\overline{Y}),$$
(2)

where

$$Var (P) = p * (1-p) / N_{Rec} (the variance of a binomial proportion)$$
 (3)

$$Var (\overline{Y}) = S^{2} \text{ (improper payments)}$$

$$= S_{O}^{2} / N_{Imp}$$
(4)

The term S_o^2 is the unit variance of improper payments for individual recipients who had an improper payment in that claim week.

By substituting equations (3) and (4) into equation (2), the variance model can be written as:

$$Var(R) = C^{2} [\overline{Y}^{2} * P * (1-P) / N_{Rec} + P^{2} (S_{O}^{2} / N_{Imp})].$$
 (5)

Because P is the proportion of recipients with an improper payment and equals $N_{\rm Imp}/N_{\rm Rec}$ equation (5) can be simplified

Var (R) =
$$C^2 [\overline{Y}^2 * P * (1-P) / N_{Rec} + P (S_0^2 / N_{Rec})]$$

Var (R) =
$$C^2 [\overline{Y}^2 * P * (1-P) + P * S_0^2] / N_{Rec}$$

To obtain an unbiased estimate of Var (R), the survey-based estimates are substituted into equation (5) and the unbiased estimate of Var (R) is:

$$\widehat{\text{Var}}(\hat{R}) = C^2 [\widehat{\bar{Y}}^2 * P * (1-P) + P * S_O^2 / n_{\text{Rec}})].$$
(6)

For a 95 percent confidence interval of +/- 0.03, the equation is:

$$0.03 = 1.96 * SQRT(\widehat{Var}(\hat{R}))$$
.

For the Improper Payment Rate to achieve this stated level of precision, the variance of the Improper Payment Rate must be less than or equal to the square of 0.03 divided by 1.96:

$$Var(R) \le (0.03/1.96)^2 \tag{7}$$

Solving for n_{Rec}

$$n_{\text{Rec}} = [\hat{\bar{y}}^2 * p*(1-p) + p*s_0^2]/[0.03/(C*1.96)]^2,$$

or

$$n_{\text{Rec}} = [\hat{\bar{y}}^2 * p * (1-p) + p * s_0^2] / [0.03 * \overline{X} / 1.96]^2,$$

or

$$n_{\text{Rec}} = 1.96^2 * [\hat{\overline{y}}^2 * p * (1-p) + p * s_0^2] / [0.03 * \overline{X}]^2.$$
 (8)

The value for p is the survey-based estimated proportion of recipients with an improper payment and \hat{Y} is the estimated mean improper payment for recipients with an improper payment. The term s_o^2 is the estimated unit variance of a recipient who has received an improper payment. An estimate of s_o^2 is the unweighted variance of the values of the improper payments received among recipients identified as having an improper payment. This equation shows that the minimum sample size needed to obtain the target level of precision depends on two primary components:

1. The size and variation in the proportion of recipients with an improper payment among all recipients

2. The size and variation in the average improper payment for recipients with an improper payment for a key week

The average improper payment amount for recipients with an improper payment is relatively stable for a specific key week across years because of the limits established by states on the size of the UI payment. Also as a proportion, for example, the improper payment rate, grows from 0.1 to 0.5, the value of p*(1-p) increases almost threefold, from 0.09 to 0.25. Note that neither of these components is affected by the number of UI recipients or the total amount of UI payments in a state.

2. Preliminary Sample Sizes for States

Figure II.2 shows how the model-based state sample sizes for equal precision for each state (where the precision is the half-width of a 95 percent confidence interval of plus or minus 3 percentage points around the annual rate) correspond to states' improper payment rates. It shows that the sample size required for a specific level of precision has a strong linear relationship with the level of the improper payment rate.

O 5 10 15 20 25 30 Improper Payment Rate (Percentage)

Figure II.2. Plot of Model-Based Sample Size and Improper Payment Rate for CY 2012 for Equal Precision in Each State

Source: DOL unreported computations, 2013

Note: Precision is the half-width of a 95 percent confidence interval of \pm 3 percentage points around the improper payment rate.

In consultation with Mathematica, DOL staff used Mathematica's algorithm to develop preliminary target model-based sample sizes for the states using data from the past three years (a weighted average of data from the 2011–2013 IPIA periods). Table II.1 shows these preliminary target model-based sample sizes. The model-based sample sizes incorporate various theoretical assumptions that should be empirically validated with actual data. As indicated earlier, the sample size allocations are based on improper payment rate as well as a state's size and its contribution to the national estimate. States with sample sizes that meet the +/- 3 percent target precision for state level estimates are listed in group 2 in the table. DOL has increased the precision to +/- 2.5 percent for 13 states that contribute the most to the national improper payment rate; these states are group 1 in the table. Similarly, the target precision requirement has

been reduced to +/- 3.25 percent for the states that contribute the least to the national improper payment rate (the group 3 states). In addition, if the model-based sample allocation was less than 300 paid claims, a minimum annual sample of 300 cases was set. In comparison to the current sample sizes of 360 or 480 (an average of 457 and a median value of 480 in each state), the average preliminary target sample size is 481, an increase of 24 audits. But the median sample size decreases from 480 to 420. The range for these preliminary target model-based sample sizes is 300 to 840. Again, these are model-based sample sizes derived from recent data for purposes of illustration, Sample sizes ultimately adopted may differ from those shown here as a result of (1) consultation with the state workforce agencies considering an evaluation of the resources needed to support the revised state sample allocations, and (2) additional analyses conducted by DOL using the most recent available data that reflect state progress in reducing improper payments. Another important consideration will be to validate that the target precision can be achieved by the agreed upon sample size.

In Table II.1, the column labeled "Improper Payment Rate" is a three-year weighted average of the Improper Payment Rate for the state, with the estimate for the most recent year (2013) receiving a weight of 0.50 and the estimates from the prior two years each receiving a weight of 0.25. The column labeled "Cumulative Weighted Improper Payment Rate" provides the state's percentage of the national improper payment rate, indicating the state's placement in group 1, 2, or 3. The column labeled "Current Precision" provides the half-width of the 95 percent confidence interval and is based on the three-year average number of cases completed. The column labeled "Target Precision" is the precision target for the state recommended by DOL. The next two columns are the current target sample size and the revised target model-based sample size based on the algorithm and the last column is the difference between the current sample size and the target model-based sample size. The bottom row of the table shows that the model-based sample size across all states increases by 1,260 completed cases from a current target of 23,760 completed cases to a new target of 25,020 completed cases.

Because state improper payment rates will change over time, so too will state sample sizes that are driven by the rates. DOL will need to periodically review and adjust state sample sizes in response to state improper payment rate fluctuations. In doing so, DOL should take into account the importance of staff continuity and should balance hiring and training costs against the gains in precision attributable to revised sample allocations.⁸

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⁸ DOL currently reassesses state samples every three years. DOL does not anticipate a change in this schedule.

Table II.1. Summary of State Improper Payment Rate and Precision (based on three-year weighted average) and Target Precision and Model-Based Sample Size Requirement

		Improper Payment Rate	Cum. Weight Rate	Current	Target _.	Current	Target _	Change in Sample
Group ^a	State	(percent)	(percent) ^b	Precision ^c	Precision ^d	Sample ^e	Sample ^f	Size ^g
1	CA	6.76	9.30	1.60	2.50	480	360	-120
1	PA	12.34	16.59	2.90	2.50	480	660	180
1	NJ	15.60	23.59	3.03	2.50	480	660	180
1	IL	14.56	30.23	3.20	2.50	480	780	300
1	NY	8.16	35.75	2.46	2.50	480	480	0
1	IN	35.01	41.06	4.54	2.50	480	780	300
1	TX	10.49	45.91	2.72	2.50	480	600	120
1	ОН	18.07	50.59	3.28	2.50	480	840	360
1	NC	15.00	54.72	3.12	2.50	480	840	360
1	WA	12.23	57.93	3.03	2.50	480	720	240
1	WI	14.38	60.72	3.25	2.50	480	840	360
1	MI	9.86	63.37	2.51	2.50	480	480	0
1	MA	7.49	65.88	1.97	2.50	480	360	-120
2	FL	8.37	68.35	2.50	3.00	480	360	-120
2	VA	16.13	70.40	3.38	3.00	480	600	120
2	MD	12.77	72.42	2.94	3.00	480	480	0
2	CO	15.43	74.38	3.22	3.00	480	540	60
2	OR	12.58	76.30	3.09	3.00	480	540	60
2	AZ	16.14	77.87	3.28	3.00	480	600	120
2	MN	8.65	79.44	2.35	3.00	480	300	-180
2	TN	15.99	80.91	3.45	3.00	480	660	180
2	LA	25.36	82.33	3.92	3.00	480	840	360
2	GA	7.70	83.70	2.40	3.00	480	300	-180
2	NV	13.16	85.08	3.06	3.00	480	480	0
2	IA	13.53	86.30	2.90	3.00	480	420	-60
2	AL	15.77	87.40	3.32	3.00	480	600	120
2	SC	14.56	88.47	3.05	3.00	480	540	60
2	MO	7.76	89.37	2.35	3.00	480	300	-180
3	CT	5.45	90.26	1.97	3.25	480	300	-180
3	AR	11.63	91.09	2.64	3.25	480	300	-180
3	KY	7.28	91.82	2.25	3.25	480	300	-180
3	DC	22.75	92.55	4.32	3.25	360	660	300
3	NM	15.73	93.23	3.49	3.25	480	480	0
3	ME	16.67	93.83	3.34	3.25	480	540	60
3	UT	10.97	94.41	2.77	3.25	480	360	-120
3	KS	7.27	94.98	2.41	3.25	480	300	-180
3	NE	21.39	95.55	4.38	3.25	360	660	300
3	MS	13.01	96.06	3.02	3.25	480	420	-60
3	ID	12.96	96.56	3.00	3.25	480	420	-60
3	PR	10.45	97.03	2.69	3.25	480	300	-180
3	AK	12.86	97.47	3.07	3.25	480	420	-60

Group ^a	State	Improper Payment Rate (percent)	Cum. Weight Rate (percent) ^b	Current Precision ^c	Target Precision ^d	Current Sample ^e	Target Sample ^f	Change in Sample Size ^g
3	HI	7.28	97.85	2.70	3.25	360	300	-60
3	OK	6.20	98.21	2.16	3.25	480	300	-180
3	MT	12.96	98.56	3.43	3.25	360	420	60
3	RI	5.84	98.86	2.03	3.25	480	300	-180
3	WV	5.80	99.10	2.10	3.25	480	300	-180
3	DE	9.29	99.32	2.90	3.25	360	300	-60
3	WY	11.34	99.51	3.31	3.25	360	360	0
3	ND	10.17	99.65	3.03	3.25	360	300	-60
3	NH	6.21	99.78	2.25	3.25	360	300	-60
3	VT	5.58	99.90	2.14	3.25	360	300	-60
3	SD	14.28	100.0	3.58	3.25	360	420	60
Total		11.40				23,760	25,020	1,260

Source: DOL unreported computations, 2013

C. An Additional Consideration: Sample Sizes Proportionate to UI Caseloads

During study site visits, UI and BAM leadership generally considered a BAM sample proportionate to state UI caseload to be a positive and logical change from the current sampling approach (see Appendix B, States' Perspectives on the Feasibility of BAM Program Changes). Statistical theory underlying design-based estimates shows that a sample size based on the population size is not efficient unless the population is relatively small. People's natural intuition is to think that if the population of state A is larger than state B's, then the sample size needed to obtain a particular level of precision must also be larger for A than for B. However, if each population includes more than 1,000 members, the same sample size will generally provide the same level of precision for the estimates for each population regardless of the population size.

Because all of the state UI populations are greater than 1,000 claim weeks, there is no statistical basis for varying state BAM sample sizes by the size of state UI caseloads. A caseload-based approach would result in unneeded variation in the sample sizes across states. In other words, there would either be states with sample sizes that are too small to meet precision requirements or sample sizes in some states that are far larger than needed to meet precision requirements. Figure II.3 illustrates this point and shows the state CY 2012 caseloads against the

^a State grouping proposed by DOL based on cumulative weighted rate: (1) up to 66.7 percent; (2) between 66.7 and 90 percent; (3) greater than 90 percent.

^b Cumulative weighted rate = percentage of the national improper payment rate for a state.

^c Current precision = the estimated half width of the 95 percent confidence interval for the improper payment rate for the state, based on a three-year average.

^d Target precision = the target half-width of the 95 percent confidence interval proposed by DOL for the state group.

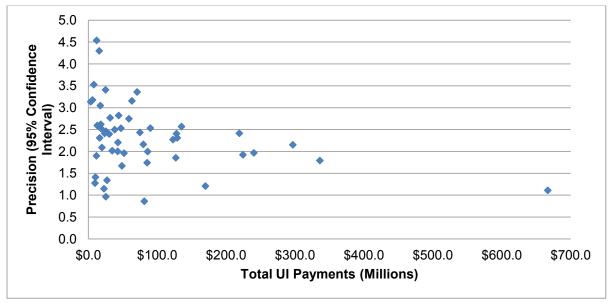
^e Current sample size = current proscribed sample size for state.

f Model-based target sample size = minimum sample size needed to achieve target precision. Model-based sample sizes incorporate assumptions that should be empirically validated with actual data.

⁹ Change in sample size = difference between target sample size and current sample size.

precision of their improper payment rates (the half-width of the 95 percent confidence interval). There is no clear relationship between precision and the size of the state UI program.

Figure II.3. Plot of Precision in Each State and Total Unemployment Insurance (UI) Payments, CY 2012



Source: DOL unreported computations, 2013



III. INTEGRATING TEMPORARY AND EPISODIC PROGRAMS INTO BAM

Temporary and episodic programs, such as Extended Benefits (EB) and Emergency Unemployment Compensation (EUC), have in recent years become larger parts of the Unemployment Compensation (UC) system. As a result, demand has grown among policymakers for integrity measures that assess the accuracy of these claims and related payments. For example, DOL's Office of the Inspector General (OIG) reported that DOL had not validated its assumption that the estimated improper payments for the EB, EUC08, and Federal Additional Compensation (FAC) programs could be derived from BAM samples of permanent UI programs. (DOL OIG 2012). The OIG noted that the estimates could be significantly misstated and recommended that DOL consider revising its BAM sampling methodology to include all UI programs.

Given these concerns, DOL asked Mathematica to design an approach for generating national improper payment estimates for temporary and episodic programs that complies with precision requirements for reporting survey-based estimates, as established by the Office of Management and Budget (OMB), and that minimizes state burden to the extent possible. Mathematica recommends using a two-stage sample of claims to generate national improper payment estimates for temporary and episodic programs. This approach, which we outline below and in Appendix C, would involve a limited number of states when unemployment is high and many states are participating in a temporary or episodic program. Although this approach limits the number of states burdened with conducting investigations of temporary and episodic claims, and the number of claims to be investigated, several additional considerations must be thoroughly assessed before DOL can consider integrating temporary and episodic programs into BAM. These additional considerations include but are not limited to:

- The time and resources needed to design temporary and episodic BAM program reviews given that the BAM review approach may need to change each time a temporary or episodic program is implemented or changed during the course of the program (the EUC program changed dramatically over time);
- The minimum number of states participating in a temporary and episodic program where BAM reviews are warranted while balancing integrity concerns with cost effectiveness;
- How successfully states will balance multiple review approaches—for regular UI programs and potentially more than one temporary and episodic program—given existing challenges with BAM implementation;
- The optimal number of states to include in a two-stage design for different levels of state participation in temporary and episodic programs, as well as corresponding design effect and sample size considerations at different participation levels.
- Whether it would be more efficient for a centralized team of federal investigators with extensive knowledge of temporary and episodic programs to conduct these investigations, in coordination with state staff, rather than for state BAM staff to conduct them.

A. States' Concerns About the Feasibility of Integrating Temporary and Episodic Programs into BAM

As an initial step in our sample design effort, we assessed states' perspectives on the feasibility of integrating EB and EUC claims into BAM. When asked about the feasibility of including investigations of these claims in their BAM audits, UI and BAM leadership from all but one study state were unsure if BAM was the best method for conducting these investigations (see Appendix B, States' Perspectives on the Feasibility of BAM Program Changes). They indicated the following as the most important considerations should DOL ask states to investigate claims from temporary and episodic programs as part of BAM:

- UI departments are busy processing EB and EUC claims during recessionary times and do not have time to audit them too. UI leaders from three states explained that implementation of temporary and episodic programs during recessions or other challenging economic times causes caseloads and staff workloads to increase substantially. They said that top priorities during these times include hiring and reassigning staff to help process the increased claim volume and pay claimants quickly. UI and BAM leaders from these states asserted that their programs would not be able to absorb any additional work during these times, including adding more cases or complexity to their BAM audits.
- Claims from temporary and episodic programs are extremely complex. According to UI and BAM leadership from all eight of the study states, claims from temporary and episodic programs are more complex than those from permanent UI programs⁹. For instance, EUC claims involve "parent-child" connections between program tiers, which one state described as "a lot of switching from one claim type to another." Additionally, these claims typically represent significantly longer claimant benefit receipt periods; for each claimant, investigations would be much longer and deeper than those of regular UI claims. BAM units would probably require additional staff to effectively complete these investigations, and these staff would require extensive training on the intricacies of EB and EUC before auditing claims from either program.

B. Suggested Sample Design

With states' concerns about the complexity and length of EB and EUC claims in mind, we assessed the suitability of using a two-stage stratified random sampling approach in which a representative national estimate is obtained based on audits from a subset of states. Developing a sample design involves a number of factors and considerations including the number of states participating in the programs and the number of recipients in the nation and in each state in each

⁹ EUC is authorized through Congressional legislation while EB triggers on in states experiencing high unemployment. EUC08 evolved significantly after it became effective in July 2008. Initial eligibility was based on federal guidelines, but continuing eligibility was determined based on state law. As the economy continued to decline, Congress extended and modified the program several times, including the addition of the Federal Additional Compensation (FAC) program and three additional tiers of benefits. The longest claim possible under EB and EUC08 was 99 weeks prior to pending legislation, compared to the typical longest potential duration of 26 weeks.

program. In addition, the sample sizes required for such a national study of these programs are affected by the level of precision desired for the nation as a whole and for any subpopulations, the expected improper payment rate, the number of the states participating in the temporary or episodic program, and the proportion of these states selected into the sample. In CY 2012, all states participated in EUC, and approximately 40 states participated in EB; at present only one state participates in EB.

Further, the sample design also needs to account for the potential federal and state-level implementation burden. This includes both the fixed costs to set up the procedures and staffing to perform the reviews as well as the marginal costs per review completed. If the fixed costs are low relative to the costs per review, then an efficient sample design might include all states (a single-stage stratified random sample of recipients), whereas if the fixed costs are high relative to the cost per review, an efficient sample design may include a sample of states and then recipients within selected states (a two-stage stratified random sample of states and a stratified random sample of recipients), in order to reduce the number of states that have to go through the effort to set up procedures to perform the reviews. We discuss some of these technical and operational considerations below and in Appendix C.

- Stratified random sample. If some number fewer than all or most states are participating in the temporary or episodic program, it may be more efficient to include claims from all states in the BAM sample. The national BAM sample design would be a stratified random sample of claims with all states participating in the temporary or episodic program included, and the states would be sampling strata.
- **Two-stage sample.** If all or most states are participating in the temporary or episodic program, and fixed costs are high, then a two-stage sample design (states and then recipients within states) would be the preferable design. This approach reduces the overall burden on states by reducing the number of states that have to implement the audits. However, the burden on selected states may be increased as they will be conducting more reviews than they would if all states were participating (as with a stratified random sample). In the two-stage design, the proportion of states selected for the sample can have a substantial impact on the sample size required for national estimates. The effect of the number of states selected into the sample is called the design effect from the finite population correction. In some situations, states with a large number of recipients may be included with certainty in a two-stage design (and treated as separate sampling strata) and the remaining states may be grouped into strata and states randomly selected within each stratum. We describe a relatively straight-forward two-stage design; DOL needs for data on the temporary and episodic programs may require a substantially more complex design to fully address the policy issues related to these programs.

When multiple programs are authorized we anticipate that separate sampling designs may be warranted based on the scope of the programs and the number of states participating in the programs. For example, for one program with few participating states a one-stage stratified random sample (including all participating states) may be appropriate and for another program, a two-stage design (with a sample of states) may be best. Because we know that a one-stage sample design is feasible for BAM, our analysis focused on a two-stage sample design when all or most states are participating in the temporary or episodic program.

Finally, as discussed for state-level estimates (Chapter II), the sample size needed to generate national estimates that meet the reporting standard established by OMB—a level of precision of at least +/- 3 percentage points for a 95 percent confidence interval—is primarily a function of the level of the improper payment rate expected. Detailed information about the two-stage sample design and proposed sample sizes are provided in Appendix C.

C. Implementation Considerations

Numerous operational issues must be addressed to successfully incorporate samples of temporary and episodic program claims into BAM reviews. These include sample frequency, programming, staffing and training, data collection procedures, Paperwork Reduction Act clearance, and the overall cost and time required to implement these changes while state and national UI program staff would also be managing the temporary and episodic programs. Retroactive BAM reviews of temporary and episodic programs would add complexity, at a minimum because the key week becomes more challenging to review with the passage of time.

To obtain a sufficiently precise estimate with small state sample sizes, the temporary and episodic sample may need to be selected monthly to simplify the sampling and to stabilize the variance within a state. This would mitigate the risk of selecting zero cases in a stratum during a weekly sample, which might happen with small state sample sizes following current BAM sampling procedures. The two-stage sample design can allow for uninterrupted reporting of annual improper payment and denial rates. Although DOL would develop a new sampling program and distribute it to the states, states must program the sample extraction of temporary and episodic claims from their state systems for BAM, while also implementing the temporary and episodic program payments.

Assuming that DOL continues to fund BAM staffing based on sample size, as it does currently, each state has a comparable capacity to absorb temporary and episodic program claims into its BAM investigations. Given the small within-state sample sizes described in Appendix C, it is possible that the state-level sample could be completed by one or two state BAM investigators in each state, who would receive national training on the temporary and episodic programs and then specialize in investigating these cases. This approach minimizes disruption to ongoing BAM investigations of regular UI paid and denied cases. Reducing or waiving investigations of denied claims in the state while temporary and episodic program claims are being reviewed is another way to minimize disruption and cost increases in the overall BAM program. Denied claims could be reduced enough to maintain the overall workload of investigations at the state's typical level. This workload modification should take into account that denied claims typically require less effort to investigate than regular paid claims, and temporary and episodic claims are expected to require more effort to investigate than regular paid claims. However, when these programs are implemented, states tend to experience acute staffing issues: (1) claims workloads increase, necessitating reassignment of staff from integrity to claims taking functions; (2) it can be difficult to hire and train new staff due to reductions in state revenues and hiring delays; and (3) it is difficult to plan ahead because temporary and episodic programs result from Congressional action and have unique characteristics.

Alternatively, a federal team of investigators could be used to complete investigations of temporary and episodic programs in selected states to produce a national estimate. Although external investigators would be highly trained on the temporary and episodic programs, they would be less familiar with state UI laws and policies and would require input from states in

order to conduct accurate and comprehensive reviews. In addition, because external investigators are not part of the state UI organization, they would need to make concerted efforts in each state to provide feedback and share knowledge with state leadership and staff. As with all potential BAM program changes discussed in this report, DOL will review the implications of integrating temporary and episodic programs into BAM, including the costs and operational impacts of conducting a federal audit of these programs versus a state audit.

Data collection procedures and protocols would need to be modified to address the specific requirements of each temporary and episodic program. For example, the paid claims questionnaire in *ET Handbook 395*, 5th Edition would need to be modified to address the federal requirements of the temporary or episodic program, but each state would need to also ensure that a state version of the questionnaire or state-developed supplemental data collection forms address the state's specific requirements for the program. It would also be necessary to review and update the BAM data collection instrument (DCI) to capture all characteristics of a determination for a temporary or episodic program review. These changes must be implemented quickly and thoroughly to ensure that BAM investigations capture all needed data in a timely manner.

There could also be challenges to states' use of the National Directory of New Hires (NDNH) during BAM reviews of temporary and episodic programs. Given the extended length of many temporary and episodic program claims, matches through the NDNH may not be possible or may be costly and time consuming to verify. The Social Security Act only provides for access to the information for 12 months, which is shorter than some temporary and episodic program claims. In addition, independent verification of matches is required, which, based on the experience of BAM investigators, is likely to be more challenging for older claims.

Finally, DOL is required to obtain PRA clearance from the Office of Management and Budget for each new data collection, including BAM. Temporary and episodic BAM reviews would need to be pilot tested as part of developing the PRA package, and the public would be able to provide comments on the estimated burden of this new effort. The time required to prepare for and obtain PRA clearance of necessity delays implementation of BAM reviews for each temporary or episodic program.



IV. IMPROVEMENTS TO BAM DATA COLLECTION

Claimant questionnaires and Data Collection Instruments (DCIs) are central to state Benefit Accuracy Measurement (BAM) investigations, determinations of payment propriety, and the calculation of Unemployment Insurance (UI) program performance measures. Therefore, it is critical that questionnaires collect comprehensive data, that the DCI accurately documents the outcome of BAM investigations, and that both are user-friendly and efficient instruments. During the first phase of the BAM Methodology Evaluation, the U.S. Department of Labor (DOL) asked Mathematica to assess the effectiveness of BAM data collection procedures and these tools, and to propose improvement options. DOL considered each proposal and together with Mathematica identified the following as priorities for the remainder of the evaluation: (a) a redesign of the BAM Paid Claims Claimant Questionnaire, (b) improvements to the DCI and BAM coding procedures, and (c) development of design considerations for a BAM web portal, with an initial focus on employer reporting. This chapter summarizes Mathematica's final recommendations for all three.

A. BAM Claimant Questionnaires and DCI Redesign

Although BAM investigators generally obtain relatively high response rates from claimants, these rates vary considerably from state to state and appear to be declining. In 2011, a national average of 93.7 percent of BAM investigation claimants completed the requisite questionnaires (ranging from 87 to 99 percent in individual states), while in 2012, 92.4 percent of claimants completed questionnaires (ranging from 80 to 98 percent in individual states). ¹⁰ Although a 1.3 percentage point decline may not be alarming, any substantial nonresponse contributes to inaccurate improper payment estimates and diminished comparability of cross-state data. As such, DOL finds it critical to reduce nonresponse (and increase response) as much as possible.

In this section, we outline our redesign of the BAM Paid Claims Claimant Questionnaire, which aims to improve data quality and increase response rates through proven methods such as improved flow, enhanced organization, and clearer instructions. Because it is the longest of the four BAM questionnaires, and because BAM investigators primarily discussed paid claim investigations during evaluation site visits, we focused our redesign effort on paid claims investigations and the related questionnaire and DCI, rather than on denied claim investigations and their related materials. Further, because of the close relationship between the two tools, we discuss the questionnaire and DCI together, rather than separately.

1. Existing Questionnaire and Coding Procedures

The primary goal of all BAM paid claim investigations is to determine whether the UI agency correctly followed all requisite laws and policies and paid the claimant the proper amount during the key week.¹¹ To accomplish this objective, BAM investigators follow the investigative

¹⁰ Unemployment Insurance Program Letter No. 28-13.

¹¹ State BAM units investigate UI payments made to randomly selected claimants during one week of their claim, the "key week." Detailed information on states' BAM investigation procedures is available in Appendix A. This section provides a broad overview, with a concentration on the BAM Paid Claims Claimant Questionnaire and Paid Claims DCI, as they are the focus of this re-design effort.

procedures prescribed by DOL in *ET Handbook 395, 5th Edition*. Specifically, BAM investigators assemble all available claim records, which include important information about the claimant's initial and ongoing eligibility to receive UI benefits—that is, base period employment and wage information, Employment Services (ES) and work search records, training enrollment documentation, and others. Next, investigators contact claimants, employers, and third parties (such as schools and unions) to verify the completeness and accuracy of these records. Investigators then compare information from across the three respondent groups and agency records to identify inconsistencies and/or potential violations of state UI law and policy. If they discover an error, investigators assign responsibility to the appropriate party (agency, claimant, or employer) and document the actions taken by these parties prior to selection of the payment for the BAM audit. BAM also determines the amount of the error (overpayment or underpayment) for each improper payment. Investigators record final case information in the UI database on each state's SUN System. BAM units share investigation findings with other UI departments—namely, the agency's intake and adjudication divisions—to inform process-improvement and staff-development efforts.

The cornerstone of every BAM paid claim investigation is the questionnaire (see Appendix D). BAM investigators rely on this eight-page survey to help them collect and document case-related information from claimants, including demographic characteristics; detailed information on monetary and nonmonetary eligibility, ability, and availability to work; and work search efforts. Depending on the state, investigators administer the questionnaire to claimants over the phone, or they mail or email the questionnaire to claimants and request that claimants mail or email the completed document back to the BAM unit. Additionally, in some states, claimants visit the BAM office and complete the questionnaire in-person. Per ET Handbook 395, 5th Edition, states can modify the questionnaire to reflect state-specific laws. policies, and data needs. Despite this flexibility, none of the states visited reported making any substantive changes to the instrument. Six of the eight states, however, changed its format, layout, or both, and tailored its wording to reflect state-specific vocabulary, such as the name of the state's ES program. Although BAM investigators can make a determination of whether the payment or denial was proper without a completed questionnaire (based on agency, employer, and third party records) if the claimant never responds to the BAM unit's contact attempts, they note that doing so is extremely difficult.

Equally important to BAM paid claim investigations is the paid claims DCI (see Appendix E), which summarizes investigation findings and documents determinations. At the conclusion of each investigation, BAM investigators record on the DCI claim information from agency records (that is, claim information as it existed *prior* to the investigation), and any updated claim information resulting from the investigation. These data include claimant demographics, as well as key pre- and post-investigation information on the claimant's benefit eligibility and payment history (for example, benefit year, separation, monetary eligibility, benefit payment history, and ES and work search information). For example, in DCI element e1, investigators indicate the number of base period employers listed on agency claim records (BP Employers Before); in e2, they indicate the number of base period employers that they identified during their investigation (BP Employers After). Discrepancies alert investigators to potential claim errors. Investigators record these errors, their responsible parties, and other information related to payment and denial inaccuracies in the final sections of the DCI. BAM units enter all DCI data into the UI database on each state's SUN System. DOL stores each state's data in a central database, which is updated daily by the National Office. DOL extracts data from this file to estimate each state's integrity

rates. It also uses the file to extract valuable program information to conduct various statistical analyses.

2. States' Perspectives on the Existing Questionnaire, DCI, and Coding Procedures

Critical to any instrument redesign effort is learning what the people who use the instrument perceive to be its strengths and weaknesses, and how they think that it might be improved. To that end, Mathematica visited eight state UI agencies during winter and spring of 2013 and conducted semistructured interviews with agency leadership, BAM unit supervisors and investigators, and other BAM program staff. During these visits, we collected data on states' BAM investigative procedures and gathered staff insight into the challenges of administering the BAM questionnaire and coding completed cases. We also reviewed completed BAM questionnaires with investigators and asked them to identify items that posed administrative or response challenges or are critical to their investigations, as well as items that they rarely or never use when making case determinations. Following these reviews, investigators demonstrated how they translate claimants' questionnaire responses into DCI codes and highlighted areas of the DCI that are particularly challenging to complete.

BAM investigators varied considerably in their views about which questionnaire items are the most and least critical to their investigations and determinations. Each questionnaire item was identified by investigators in at least one state as important because it serves at least one of the following purposes: (a) it confirms the claimant's identity (Q01-Q12), (b) it directly verifies the claimant's initial and ongoing eligibility for benefits, (c) it helps investigators identify potential claim issues that require additional "probing" and investigation (for example, Q38-Q41), or (d) it provides important statistical information to DOL. Although there was little consensus among states regarding the most essential items, investigators generally identified work search and "able and available" questions as particularly important. They identified the questions that collect statistical information as the least critical to them for making case determinations.

Although states' opinions of the most and least critical questionnaire items differed, they shared many of the same general concerns about the Paid Claims Claimant Questionnaire and its administration, including:

- The questionnaire is burdensome and includes redundant items. Although investigators collectively described every questionnaire item as important, three states described the questionnaire as long and burdensome for claimants, and five states highlighted redundancies in some sections. Individual investigators noted that answers to questions such as Q03–Q05, which ask for a claimant's address, and Q30, which confirms a claimant's ES registration, are available via other sources and could potentially be removed from the instrument. They suggested increasing the instrument's efficiency by consolidating similar items.
- Items that require or appear to require claimants to perform a calculation are particularly burdensome. According to BAM investigators, claimants have a hard time correctly completing questions that seem to require them to perform a calculation. For example, Q20 ("In the last 18 months what has been your normal wage for the work you usually do?") appears to ask claimants to compute an average wage, potentially across numerous jobs and perhaps including their weekly UI benefits. (Many will have been unemployed and receiving UI benefits for a sizable

portion of the designated time frame.) Although the question seems to instruct claimants to calculate an average wage, investigators are seeking an estimate rather than a more precise figure.

- Claimants skip or misreport items that include unfamiliar terms or concepts. Two states pointed to Q33, which asks whether the claimant registered with a private employment agency, to illustrate this point. They explained that claimants interpret "private employment agency," as "temp agency" (a term most are more familiar with), and answer the question accordingly. An investigator in one state notes that over the past 10 years, not a single claimant that responded "yes" was actually registered with a private employment agency.
- Instructions and wording of some questions are unclear. Claimants also have difficulty responding to questions with vague or inadequate instructions. For instance, claimants sometimes respond "any" to Q29, which asks about the type of work they are seeking. Although "any" may be an honest response, the question actually intends for claimants to provide enough specificity that investigators can assess whether the claimant is seeking work that is commensurate with their education, skills, and employment history.
- Item formatting can confuse claimants. For example, with space to indicate employment history for eight employers, some claimants will provide information on their last eight employers, regardless of whether the employment fell within the designated time period. Investigators suggested that questionnaire redesign efforts address these instrument formatting concerns. One state proposed, for example, that we reformat the questionnaire to reduce the perceived burden of completion.

As with the questionnaire, BAM investigators cited the importance of nearly every section and item on the Paid Claims DCI; however, they conveyed more consensus about which codes are the *most* critical to documenting their investigation determinations. For example, BAM investigators from all study states explained that the DCI's D, E, and F sections—separation information, monetary eligibility, and benefit payment history, respectively—and components of section C (benefit year information) record information that is essential to documenting their case determinations. Few states described the remaining codes in section C and all of section B (claimant information) as necessary for determinations, but noted that they collect valuable statistical information for DOL. Investigators from a subset of study states considered Section G, which describes claimant work search activities, to be valuable; with one state noting that it uses only two G codes during investigations.

Investigators had few criticisms of the DCI itself. Rather, they voiced concerns about DOL's coding instructions and apparent inconsistencies between how states code similar cases. They reported:

• Making case determinations is straightforward, but completing the DCI is not. Investigators from across states asserted that the process for determining whether a claim was paid properly is clear, but translating their findings into DCI codes can be difficult. BAM investigators identified the coding structure and coding guidance outlined in ET Handbook 395, 5th Edition as the source of their coding confusion. They cited unnecessarily technical and complex language, leading investigators to

rely on their own judgment in assigning codes. They also noted that the handbook's guidance does not address all possible outcomes associated with a case.

States might be coding similar cases differently. States suspect that because investigators struggle to understand the coding guidance outlined in ET Handbook 395, 5th Edition, they apply codes inconsistently. They emphasized that this problem is urgent, and relayed numerous anecdotes from their recent peer review meetings about states' divergent coding approaches. According to a recent Mathematica review of state work search policies and BAM work search audits, these inconsistencies might be particularly prevalent in the coding of work search errors (Clarkwest et al. 2012). Some of these discrepancies might be due to state interpretation of and compliance with DOL coding guidance. For example, during study visits, two states reported that if claimants fail to respond to investigation contact attempts, they cannot obtain and verify their work search activities for the key week. These states therefore code claimant nonresponse as work search overpayments. Because this coding approach substantially increased its work search overpayments, one of these states stopped coding nonresponse in this way, but the other state continues to do so. DOL recently tried to address this issue with its original issuance of UI Program Letter No. 28-13. 12

During site visit discussions about the DCI, BAM supervisors and investigators described BAM peer reviews as important sources of coding information. At annual regional peer review meetings and periodic cross-regional meetings, states review one another's completed investigations, share investigative best practices, and address coding discrepancies. Supervisors from four states described the meetings as extremely beneficial to their BAM units. One BAM supervisor cautioned, however, that some of the guidance that she has received at peer reviews contradicts the procedures prescribed in *ET Handbook 395*, 5th Edition, ultimately creating issues rather than resolving them. Others noted that lessons learned during these meetings are not always disseminated to states and staff that could not attend.

3. Redesign Approach

Mathematica approached the redesign of the BAM Paid Claims Claimant Questionnaire and DCI with four goals in mind. First, we aimed to develop a "gold standard" questionnaire that reflects industry best practices for survey design and promotes high response rates. Although DOL permits states to modify the questionnaire to account for state-specific circumstances and their specific investigative approaches, none of the states that we visited for the evaluation exercise this flexibility beyond minor formatting and wording revisions. Therefore, because states are generally using the questionnaire "as is" from *ET Handbook 395*, 5th Edition, it is important that the redesigned instrument address investigators' existing concerns to the extent feasible, and reflect high-quality survey design.

Our second goal was to ensure that the questionnaire enhances investigators' capability to identify and probe for information about claim issues. Although claimant responses to every question may not directly inform investigators' coding of particular DCI items, their responses to

¹² DOL is currently updating this guidance.

some items prompt investigators to ask additional questions about potential claim issues. A redesigned questionnaire must retain investigators' capability to identify any and all issues that could impact payment accuracy or other aspects of the claim.

Third, the redesigned questionnaire should be as compatible as possible with the DCI. Since its inception, BAM data have been used both to estimate payment accuracy and for diagnostic and quality-improvement purposes; however, in recent years DOL has used BAM data (as collected by the DCI) to generate program integrity measures required by statute. Therefore, it is more critical than ever that data recorded in the DCI and collected via the questionnaire are comprehensive and accurate across states. Additionally, a questionnaire that is designed to be compatible with the DCI should make coding more straightforward for investigators and reduce the state-to-state coding discrepancies purported by BAM and UI leadership during site visits. Further, aligning the questionnaire with the DCI allows for future automation of coding directly from the questionnaire.

Finally, it is critical to preserve the longitudinal data capabilities of the DCI. Therefore, revisions to the DCI should not be so substantial that they forfeit DOL's ability to collect data that enable it and states to make comparisons with prior years. For this reason, we explored improvements to the DCI itself but also considered ways that DOL could promote coding consistency across states without significantly altering the DCI or forfeiting the department's ability to use DCI data to analyze trends over time.

To guide our redesign and achieve these goals, we developed a DCI to questionnaire analysis crosswalk (located in Appendix F), which maps each BAM questionnaire item to the DCI item (or items) that investigators use to code each sampled case. Because the DCI is states' and DOL's longitudinal data set, we used the DCI as the foundation for the matrix. We first listed each DCI section, and its items and codes (columns one through three), then added the questionnaire items that correspond to each DCI item (column four). To complete the matrix, we noted states' perspectives on DCI and questionnaire items, as well as any of their re-design suggestions (column five). Organizing the DCI and questionnaire data in this way helped us: (a) identify which questionnaire items inform the coding of particular DCI items, (b) assess whether questionnaire and DCI items align and determine whether one or both items require revision, and (c) isolate questionnaire items that do not map directly to the DCI and therefore could be candidates for elimination.

Throughout the redesign, we shared versions of the DCI to questionnaire analysis crosswalk with DOL, including staff from the BAM National Office, and solicited feedback on draft redesign considerations. These staff provided additional, national-level insight into DCI and questionnaire items that are the most and least critical to BAM investigations and suggested item revisions, additions, and eliminations. They also affirmed investigators' view that although some questionnaire and DCI items are not critical to determinations of payment priority, they do collect and document valuable statistical information. For example, investigators highlighted DCI item **d8 (Ind Code Last Empl)** as particularly troublesome to code (especially if a claimant's previous employer's headquarters are located in a different state) and requested that it be eliminated. BAM's national office staff noted, however, that North American Industry Classification System (NAICS) code data is extremely valuable to their ongoing statistical analyses of claimant work histories and should be retained. Finally, the BAM national office staff shared with Mathematica drafts of plans to revise the DCI and update *ET Handbook 395*, 5th Edition in response to states' concerns about coding inconsistencies. The redesigned

questionnaire and final DCI revision recommendations reflect the outcomes of these discussions, and all other redesign decisions reviewed with DOL.

As a final step in our questionnaire and DCI analysis, we considered how we could build on a recent Mathematica analysis of work search improper payments (Clarkwest et al. 2012) and subsequent recommendations to DOL on how to reduce them (Wozny et al. 2012). Among their recommendations were a series of suggestions on how DOL could update the DCI and revise BAM coding procedures to more accurately and consistently detect and measure work search improper payments across states. Suggestions included: (a) clarify the DCI to better facilitate coding when claimants respond to the BAM investigation but fail to report work search information, and (b) ensure that the DCI accounts for the considerable variation in work search policies across states. Components of the Clarkwest and Wozny work that informed this study's recommendations are also outlined in the DCI to questionnaire analysis crosswalk and Appendix G, which outlines our recommendations for specific DCI revisions.

4. Redesigned Questionnaire

Questionnaire design can have a substantial impact on claimant response, the quality of the collected data, and the determination of payment propriety. Therefore, we grounded our questionnaire redesign efforts in our previous experience designing data collection instruments and the feedback obtained from DOL and the states on the existing questionnaire. Revisions occurred along four major themes, which we discuss below. Mathematica's revised questionnaire, with the existing item numbers preserved in italics and parentheses below new item numbers, can be found in Appendix H. It is recommended that any revised questionnaire be pretested thoroughly before being incorporated into *ET Handbook 395*, 5th Edition and used in BAM investigations.

Improve organization and flow. A questionnaire's structural organization can have important implications for response time and whether claimants complete all required questionnaire items (Jenkins and Dillman 1997; Tourangeau 1984). To facilitate their completion of the questionnaire, claimants should recognize an implicitly logical flow to the questionnaire and have a clear understanding of which questions they need to complete. Therefore, we identified thematically similar questions and, if necessary, reorganized them to ensure that they were adjacent. For example, questions related to the characteristics of a claimant's usual occupation were interspersed on the existing questionnaire with questions about a claimant's ability and availability to work. We organized these questions into sections with labeled headers so that claimants can clearly ascertain the purpose of each section and focus their attention on one theme at a time. To enforce this grouping, each section is labeled A through G, and questions within that section begin with the same letter: A1 through A12, B1 through B5, and so on. Similarly, we grouped the various questions about the claimant's usual occupation together in Section B with the Employment History section (B1), as all of these questions require claimants to think retroactively about their previous employment experiences.

We also worked on the logical sequencing of questions. Once we grouped together common items, we ordered the questionnaire to begin with questions on claimants' demographic background and employment history and to then progress to items about the key week of interest. Asking claimants to recall events in the order in which they happened can help ease their completion of the questionnaire.

Claimants should also have a clear understanding of which questions they need to respond to. To improve questionnaire navigation, we added to relevant questions directional arrows and skip-pattern instructions. These prompts can help ensure that relevant questions are not skipped and that irrelevant questions are not answered, potentially reducing the time it takes to complete the questionnaire.

Enhance visual appearance. A questionnaire's visual layout can also affect claimant response (Dillman 2000). We increased the spacing between questions, so that claimants could better distinguish one question from another (Bradburn et al. 2004). Although this modification increases the page length of the redesigned questionnaire, it helps reduce the likelihood of item nonresponse. Fewer questions on a page also results in more space for claimants to respond to open-ended items; claimants can offer more detailed information to investigators making case determinations and reduce their need to follow up with claimants to obtain additional information. Revised questionnaire items **D1a** and **D13e** are examples of this kind of modification.

We also enhanced the questionnaire by enumerating every question and subquestion. Numbering subquestions within a series helps distinguish each subquestion. It also allows for more explicit skip-pattern instructions directing claimants where to go next in the questionnaire based on their responses, reducing response burden and incidental item nonresponse. For example, original questionnaire item Q34 (D12–D12n in the redesigned questionnaire) asks claimants a series of questions about their union affiliation and whether they used their union as a work search resource. Numbering this series of subquestions helps direct claimants to only the subquestions they need to answer. Additionally, enumerating all questions and subquestions can help BAM investigators map specific questionnaire responses to the DCI codes, which can improve coding efficiency and decrease investigator burden.

Another design element of the updated questionnaire is an emphasis on question display. We used darker (bold) print for question stems and lighter (not bold) print for response options (Dillman 2000). This distinction helps claimants visually differentiate between questions and distinguish questions from response options to improve overall readability of the questionnaire. We also focused on developing consistency in question display. The original questionnaire used a mix of vertical and horizontal display patterns for questions (for example, Q42 Work Search Contacts) and response options (for example, Q1 Claimant Education). We redesigned the questionnaire to display almost all questions and response options vertically, thus establishing a clear navigation pattern for claimants as they complete the questionnaire and perhaps eliminating wasted time spent figuring out which question to answer next (Bradburn et al. 2004). The redesigned questionnaire also features uniform formatting across all similar types of response options (for example, dates, addresses, and phone numbers), which reduces ambiguity in the type of information sought and may ensure that claimants provide responses in a consistent format to facilitate coding by investigators.

Improve questionnaire clarity and consistency. A characteristic of self-administered questionnaires is that claimants sometimes cannot immediately solicit help from investigators when they need it. Therefore, instructions, questions, and response options must be written in advance so that claimants can access all of the necessary information to answer each question. To this end, we clarified the time line for which claimants must complete the employment history section. We also provided more detailed instructions on what qualifies as a work search contact during the key week and clarified what constitutes a private employment agency.

Although more detailed instructions increase the apparent length of the questionnaire, they can reduce the perceived complexity of the questions, perhaps speeding completion of the questionnaire and yielding more accurate data.

We took a similar approach in revising question stems and response options. We modified wording across various questions to maintain consistency and avoid potentially confusing claimants. For example, we revised questions **D10**, **D11**, and **D12**, which ask about registering and receiving job referrals from the State Employment Service, private employment agencies, and unions to use consistent question structure and terminology, and focused on language uniformity throughout the questionnaire. For question **B1**, **B4a**, and **C1**, we ensured that "contract/temporary" position terminology was used consistently.

We also revised question text to be clearer for claimants at a range of reading comprehension levels. We modified many of the demographic items to read as actual questions rather than just labels—an approach that could reduce response errors (Dillman 2008). We also modified text to avoid terms or grammatical construction that some claimants may have difficulty understanding (for example, we modified questions **A11** and **B1 Reason for Separation** to use common language rather than unemployment insurance terminology). These language changes improve the questionnaire's readability and reduce the likelihood of claimants skipping or incorrectly answering questions they do not understand.

For certain questions that might otherwise be unclear to claimants, we included response options or supporting examples. For example, we provided response options for **B2c** (**Q23** in the original questionnaire) regarding who provided the claimant with the recall notice, including an "other, specify" option. For original questionnaire item **Q28** (**C1a** in the redesigned questionnaire), we included examples pertaining to a claimant's potential need for a job to last a certain period of time. These clarifying options and examples can help claimants identify the most accurate response.

Maintain questionnaire efficiency. The redesign effort focused on making the questionnaire an efficient data collection instrument while maintaining almost all of its original content, as the data collected are needed for case determinations and DOL statistics. However, after discussion with DOL, we removed from original questionnaire item Q13 the "Major Field of Study" subquestion, because it has no bearing on case determinations and is not used by DOL for research purposes. We also redesigned questions that appeared to be redundant; for example, we merged original questionnaire item Q49 into the B1 Employment History grid.

At the same time, to make sure that the questionnaire gathers all data vital to identifying and verifying claimant information that would help investigators making case determinations, we also incorporated some new items and response options. For example, original questionnaire items Q36 and Q37 ask about claimants' dependents as they relate to ability and availability for work. However, these items did not ask for information about the dependents themselves, and there was no other source of information for coding e14 and e16 on the DCI. The revised questionnaire includes questions D7 and D7a which ask claimants directly whether they have dependents, how many they have, and the dependents' relationships to the claimant. We also added new questions that ask claimants to provide their email contact information (A5) and to specify how much time they spend as an officer or a board member of an organization or union (D6b), if applicable, to better assess constraints on the claimant's availability to work or to search for work.

We revised the question response options so that claimant responses to all questions would map directly to the DCI codes, allowing investigators to interpret claimant information systematically and uniformly. For example, we streamlined the claimant education response options (A11) to include only the categories that correspond directly to the DCI codes. Similarly, we modified the **Reasons for Leaving Job** portion of **B1 Employment History** so that the response options match the DCI codes. Response options and labels that directly translate to DCI codes reduce investigator burden during the coding process and help ensure coding consistency. They also allow the questionnaire to be formatted for improved automation of the data collection and coding process, as discussed in Section B.

5. Improvements to the DCI and Coding Procedures

DOL can make a series of enhancements to the Paid Claims DCI to facilitate consistent coding by BAM investigators across states and to ensure that the DCI and the redesigned questionnaire are aligned, without sacrificing the longitudinality discussed above. Appendix G outlines Mathematica's recommendations for specific code and item revisions. They include minor revisions, such as clarifying item **b1** (Method Info Obtained) response option 3 to include "email," to align with redesigned questionnaire item G1, and more substantial revisions, such as reducing item **b5** (Currently in Training) from 10 response options to 3 and consolidating items g10 (KW Contacts) and g11 (Prior KW Contacts) into a single item. Appendix G also identifies specific instructions in ET Handbook 395, 5th Edition that DOL could clarify to reduce investigator confusion. For example, the instructions for items f5 (Other Income Before) and f6 (Other Income After) should match, because they ask for the same information obtained via agency records and investigator fact-finding.

As we discuss above, national office staff confirmed that many of the DCI items that do not necessarily inform investigation determinations are useful to DOL for statistical purposes. We therefore recommend that DOL eliminate only two items from the DCI: (1) **g11** (**Prior KW Contacts**), mentioned above, and (2) **d7** (**Tax Rate Last Empl.**), which does not inform investigator determinations or DOL statistical analyses.

DCI section G, Employment Services and Work Search, requires the most critical revisions. Discussions with UI leadership and BAM staff during study visits reinforced two key findings from Mathematica's recent analysis of work search improper payments (Clarkwest et al. 2012; Wozny et al. 2012): (1) states are keenly interested in ensuring that BAM data accurately represent work search errors and improper payments, and (2) different states approach work search investigations and error coding in different ways. Further, the analysis determined that states may not be coding work search errors in a manner consistent with their state work search policies, perhaps because they are unsure of how to do so within the parameters of the DCI's work search codes and response options.

To that end, Mathematica recommends that DOL revise item **g1** (WS Requirement) to reflect states' many and nuanced work search policies. The existing response options for item g1 account for many of states' work search policy variations, but they do not account for the entirety of policy nuances. As a result, investigators use their judgment to select the option that best describes but may not necessarily fully describe their state work search policy. Because such subjectivity could compromise the reliability of the work search error rate observed by BAM data (Wozny et al. 2012), DOL should seek to reduce it. During BAM Methodology Evaluation conversations about BAM coding improvements, DOL shared with Mathematica draft guidance

for states addressing this very issue and DCI item. One component of the guidance, for example, is to expand **g1** response option "1 – Required to actively seek work (in addition to union contact, if applicable)" to include suboptions 10 through 49, which describe myriad state work search policies and documentation requirements. Given states' apparent concern and uncertainty surrounding the coding of work search issues, particularly item **g1**, DOL should ensure that final guidance is clear and concise so as not to produce additional confusion.

We anticipate that a revised item **g1** will facilitate more accurate coding of error issue item **ei2** (**Key Week Action**), particularly response option "14 – BAM determines payment was too large except for formal warning rule that prohibits official action. The overpayment is 'technically proper' due to laws/rules requiring formal warnings for unacceptable work search efforts." Mathematica's earlier analysis of work search errors identified some confusion among states about the proper way to code this item and when to use this response option (Wozny et al. 2012); for instance, some states without a rule might incorrectly be using response option 14. Because investigators will document their work search errors more specifically in revised item **g1**, BAM supervisors and investigators should be able to better identify instances in which they have coded **ei2** incorrectly.

We also recommended during BAM Methodology Evaluation discussions that DOL resolve states' apparent confusion over how to code claimant nonresponse. Specifically, we suggested that DOL revise coding guidance in *ET Handbook 395, 5th Edition* to ensure that states code claimant nonresponse consistently, rather than some coding it as a work search overpayment and others not. As is noted above, in September 2013, DOL directly addressed this issue in UI Program Letter No. 28-13. Among other things, UI Program Letter No. 28-13 clarified guidance about coding claimant nonresponse as a work search overpayment. The guidance read in part, "Failure to respond is not by itself sufficient for BAM units to establish work search or reporting ineligibility for the key week. Such a key week work search or reporting ineligibility determination must be based on state law, administrative code/rules, and policy." In a similar vein, we also recommend that DOL revise item g10 (KW Contacts) response options so that investigators can clearly differentiate between *claimant nonresponse* and *failure to provide work search information* on the DCI, further ensuring that they do not automatically code nonresponse as a work search error. We have proposed adding an item to the claimant questionnaire to facilitate this coding (new item D13f).

poll's draft guidance on g1 implements a Wozny et al. (2012) recommendation regarding g1 edit checks: to ensure that states with active work search policies cannot code g1 as -2 ("Not applicable, no active work search policy"). UI Program Letter No. 28-13 clarified that, as a result of the Middle Class Tax Relief and Job Creation Act of 2012, all claimants "must be able to work, available to work, and actively seeking work" to be eligible for compensation. The UI Program Letter further stated that "BAM units must conclude and record all key week investigative findings...in accordance with the applicable state requirements." Therefore, the draft g1 guidance implements an edit check for all states that g1 cannot equal -2 if c3 (Benefit Year Begin Date) is equal to or later than January 1, 2014 (the date by which all states will have

¹³ DOL is currently updating this guidance.

¹⁴ DOL is currently updating this guidance.

active work search requirements, per DOL guidance). This approach, in effect, eliminates -2, which has been a potential source of coding error, with more precise codes regarding documentation requirements.

Finally, Mathematica recommends that DOL further ensure consistent coding of similar cases across states through more frequent peer reviews. Although BAM staff did not explicitly request additional peer reviews, they clearly indicated that these meetings perform an important quality assurance function, especially related to investigation coding. Meeting more often, such as biannually or quarterly, would facilitate timely resolution of coding issues and promote ongoing communication about problems and discrepancies. However, although biannual or quarterly face-to-face meetings might be ideal, they would be significantly more costly than the existing annual peer reviews. Therefore, at minimum, DOL should: (a) ensure that annual meeting facilitators provide clear and consistent coding guidance, and (b) disseminate to BAM units nationwide information about coding decisions made during meetings. DOL should also explore virtual meeting alternatives to in-person peer reviews, which could occur more frequently but at a much lower cost than in-person discussions. Finally, changes to the BAM peer review process should reflect the results of ongoing DOL reevaluations of federal monitoring and accountability activities (including BAM monitoring and peer reviews).

B. Design Considerations for a BAM Web Portal

States are increasingly offering claimants the option to file initial and ongoing claims for their UI benefits online. Additionally, claimants and employers alike now rely on web-based systems to interface with one another and UI agencies (for example, state labor exchange sites). Because claimants, employers, and UI agency staff are becoming more comfortable with online communication and processes, DOL asked Mathematica to assess the feasibility of developing a BAM web portal, containing pertinent investigation materials and online versions of claimant questionnaire and employer verification forms.

1. Purpose and Advantages

During the study site visits, states cited several challenges with web-based data collection for BAM, specifically focused on the claimant questionnaire. For example, some claimants lack Internet access and computer skills, and states do not have email addresses for all claimants. States also noted the benefits of having the option to administer the questionnaire to claimants over the telephone or in person; among others, it enables them to probe and clarify questions, ensuring item response and improving overall data quality. Given these considerations, in the near term, a web-based claimant survey would provide an additional data collection method rather than replace existing methods. Because all but one of the eight study states has online filing for UI claims, and only three states still have in-person filing, web-based options in a BAM redesign must consider current use of online resources in UI operations. To the extent that BAM questionnaires are completed online when the claimant has also filed for benefits online, mode effects are diminished. However, web-based data collection alongside the traditional methods may introduce mode effects across the BAM sample.

A web-based BAM portal would address some of these concerns and provide additional benefits. A portal would provide one-stop, online access to electronic versions of BAM data collection forms and documents used by claimants, employers, third parties, and BAM staff. It can also increase transparency by providing enhanced access to information about the BAM

process. A comprehensive, web-based data collection system provides many tools for simplifying and clarifying complex questions on claimant questionnaires and other data collection instruments, such as the employer verification form. These tools include prefilled information, program skips, and built-in calculations to reduce burden on respondents and improve data accuracy, and callout boxes, help screens, and rollovers to provide clarifying information on a term or question. For example, a web-based employer-verification form could auto-calculate totals and include edit checks to prevent common mistakes on the current paper form. Similarly, a web-based claimant questionnaire could include numerous edit checks to alleviate problems that arise without interviewer administration. Edit checks on items such as level of education completed (revised item A11), which permit only one selection from many response options, could prevent the respondent from entering multiple responses. Expanding automation in this way standardizes data collection administration across investigators and states, can help improve response rates by reducing respondent burden, and improves data quality through the introduction of edit checks at the point of data collection rather than after.

A BAM web portal allows for enhanced functionality corresponding to the level of automation of each instrument. Ideally, all BAM instruments would be web-based, permitting users to enter data directly via a web interface. The underlying data would be stored in databases linked by common case-identifiers; this approach requires that each instrument be programmed as a web-based data collection tool but allows for prefills and calculations across claimant, employer, third party, and state instruments. The portal could also allow for supporting documentation to be scanned and linked to a case.

Developing a web-based BAM portal that houses electronic versions of all BAM data collection forms could also introduce to the coding process a degree of automation, thus facilitating increased coding consistency, improving data quality, and reducing investigator dataentry burden. When a questionnaire item relates directly to a particular DCI code, the system would automatically code the DCI item based on the questionnaire response. This method eliminates coding inconsistencies related to human judgment and error. For example, the revised version of the level of education completed item (A11) could be programmed to autofill DCI code b3. The reason for separation questionnaire item (B1) has already been revised to directly map to DCI code d2. The questionnaire redesign has expanded the direct mapping to the DCI to the extent feasible, to allow for coding automation over the long term. However, not all codes can be automatically completed based on the questionnaire. When the coding logic between source documentation such as the claimant questionnaire and the DCI can be partially automated but requires some investigator input, a web-based portal function for investigators can isolate relevant codes for the case based on the responses provided.

The portal can also guide investigators toward correct determinations in other cases where the source documentation does not provide all needed information. For example, new items **D7** and **D7a** will provide information on the respondent's dependents—how many and their relation to the respondent. Coding prompts can ask investigators to compare the responses with state law and policy on allowable dependents when coding DCI items **e14** and **e16**. This portal functionality could store the relevant state laws and policies for quick reference; it would also be feasible to program DCI logic across multiple source documents such as the claimant, employer, and third-party questionnaires and the employer verification form. However, a portal developed by DOL would have to be based on logic pertaining to national DCI codes given the potential variation in state codes. Nevertheless, this approach would standardize the logic of ET 395 to the

extent feasible. It may be possible for states to customize this system to allow automation of state-specific coding.

Other advantages of a web-based portal include the ability to differentiate access to sections of the portal by type of user. BAM supervisors and staff would have a broader access than claimants, employers, and third parties. States will restrict access to different components of the portal through secure user names and passwords. An individual user's login credentials will prevent him or her from accessing forms and documents in the wrong section of the portal. At the state level, collecting email addresses as part of the UI claims process would facilitate claimant contact during the BAM process. Claimants selected for BAM review could be emailed a link to the URL, and called with their password for access and entry to the claimant questionnaire. Employers would use a similar process, although they may already have passwords with state workforce agencies for their wage-record filing and other DOL processes. It makes sense to explore employer use of these same passwords, so that they have simplified access to all labor and unemployment related functions. Employer-level access to the portal could provide each employer with a list of open investigations involving that employer for which information is needed or has been provided; in addition, employer related information on all relevant data entry screens could be prefilled for the employer's specific user name and password.

Another critical advantage of a web-based BAM portal is that it can be used to generate quality improvement information about investigators and case determinations. Access to this information may be restricted to BAM supervisors depending on how investigator activity is tracked through the portal. Enhanced functionality of the portal can include preprogrammed reports that identify investigator selections and trends across investigators. For example, when DCI coding cannot be fully automated based on responses to the claimant questionnaire and other source documentation, as described above, the portal's decision screen narrows the coding options for investigators based on the options that have been provided. A tracking report could show that all investigators in a state tend to select a certain code in a subjective situation that may not align with state law and policy or DOL guidelines. Such reports can highlight training needs for the BAM supervisor. DOL can work with states and regions through the peer review process to identify reporting needs in developing the portal, with the goal of improving investigator consistency in coding within and across states.

A web-based portal can ultimately reduce interviewer workload and therefore lead to cost efficiencies as functionality that is currently manual or nonstandardized is programmed as part of the portal's development. These cost efficiencies could be used to offset the cost of developing and maintaining the portal, or to fund other aspects of BAM program administration such as changes in sample sizes.

2. Design Considerations and Challenges

Despite the many advantages to implementing a web-based BAM portal, we recommend that DOL consider an extended planning period before beginning development of a BAM portal. It is most efficient to begin portal development when a critical mass of data collection forms and instruments to be deployed through the portal have already been designed for web implementation. Implementing the portal in phases increases costs overall and could introduce inefficiencies in design and technology. It is not worthwhile to pursue development of a portal to

host one or two BAM data collection instruments. A modest level of automation can be achieved more easily and cheaply through web applications that can later be integrated into a portal.

From a systems development perspective, the most cost-effective approach is for DOL to design and fund the web-based portal application, and then license the program to states. The BAM portal application would be incorporated into state UI websites. Users would link to the portal through the state's UI informational site, or BAM-specific site (if one exists). Each state would capture BAM data centrally through the portal, and these data would be transmitted to DOL on a routine basis—daily, weekly, or less frequently. In essence, the portal would extend the automated functionality of the DCI to every other BAM instrument and the range of BAM users, and connect each instrument electronically through the portal. This extended automation maximizes prefilling of information, edit checks, and automation of coding logic to reduce burden and improve data quality.

The portal's design must be flexible enough to accommodate state-level variations in investigative procedures and allow for revisions to federal policy over time. For example, programming logic that maps the questionnaires to the DCI based on federal guidance must be clear enough to permit efficient reprogramming when federal policy and guidance change. DOL and states should together determine whether the portal would be required or optional at the state level; this decision should balance any state concerns with implementing a portal, with the benefits of improving data quality within and across states through full implementation. The extent to which states use online claims filing and collect claimant addresses will also inform the timing of portal implementation. Widespread adoption of online filing and collection of claimant email addresses will help facilitate development of the portal. If claimants are able to file UI online, they likely have web access and an email address, and therefore could access a BAM web-portal and complete an online questionnaire.

When the portal is developed, it should use the current best practices in web portal design to foster ease of use and production of high-quality data. The portal should allow states to customize the interface to state-specific needs; for example, the portal's interface in a specific state could incorporate the state workforce agency's logo and coordinate with the rest of its website. The state's own BAM forms and any customized questionnaires would be posted to the portal in addition to, or in lieu of, DOL versions. It should be noted however that state customization of BAM forms would complicate the coding automation discussed in Section B.1. During portal development, DOL should thoroughly test and pilot components to identify implementation challenges. For example, DOL should pilot test the web-based claimant questionnaire where audited claimants who file online are required to complete their BAM questionnaire to submit their claim recertification. Further, because the portal will contain both internal functions (for staff) and external functions (for the public, including employers and claimants), it is critical that DOL conduct thorough systems and usability testing prior to rollout.

For development of a federal system that states could license, straightforward portals can cost a few hundred thousand dollars, depending on the functionality involved. This cost includes several years of maintenance but does not include the costs of digitizing all forms and instruments, 508 compliance, or more complex functionality. Greater functionality leads to greater costs. It is necessary to have a critical mass of instruments ready to use through the portal, so that cost savings from use of the portal are sufficient to offset the costs of creating it.

3. Options for Web-Based Employer Reporting

DOL has several options for expanding automation of BAM functionality to reduce respondent burden and improve data quality prior to developing a full-scale BAM web portal. As indicated earlier, a modest level of automation can be achieved more easily and cost-effectively through web applications that would include less functionality than a full-scale portal but can later be integrated into a portal. We recommend that DOL begin with employer functions, as investigators do not have the same recourse to enforce response with employers that they do with claimants. Also, employer respondents should more consistently have online access to and familiarity with web-based tools in their business environments, and therefore expect them in BAM investigations. Providing web applications for employers may therefore improve their cooperation with BAM investigations and reduce investigation time. During the site visits, some investigators indicated that employers asked where to find paper-based BAM forms on the web. In addition, investigators reported that employers often complete manual forms incorrectly, and those forms must be redone. As with the claimant questionnaire, automating employer forms could reduce errors through prefilled information, automatic skips, and edit checks, and allow investigators to more quickly identify missing or incorrect information.

DOL could develop a web-based application for the employer verification form and the employer wage verification form that states can store on their existing UI websites. With a web-based application, states provide employers with the URL for login, and then deliver the passwords by telephone to maximize security. A web-based application provides ease of online entry, data quality, and security for the easiest forms to automate and for the population that is most ready to move to online data collection, at a significantly lower cost than development of a full web portal. Actual development costs will depend on the information the investigator and the employer need to see, the ability to use existing passwords, and other specifications to be developed. For example, is it worthwhile to have detailed dropdowns in the web-based application; should Social Security Numbers (SSNs) of claimants be prefilled for employers; or should employers have the right to search for the relevant SSNs for their former employees based on wage filings or the BAM sample? There are multiple governance and security issues to consider. The web-based application can be federally developed, but each state will need its own URL so that individual state databases are utilized.

Another option to further automate data collection before development of the portal is to create a spreadsheet of the employer verification form that can be posted on state websites. This approach is less expensive than a web-based application but less desirable from the standpoint of data quality and reducing burden. The spreadsheet can include calculation formulas to ensure some level of data quality. However, employers will need to create a new spreadsheet for each employee. Completed spreadsheets would be uploaded to the state's secure website. Similar issues would apply in developing specifications for this spreadsheet as for the web-based application, such as determining an appropriate level of user functionality and checks and balances.

V. INTEGRITY RATE IMPROVEMENTS

The U.S. Department of Labor (DOL) uses Benefit Accuracy Measurement (BAM) data to generate unemployment insurance (UI) program integrity measures in compliance with the Improper Payments and Information Act of 2002 (IPIA) and its amendment, the Improper Payments Elimination and Recovery Act of 2010 (IPERA). It is important that BAM data are not only comprehensive and reliable, but that they also provide an accurate and useful assessment of program performance. During BAM Methodology Evaluation site visits, state UI and BAM leadership expressed concerns about the methodology used by DOL to calculate certain BAM integrity rates and about how DOL uses rates to measure state performance. In response to states' concerns, DOL asked Mathematica to assess the existing BAM integrity rates and program performance measures and to recommend rate alternatives that could address state concerns and meet IPIA reporting requirements. Further, Congress recently amended IPIA and IPERA with the Improper Payments Elimination and Recovery Improvement Act (IPERIA). Draft OMB guidance subsequent to the passing of IPERIA permits agencies to generate and report additional integrity measures that isolate improper payments related to particular program components. Therefore, DOL also asked that Mathematica assess and consider this guidance when proposing rate alternatives.

In this chapter, we outline states' concerns with the BAM annual overpayment rate (also referred to as the annual report rate), which is a major component of UI program performance measures, and recommend how DOL can address these concerns. Specifically, we suggest and calculate alternative program integrity rates—a BAM annual overpayment rate that excludes work search and a separate work search error rate—that address states' concerns about the lack of comparability of the existing measures and comply with IPERIA. We also suggest how DOL could more clearly report BAM data in response to states' worries about how the rates are interpreted (often incorrectly) by program stakeholders, and provide analyses to show that BAM rates might not conflict with other program performance measures in the way that states assert that they do.

A. Program Integrity Rates and Performance Measures that Rely on BAM Data

As we describe in Chapter I, DOL uses data generated by the BAM program to construct a series of UI program performance measures and produce several other program integrity rates in compliance with a series of federal laws. The first law is **IPIA** (2002), which requires that all federal agencies, including DOL, review their respective programs and activities and (a) identify those that may be "susceptible to significant improper payments," (b) estimate the amount of the improper payments, and (c) develop corrective action plans to reduce them (P.L. 107-300). Since 2002, DOL has used BAM program data to estimate the amount of UI benefits paid improperly to claimants by states—including both overpayments and underpayments—via the **improper payment rate** (the "IPIA rate").

The second is **IPERA** (2010), which stipulates that "an agency will be deemed in compliance with the law if [each of its] programs and activities keeps improper payments below 10 percent," and instructs federal agencies to develop improper payment reduction goals and time lines toward achieving the 10 percent requirement. Additionally, IPERA requires agencies to attempt to recover improper payments, when "cost-effective," and to track and report the outcome of these recovery efforts. In response to IPERA, DOL released in January 2013 UI Program Letter No. 09-13, which introduced to the UI program two additional payment integrity

measures: (1) the **net improper payment rate**, which measures the amount of estimated improper payments minus those that states recover (and as reported on the ETA 227 Overpayment Detection and Recovery report), and (2) the **overpayment recovery rate**, which calculates the percentage of established overpayments that states recover in a given year.

Congress recently amended IPIA and IPERA with IPERIA (passed 2012, signed into law 2013). Per IPERIA and subsequent draft OMB guidance, federal agencies must include all improper payments in reported IPIA rates. Therefore, DOL can no longer report the net improper payment rate that it established in response to IPERA (though DOL must still establish recovery targets and report performance against those targets). However, as part of IPERIA, agencies can propose additional rates that identify and measure payment errors from those specific program components that are the most susceptible to improper payments; thus allowing agencies to target improper payment reduction efforts accordingly. During the BAM Methodology Evaluation, DOL was in the process of reviewing IPERIA and OMB's draft guidance and generating such measures.

Table I.1 in Appendix I outlines each of the paid claim integrity rates that DOL calculates using BAM data, along with their specific components and formulas. That appendix also includes descriptions of the annual overpayment rate and the underpayment rate which comprise the IPIA rate. ¹⁵ Table J.1 in Appendix J documents IPIA, IPERA, and IPERIA requirements and DOL's operationalization of the first two.

B. States' Perspectives on the Rates and Measures

During BAM site visit interviews with states, UI and BAM leadership expressed concern about how DOL calculates and reports BAM integrity rates. They contended that because BAM data and rates inform federal improper payment reporting efforts (namely, the IPIA rate), it is essential that DOL construct BAM rates that are clear and comparable across states; failure to do so could result in the calculation of misleading payment integrity measures and misinterpretation of the data by program stakeholders. States were primarily concerned with how DOL calculates the BAM annual overpayment rate, which is a central component of the IPIA rate.

1. State Work Search and ES Registration Policies

According to UI and BAM leadership from study states, the BAM annual overpayment rate does not provide a valid basis for measuring and ranking states' performance on payment propriety. They explained that because BAM investigations assess payment propriety against each state's laws and policies, a state could have a higher rate, not because its UI claimants were putting forth less effort to find a job, but just because the state had more stringent requirements. UI leaders argued that incorporating improper payments that relate directly to state policies in the BAM annual overpayment rate "penalizes" states for implementing policies that could help the program achieve its goal of getting claimants back to work and might inadvertently incentivize

¹⁵ BAM units also investigate denied claims and DOL produces estimates of improper denials. Because discussions during BAM site visits focused almost exclusively on paid claim investigations, and because IPIA and IPERA require reporting on paid claims, our analysis focuses on improperly paid claims rather than improperly denied claims.

states to weaken or eliminate these policies. Further, they noted that their state legislatures establish these laws and policies, and that state workforce agencies have limited influence over them. States highlighted work search and Employment Services (ES) registration as the state-specific policies that most substantially impact their BAM annual overpayment rates, but over which they have little direct control.

Work search. Paramount among states' concerns about rate inequities is the inclusion of work search errors in the BAM annual overpayment rate. They cited the following reasons why these errors should be excluded from the rate:

- State work search policies vary significantly. All states require that UI claimants search for work each week that they claim benefits, 16 but the specific requirements of these policies—required number of weekly contacts, acceptable activities, allowable claimant exemptions, documentation and reporting requirements, etc.—vary considerably across states (Table V.1). 17 For example, study states such as Minnesota require that claimants search for work as a condition of benefit receipt, but do not prescribe how many employers claimants should contact each week. States like Texas and Washington, on the other hand, require that claimants contact a minimum number of employers each week and keep a log of their contacts that can be furnished upon request. According to these state policies, if claimants in Minnesota and Washington contacted the same number of prospective employers during the key week (for example, two), the Minnesota claimant met the work search requirement and was paid properly, but the claimant in Washington, which requires three contacts a week, did not meet the requirement and was overpaid. 18 UI directors from study states frequently likened comparing BAM rates across states to "comparing apples to oranges," and Mathematica's recent Analysis of State UI Policies in Support of Efforts to Reduce Work Search Improper Payments (Clarkwest et. al. 2012) cautioned that "differences in the stringency of work search policies might mean that a high [work search] error rate in one state is inherently different than that in another state."
- The BAM annual overpayment rate "penalizes" states with strict work search policies. UI leadership from the study states where work search issues are among the leading causes of overpayments argued that they are punished for requiring more of claimants. In fact, Mathematica's recent independent analysis of work search policies and improper payment rates found that states that require claimants to contact more employers have calculated work search error rates that are 26 percentage points higher than those in states that require only one or two contacts (Clarkwest et. al. 2012). As one state put it, including overpayments related to work search in the rate that measures state performance creates "a disincentive to have an aggressive work

¹⁶ States exempt subsets of claimants from these requirements, such as claimants seeking work through their union memberships and claimants with definite return to work dates.

¹⁷ Clarkwest et, al. 2012 also documented the range of state work search policies. Analysis conducted for that study found that 16 states did not require a specific number of work search contacts per week, 23 states required 1 or 2 contacts, and 13 states required 3 or more contacts.

¹⁸ This assumes that investigators deemed all other parts of the claim to be proper during the BAM investigation.

search [policy]." In other words, rather than decreasing work search overpayments and their BAM annual overpayment rates through stricter implementation of state policy, states might weaken their work search requirement. Table V.1 indicates that work search issues represent a larger proportion of overpayments in the study states with self-described "aggressive" work search policies (Texas and Washington) than they do in states with less-stringent policies.

- States' monitoring and enforcement of their work search policies also vary considerably. One study state noted that some states have formal warning rules. In these states, UI agencies issue claimants a warning the first time that they fail to meet their active work search requirements, rather than deeming the payment improper. If the BAM investigation determines that the claimant failed to meet the state's work search requirements for the paid week selected for investigation, a formal warning will be issued (assuming that the state agency, either through BAM or through an audit program other than BAM, has not previously issued a formal warning during the claimant's benefit year). Payments to claimants who receive a formal warning are considered technically proper and are not treated as improper in the annual overpayment rate. This explains in part how some states can have a 0 percent work search improper payment rate. In states without a formal warning rule, by contrast, payments to claimants who failed to meet the work search requirement are counted as improper in the annual overpayment rate. Additionally, states like West Virginia require that claimants keep a log and furnish it upon request, but do not deny benefits to those claimants who fail to provide their work search record (per West Virginia Unemployment Compensation law). This is yet another example of the many variations in how states enforce their policies.
- States code work search errors inconsistently. As described in Chapter IV, BAM units highlighted apparent inconsistencies in BAM coding across states during study site visits. They noted that these errors are particularly prevalent in the coding of work search errors. For example, BAM auditors from two study states that require claimants to furnish work search logs upon request said that they coded claimant nonresponse to BAM audits as a work search overpayment (since the claimant failed to furnish their log), while other states did not code nonresponse in this way. It seems illogical to states that items that are coded inconsistently and with a high level of subjectivity are included in their improper payment rates. Mathematica researchers found that existing BAM codes do not account for the many differences in states' work search policies. As a result, investigators use their judgment to select the option that best describes but may not necessarily fully describe their state work search policy and the claim error (Clarkwest et al. 2012; Wozny et al. 2012). Such subjectivity could compromise the reliability of the work search error rate observed by BAM data.

Mathematica's Analysis of State UI Policies in Support of Efforts to Reduce Work Search Improper Payments also found that some states appear to code work search errors in ways that are inconsistent with their state work search policies. For instance, (a) BAM investigators from two of the analysis states give claimants who cannot produce their work search log "the benefit of the doubt" despite their state's requirement that claimants keep a log, (b) investigators in another state that does not have a formal warning rule give claimants a warning during BAM investigations

- rather than deeming their key week payment improper, and (c) staff in the analysis states that do have formal warning rules sometimes enforce them inconsistently.
- Most work searches are unverifiable. According to BAM staff from five study states, few employers respond to their work search verification contact attempts. Employers that do respond are rarely able to verify whether or how a claimant applied for a job and commonly say that they are too busy to "search through the stack of resumes on their desk" to answer questions about a particular applicant. Therefore, BAM units invest a substantial amount of time and resources into contacting work search employers (especially in states that require claimants to contact many employers each week), only to speak with employers who are unable to provide them with verification information. Over the last ten years approximately 47 percent of the work search contacts investigated by BAM were unverifiable (DOL unreported calculations, 2013).

Table V.1: Work Search: Policies, Procedures, and Overpayments by Study State

State	Policies and Procedures ^a	Work Search as Root Cause of Overpayments
AL	Make a reasonable and active search for work through customary means for their occupation. Keep a list of contacts. Verify search for work when filing weekly claim.	6.67
DE	Make at least one work search contact each week. Keep a log that includes the employer name, address, type of work sought, result of the contact, and the date. Furnish log upon request. Supply work search date when filing weekly claim.	1.27
LA ^b	Complete three job search activities each week. Keep a log of employer names (encouraged, not required). Enter work search information into online system when filing claim. Requirement waived for union members, who need to remain in good standing with their union during period of unemployment. Requirement waived for temporary layoffs who are still attached to job.	9.9
ME ^c	Seek work each week by applying to employers in person, by mail, or online. Keep a log of contacts.	54.6
MN	Seek work commensurate with skills and experience. Not required to keep a contact log. Not required to verify or report work search efforts. Requirement waived for union members, who need to remain in good standing with their union during period of unemployment.	3.64
TX	Local workforce boards determine job search requirement for their areas, based on local economic conditions. Complete a minimum of 3 job search activities (completing an application, going on a job interview, etc.) each week (local areas can require as many as 10 activities each week). Keep a log of job search activities. Furnish log upon request.	33.09
WA	Complete 3 job search activities each week (activities can include workforce center activities; visiting an employer and completing application/drop off resume; or completing online job applications via WA Works or other job search or employer sites). Keep a log of activities that includes employer name, date, activity description, etc. Furnish log upon request. Enter work search information into online system when filing claim.	62.48

State	Policies and Procedures ^a	Work Search as Root Cause of Overpayments
WV	Search for work each week (number of weekly employer contacts will depend on occupation and the condition of the labor market). Keep a record of weekly job contacts. Furnish this record upon request. Union members must stay in good standing and comply with union hiring practices.	4.17

^a Sources: State UI handbooks for claimants, 2011–2012.

http://www.dol.gov/dol/maps/map-ipia.htm; Three-year average IPA data for July 1, 2009–June 30, 2012.

ES registration. State UI leaders also pointed to ES registration to illustrate how small differences in one policy and its implementation can have large impacts on measured rates. As with work search, states contended that differences in their ES registration policies result in rate measurement inequities. For example, states such as Minnesota, which does not require that claimants register with ES, have a 0 percent ES registration overpayment. States such as Maine, where ES registration errors represent 11.67 percent of overall improper payments, ¹⁹ instruct claimants to visit a local career center to register with ES soon after filing their claim. In still other states, claimants do not actually register themselves for ES; the UI agency's computer system registers them automatically when their initial UI claim is approved.

States also described how small issues in their registration procedures can substantially inflate their BAM annual overpayment rates. UI leaders from one state explained that they automatically register claimants with ES as part of their initial claim processing procedures, so they were confused when ES registration issues appeared among their top root causes of improper payments. A "technical glitch" in their registration system made it appear as though claimants were not registered in ES even though they in fact were. Soon after fixing the "glitch," the state saw a decline in its overpayments related to ES registration and thus in its overall BAM annual overpayment rate. UI leadership from another state relayed a similar anecdote in which a quick ES registration system fix helped them "overnight, [wiping] away \$35 million of overpayments that never really existed."

UI leadership from these and other states asserted that such systems improvements are valuable to their programs but they do not necessarily have meaningful impacts on the propriety of actual benefit payments, and thus they should not be components of the rate used to measure their performance. As an integrity director from one state summarized, "[These are] technical errors that do not have an effect on benefit amounts or trust fund balances." The state's quality control supervisor added, "It's not actual—it has no bearing at all on the actual monetary value that's going to the claimant."

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^b The work search policy outlined in Louisiana's UI handbook for claimants differs from the one described by staff during the study visit. The information in this table reflects the policy as described by staff.

^CUI leadership from Maine explained that their former work search policy involved requiring claimants to submit a work search log for every week that they filed a claim. They have since eliminated this policy. Their new work search policy is outlined in the table. As a result of eliminating this policy, the state expects to see a future decrease in overpayments related to work search.

¹⁹ http://www.dol.gov/dol/maps/map-ipia.htm; Three-vear average IPA data for July 1, 2009–June 30, 2012.

2. The Media and State Policymakers

Study states recommend that DOL more clearly explain and report BAM rate information to policymakers, the press, and the public. Public programs such as UI are subject to great scrutiny, especially when it comes to spending taxpayer money. DOL's BAM reports include information about how the annual overpayment rate is calculated and caution readers that because of differences in policies and regulations, BAM rates should not be used to compare states. Despite these warnings, UI leadership from six states cited examples of when the media, the public, or policymakers misinterpreted the rates and used them to draw incorrect conclusions about state UI programs. UI leaders explained that these groups tend to interpret the phrase "improper payment" incorrectly to mean "overpayment" or "illegal payment." Leaders from five states said that they have to correct press reports that describe BAM estimates as actual dollar amounts and calm angry legislators who read these reports and think that they are paying tens and sometimes hundreds of millions of taxpayer dollars "to people who didn't deserve it."

In response to confusion among state policymakers about what the rates mean, the UI integrity administrator in one state created a crosswalk of BAM rates and what each rate measures. This administrator explained, "I had a matrix of 'this is what [DOL] is calling it, this is what a normal person would call it, and then the explanation,' because the audience is not trained in [statistics and the intricacies of UI policy]." This state and others acknowledged that accountability to these groups is important, and suggested that DOL rename the different BAM report rates so that they convey more clearly what each rate measures, and that DOL report BAM information by responsible party (agency, claimant, or employer).

3. Balancing Accuracy and Timeliness

States argued that it is extremely difficult to perform well on DOL's payment timeliness performance measure while also achieving low improper payment rates. UI and BAM leadership from three study states explained that one of their top organizational priorities is paying UI claims as quickly as possible and meeting DOL's First Payment Promptness standard. According to a UI director from one state, for example, intake staff spends only about 20 minutes collecting information on an initial claim, and adjudication staff has just 21 days to resolve claim disputes, a rate of about one adjudication decision per hour. This pace ensures that claimants promptly receive the benefits that they need and that the state meets DOL's standards, but may mean that staff are unable to collect comprehensive claim information (such as requisite statements from separating employers or base period salary information). BAM investigators, on the other hand, have a total of 60 days (and in some cases 90 or 120 days), nearly three times as much time as adjudicators, to conduct a thorough review of each claim and complete additional fact-finding. In other words, BAM assesses the accuracy of the decision to pay benefits based on information that is not always available to the UI adjudication staff in the normal course of claims processing. The state estimates that over a three-year period, 93 percent of BAM-

²⁰ First Payment Promptness is the first of 17 core measures listed on the UI Performs Core Measures Score Card (http://workforcesecurity.doleta.gov/unemploy/pdf/Core_Measures.pdf); it measures the "percentage of all first payments made within 14/21 days after the week ending date of the first compensable week in the benefit year (excludes workshare, episodic claims such as DUA, and retroactive payments for a compensable waiting period)."

²¹ DOL has indicated that it will include this issue as part of its comprehensive review of BAM methodology.

discovered improper payments reflect situations in which intake staff and adjudicators properly followed operational procedures and made the correct determination given the information available. However, through fact-finding, the BAM unit later uncovered information that was not available to intake and adjudication staff. The most recent BAM data, for the period July 2012 to June 2013, show that a little over 75 percent of estimated overpayments were not detectable by the agency when it determined that the claimant was eligible for benefits. For an additional three percent of overpayments, agencies either had resolved or were in the process of resolving overpayments based on information gathered independently of BAM, such as from matching claimant Social Security numbers with the National Directory of New Hires (2013 Agency Financial Report).

UI leadership noted that although decelerating their intake and adjudication staff procedures could help reduce time-of-decision errors and BAM annual overpayment rates, it might prevent them from meeting the First Payment Promptness standard. Further, it could have major budget implications. One state estimates that it costs an average of \$512 for the BAM unit to investigate a case. If the agency were to commit similar resources to each of its 555,000 initial regular UI claims per year, it would require nearly 2.5 times its current total state UI program administrative grant.

C. Recommendations for Rate Improvements

Based on findings from site visits, our analyses of BAM rates and data and their interaction with program integrity measures, and ongoing consultation with DOL, Mathematica suggests the following improvements to the existing integrity rates and their reporting.

1. Develop and Report a New BAM Annual Overpayment Rate

Building on our earlier work on work search improper payments, states' concerns identified during this study, and the reporting guidelines established by IPERIA, Mathematica recommends that DOL report a BAM annual overpayment rate that excludes work search errors. Further, Mathematica recommends that DOL report work search errors as a separate measure—the work search error rate—in agency financial reports required by IPIA and IPERA. Mathematica also recommends that DOL consider excluding ES registration errors from the BAM annual overpayment rate. Currently, DOL reports an ES registration overpayment rate as a supplemental measure in its Agency Financial Report.

Develop a BAM annual overpayment rate that excludes work search and develop a separate work search error rate. Given states' many concerns about the inclusion of work search overpayments in the BAM annual overpayment rate, Mathematica examined what the rate would look like minus these errors. Although the annual overpayment rate itself is not a program performance measure, it is a fundamental component of the improper payment and net improper payment rates. Therefore, it is important that the rate provide a constructive estimate of payment propriety. Because it is important for states to be able to assess the effectiveness of their work search policies, we recommend that DOL continue to track work search errors as part of BAM and calculate a separate work search error rate.

Mathematica analyzed CY 2008 through CY 2012 BAM program data from the BAM error issue file, which contains information on payment errors by cause and dollar amount, to generate examples of these new rates. The BAM error issue file includes all identified issues, whereas the

overpayment data element in the BAM master file includes only components of the annual overpayment rate (for example, formal warnings are excluded). For payments with multiple overpayment issues the total estimated overpayment cannot exceed the original amount of the paid claim. DOL assigns overpayment causes by allocating the amounts overpaid by type of overpayment (fraud, nonfraud recoverable, nonfraud non recoverable) so that the cause of a fraud overpayment would be allocated before a nonfraud overpayment.

We computed overpayments associated with work search errors separately from other errors to generate two totals: (1) overpayments from work search errors and (2) overpayments from all other errors, using criteria currently established by DOL.²² We then recalculated the BAM annual overpayment rate using DOL's standard primary rate calculations; we did not replicate state-specific adjustments made by DOL to account for overpayments attributable to a state agency other than the state paying the benefits.²³ The proposed new overpayment rate and work search error rate can be expressed statistically as:

New Overpayment Rate (NOR)=Total Overpayments (Excluding Work Search)/Total Payments

and

Work Search Error Rate (WSER)=Total Overpayments Related to Work Search/Total Payments

We calculated these rates on a state-by-state basis for CY 2012 and in aggregate for CY 2008 through CY 2012. These findings are displayed in Table V.2 and Figure V.1. We expected that our calculations would produce new overpayment rates lower than current rates for all years analyzed and for most states in CY 2012. For a given state, the new overpayment rate may be higher than the old annual overpayment rate, if DOL's proration of multi-issue cases had removed a large number of nonwork-search errors that are now being counted. This situation could also apply to states (such as Alaska and California) that have not identified any work

²² The analysis does not need to include work search underpayments because they do not occur for paid claims. Claimants may be denied benefits for failing to perform work searches, and BAM may determine the denial was improper, which would establish an underpayment. However, the improper payment rate, which is based only on paid claim samples, would not include these cases.

²³ These errors occur when a claimant lives in one state but worked in and therefore receives UI benefits from another state. DOL staff described these errors as infrequent and as having a relatively minor effect on BAM rates.

²⁴ In developing the new overpayment rate and the new work search rate, Mathematica identified quarterly patterns in state work search errors in the error issue file that warrant further investigation. In several states, work search errors were not consistently reported in all quarters, for states known to report work search errors. This could be the result of DOL remediating flawed or incorrect coding procedures, or changes in work search policies, or other factors. In some states, such as South Carolina, zero work search errors are reported for just one or two quarters before sizeable work search errors are reported in subsequent quarters.

²⁵ DOL calculates the annual rate from the BAM master file which includes prorations of all errors found in the error issue file. Errors in the error issue file are prorated based on a DOL algorithm so that total errors in the master file do not exceed amounts paid to claimants. In brief, DOL's proration algorithm follows these three steps: (1) error issues are ranked in order of importance according to the error action code (ei2); (2) if two issues have the same error code, the larger error is allocated first and any residual is allocated to the second issue up to the amount paid; (3) if two issues have the same error code and amount, the issue that was coded first is allocated first, with any residual allocated to the second issue up to the amount paid.

search error issues during the period of analysis. However, DOL has indicated that this issue can be addressed for states with no work search errors so that overpayment rates would not increase with a revised rate formula

Table V.2 includes the following data, by column number:

- 1. State
- 2. Total UI benefits paid in CY 2012 (State UI, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Service Members).
- 3. Overpayment rate calculated from the error issue file in CY 2012, inclusive of work search overpayments
- 4. Total overpayments in the error issue file in CY 2012, inclusive of work search overpayments
- 5. Overpayment rate calculated from all error issues in the error issue file in CY 2012, excluding work search overpayment issues
- 6. All overpayments in the error issue file for CY 2012, excluding work search error issues (overpayments)
- 7. Overpayment rate for work search error issues only in CY 2012
- 8. Overpayment dollars calculated from only work search error issues.

Table V.2. Existing and New BAM Rates, CY 2012

1 State (US)	2 Total Paid (in dollars)	3 ^a Overpay- ment Rate	4 Estimated Overpayments	5 New Overpay- ment Rate	6 Estimated Overpayments	7 WS Error Rate	8 Estimated WS Overpayments
US	42,211,926,670	12.91	5,450,825,012	9.95	4,202,110,509	2.96	1,248,714,503
AK	164,178,555	12.74	20,915,001	12.74	20,915,001	0	0
AL	315,513,658	14.81	46,726,594	12.49	39,403,376	2.32	7,323,219
AR	346,656,741	12.8	44,382,317	12.78	44,311,702	0.02	70,615
AZ	440,416,943	14.22	62,644,073	13.98	61,565,003	0.25	1,079,070
CA	6,667,041,695	6.28	418,606,355	6.28	418,606,355	0	0
СО	589,015,029	15.02	88,448,747	12.51	73,678,019	2.51	14,770,728
CT	813,658,995	3.95	32,159,156	3.8	30,945,475	0.15	1,213,681
DC	157,981,458	29.43	46,489,691	14.64	23,132,177	14.78	23,357,515
DE	117,380,260	7.96	9,344,701	6.47	7,594,144	1.49	1,750,558
FL	1,279,157,802	9.53	121,844,058	7.09	90,660,288	2.44	31,183,770
GA	860,872,016	8.77	75,485,490	6.58	56,649,945	2.19	18,835,545
HI	254,363,164	9.22	23,450,038	8.7	22,140,211	0.51	1,309,826
IA	426,061,272	14.01	59,709,334	13.84	58,982,614	0.17	726,720
ID	180,497,911	13.32	24,048,486	7.27	13,117,345	6.06	10,931,141
IL	2,199,980,074	12.5	275,048,480	7.55	166,162,216	4.95	108,886,263
IN	707,895,562	20.09	142,217,081	19.67	139,233,809	0.42	2,983,272
KS	381,994,071	10.67	40,773,960	9.83	37,562,296	0.84	3,211,664
KY	488,325,397	5.76	28,138,631	4.26	20,802,752	1.5	7,335,880

1 State (US)	2 Total Paid (in dollars)	3 ^a Overpay- ment Rate	4 Estimated Overpayments	5 New Overpay- ment Rate	6 Estimated Overpayments	7 WS Error Rate	8 Estimated WS Overpayments
US	42,211,926,670	12.91	5,450,825,012	9.95	4,202,110,509	2.96	1,248,714,503
LA	249,732,726	23.45	58,572,901	22.99	57,420,556	0.46	1,152,345
MA	1,698,543,520	6.94	117,834,902	5.93	100,652,590	1.01	17,182,312
MD	797,851,918	14.04	112,047,704	6.31	50,377,820	7.73	61,669,884
ME	173,977,066	16.66	28,981,987	7.09	12,328,915	9.57	16,653,072
MI	1,272,015,897	12.88	163,822,110	12.29	156,308,184	0.59	7,513,926
MN	854,569,702	10.25	87,635,739	10.13	86,559,987	0.13	1,075,752
МО	517,804,920	8.57	44,384,306	6.78	35,104,834	1.79	9,279,472
MS	181,000,537	14.92	27,002,112	14.92	27,002,112	0	0
MT	129,720,214	13.64	17,693,289	9.08	11,784,856	4.55	5,908,433
NC	1,351,692,238	17.3	233,877,177	13.06	176,509,368	4.24	57,367,809
ND	60,806,302	16.33	9,932,069	10.18	6,190,475	6.15	3,741,594
NE	120,682,182	32.46	39,179,351	25.53	30,812,835	6.93	8,366,516
NH	102,963,969	5.51	5,676,910	5.51	5,676,910	0	0
NJ	2,053,989,963	15.95	327,641,547	11.4	234,145,498	4.55	93,496,049
NM	244,046,310	6.86	16,739,618	6.57	16,037,886	0.29	701,731
NV	473,283,447	15.7	74,316,299	14.68	69,485,703	1.02	4,830,596
NY	3,359,587,310	7.36	247,140,742	7.36	247,140,742	0	0
ОН	1,255,948,754	21.19	266,128,273	15.59	195,750,770	5.6	70,377,502
OK	271,030,547	4.88	13,236,018	4.88	13,236,018	0	0
OR	749,615,266	12.02	90,090,446	10.86	81,406,583	1.16	8,683,863
PA	2,967,456,490	36.48	1,082,612,299	25.71	763,063,916	10.77	319,548,383
PR	197,200,034	9.5	18,725,882	9.5	18,725,882	0	0
RI	253,452,124	3.3	8,370,650	3.09	7,835,060	0.21	535,590
SC	303,274,835	13.05	39,579,981	12.96	39,312,045	0.09	267,936
SD	34,216,467	16.84	5,762,313	7.74	2,648,158	9.1	3,114,155
TN	429,353,186	13.17	56,530,132	10.23	43,943,324	2.93	12,586,809
TX	2,243,289,566	10.46	234,714,248	6.43	144,177,598	4.04	90,536,650
UT	236,667,626	15.14	35,829,273	10.39	24,588,194	4.75	11,241,079
VA	632,370,568	17.3	109,417,406	12.36	78,164,389	4.94	31,253,018
VT	96,188,314	4.93	4,742,606	4.68	4,504,485	0.25	238,121
WA	1,302,406,662	12.39	161,432,330	4.94	64,380,997	7.45	97,051,333
WI	900,155,490	14.33	128,973,768	5.93	53,363,219	8.4	75,610,549
WV	226,511,660	4.38	9,920,030	4.28	9,698,641	0.1	221,389
WY	79,530,257	14.9	11,848,399	10.45	8,309,233	4.45	3,539,167

Source: BAM 2012 Error Issue File.

^aThe sample size analysis presented in Chapter II of this report is based on states' 2013 improper payment rates and the current improper payment rate definition. The alternative improper payment rate definitions that are discussed in this chapter are presented for consideration by DOL. Any revised integrity rate definition will require OMB approval. Pending that approval, DOL will need to conduct the appropriate analyses to ensure that sample allocations reflect states' performance on the new metric.

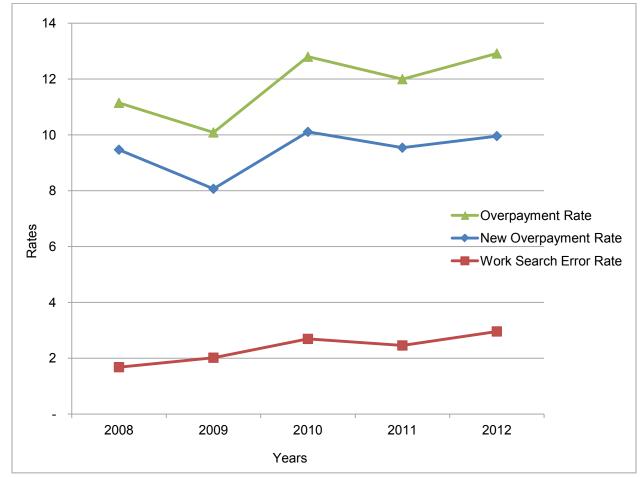


Figure V.1. Current and Proposed BAM Annual/Overpayment Rates, CY 2008 through CY 2012

Source: BAM 2012 Error Issue File

BAM annual overpayment rate that excludes work search and ES registration. As with work search, states indicated that ES registration rules, policies, and procedures vary considerably across states. They also noted that ES registration errors are not a particularly meaningful measure of payment accuracy, explaining that challenges such as technical glitches may have just as great an impact on registration errors as agency or claimant mistakes. In fact, as part of its comprehensive strategic plan to reduce improper payments, DOL requires states with ES registration error rates above 3 percent to address them through technological improvements. As states noted, technological enhancements are beneficial to program operations, but it may not be appropriate to include these overpayments, most of which are considered technically proper and nonrecoverable (because the claimant is not at fault), in measures of states' benefit payment performance. In response to these concerns, Mathematica recommends that DOL also generate and report a BAM annual overpayment rate that excludes ES registration errors as well as work search errors, using the same approach outlined above for calculating the annual overpayment rate minus work search errors. We also recommend that

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²⁶ http://www.dol.gov/dol/maps/strategies.htm#ES

DOL continue to generate a separate ES registration error rate, which is currently reported as a supplemental error.

Fraud rate. The proportion of UI payments that are made in error due to fraudulent claimant behavior is of great interest to DOL and state UI agencies. DOL tracks fraud overpayment data using the BAM fraud rate and includes the rate in program reports. Like work search and ES registration, state fraud policies are set by state legislatures and vary considerably. UI agencies may have little direct control over these policies and procedures even though they affect agencies' ability to detect, pursue, and recover fraud overpayments. During study site visits and at the 2013 UI Directors' Conference, UI agency directors expressed an interest in more aggressively detecting fraudulent activity and recovering fraud overpayments, but noted the challenges of doing so without modifications to state law.

To assist state UI agencies in conveying the importance of fraud detection and recovery to their state lawmakers, DOL could as a first step explore the possibility of establishing a performance measure for fraud detection. While DOL already produces and reports the fraud rate as part of BAM, it does so for informational rather than performance assessment purposes. Increasing the visibility and importance of the rate by including it as a UI Performs performance measure could potentially give UI agencies leverage within their states to establish more rigorous fraud detection and recovery procedures. However, further analysis would be needed to define a measure that supports the objective of reducing fraud and takes into account business practices that states have already implemented to meet this goal, and to ensure that the rate meets statistical requirements and other considerations for implementation as a performance measure. Finally, like work search policies, fraud policies are set by state legislatures. DOL should ensure that a fraud detection and recovery measure allows for comparable measurement across states with different fraud prevention, detection, and recovery policies.

2. Continue to Improve BAM Rate Transparency

Following the study site visits, Mathematica recommended that DOL continue to improve the transparency of BAM rates. Some of states' primary concerns about the BAM integrity rates had little to do with the rates themselves but rather were about DOL's reporting of the rates in annual BAM reports and on DOL's website, and about how rates are interpreted by the press and state policymakers. These states contended that, although BAM annual reports caution readers that "it may be misleading to compare one state's payment accuracy rates with another state's rates," and despite the fact that the reports contain nearly a page and a half of rate definitions, people draw incorrect inferences from the information. Despite DOL's efforts to clearly present BAM data and related integrity rates, state UI leaders were concerned that the presentation confuses and misleads the press and state policymakers. The same was true of the information on DOL's *Unemployment Insurance (UI) Improper Payments by State* website. ²⁷ Like BAM reports, the website defines reported rates and other key terms, breaks down states' rates by error type, and provides visual aids (for example, tables and pie charts) to assist readers in their analysis of the information. Since the study site visits, DOL has made improvements to the

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²⁷ http://www.dol.gov/dol/maps/map-ipia.htm

website that align with state concerns; one example is the addition of an error responsibility pie chart.

DOL is encouraged to continue improving BAM rate transparency in the annual BAM reports and on the website. DOL should consider renaming the BAM integrity rates so that their names clearly convey their content and function as estimates, not actual amounts. For example, the underpayment rate would become the *Estimated Underpayment Rate*, the agency responsibility rate the *Estimated Agency Responsibility Rate*, the fraud rate the *Estimated Fraud Rate*, and so on. DOL's renaming of the BAM annual report rate to the annual overpayment rate clarifies that it is a measure of overpayments, but it could be further renamed as the *Estimated Overpayment Rate*. DOL could also adapt Appendices I and J, which present each BAM rate and UI payment propriety performance measure by its data components and rate calculation formula, and include these tables as a BAM annual report appendix and on the website. The tables also outline which pieces of rates are *estimates* (the BAM annual overpayment rate) and which are *actual* amounts (overpayments established and recovered). Relatedly, DOL should report margins of error beside rates on the website, which further conveys that the figures are estimates (since margins would not be reported for actual amounts) and provides consumers with an understanding of how accurate the estimates might be.

Finally, despite DOL's warning that readers should not compare states' BAM rates, DOL's BAM website contains a color-coded map that appears to do just that. Each state is presented in a different shade of orange; the darker orange states have high improper payment rates, and lighter orange states have low rates. DOL could consider removing the map from the website or at least the color coding to minimize cross-state comparisons. Should DOL retain the color coding on this graphic, it should add a cautionary note about state comparisons similar to the one provided in BAM annual reports.

D. Address Concerns about First Pay Timeliness and Payment Integrity

In response to states' assertion that the First Payment Promptness standard conflicts with BAM rates, we looked for but did not find evidence that BAM rates conflict with First Pay Promptness. As we describe in Appendix K, some study states contend that it is extremely difficult to simultaneously maintain a *high* First Payment Promptness rate and a *low* improper payment rate. According to these states, as long as one of their key program objectives is paying claimants quickly, the states will struggle to pay them accurately.

To investigate the evidence for a strict tradeoff between promptness and accuracy, we assessed the statistical dependence between First Payment Promptness rates and the BAM agency responsibility rate, which isolates "overpayments for which the [state workforce agency] was either solely responsible for or shared responsibility with claimants, employers, or third parties." (DOL 2013) If it is not possible to achieve both promptness and accuracy, then the states that perform well on the First Payment Promptness standard would be the same states that have high rates of improper payments for which the agency is at fault. Despite states' assertion that reducing BAM rates would make them perform worse on First Payment Promptness, we did not identify a significant connection between their relative performance on First Payment Promptness and the BAM agency responsibility rate. The supporting analysis can be found in Appendix K.

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APPENDIX A STATE BAM PROGRAMS

APPENDIX A. STATE BAM PROGRAMS

State Unemployment Insurance (UI) and Benefit Accuracy Measurement (BAM) staff provided detailed information about the structure and operations of their BAM units, which informed several components of the BAM methodological review. Specifically, states discussed all aspects of their programs, including organization and staffing; sampling procedures and strategies for case assignment; and investigation procedures for claimants, employers, and third-party contacts. States also provided their perspectives on the BAM questionnaires and codes, and described any state-specific data collection tools. Observations of completed BAM investigations offered further detail and insight into states' investigation procedures. This appendix describes the structure of state BAM units, as well as their sampling and investigation processes and procedures.

Key Findings: State BAM Programs

- BAM sampling processes and procedures pose little difficulty for state BAM units. Given their efficiency and effectiveness, states' sample selection processes have remained largely unchanged over time, without need for modification.
- BAM units credit persistence, multi-pronged contact approaches, and clear communication of consequences for high response rates. They struggle, however, to obtain important employment and wage information from third-party employer representatives.
- States vary in the questionnaire items and codes they consider critical to making a determination, with each item and the majority of codes cited as important by at least one state.

A. State BAM Units: Organization and Staffing

The BAM program is funded and overseen by the United States Department of Labor (DOL) but is operated by states with state staff. DOL's *ET Handbook No. 395, 5th Edition* specifies that "each BAM unit is required to be organizationally independent of, and not accountable to, any unit performing functions subject to evaluation by the BAM unit." This requirement aims to prevent conflicts of interest between UI departments and BAM units, and to promote objectivity during BAM investigations. This section describes the study states' interpretations of this guidance, the staffing structure of their BAM units, and their staff training techniques.

1. Organization

UI and BAM leadership from all eight study states acknowledged the importance of the BAM unit's independence from other UI functions. To that end, the BAM staffs from all eight states operate in an organizational division separate from that of UI program staff. According to one state, DOL requires that they submit an organizational chart to ensure that their BAM unit is truly independent of the UI program. In only one study state do BAM investigators serve as UI intake staff/adjudicators, and only when necessary during periods of high claim volumes (e.g., during a recession). While these staff noted that they hold quality control in the highest regard,

investigators said that they could potentially investigate claims adjudicated by themselves or another BAM investigator in their unit.

In addition to the organizational separation from the UI department, the BAM units in three states are also physically separate from other UI staff. These BAM staff are located either on a different floor or in a different building from that of the UI intake and adjudication staff. In one case they are in a different city. The other five states' BAM units are not physically separate from UI staff but have policies in place to assure that their proximity does not compromise their investigations. For example, in one of these states, the BAM supervisor and the integrity director prohibit BAM staff from investigating any case that originates in the workforce center where they work.

Despite this organizational and physical separation, BAM units in five states report to the UI director, either directly or indirectly. Among these states, three BAM units report to the integrity director or deputy bureau director, who then reports to the UI director. BAM supervisors from the other two states report directly to their UI director. BAM units in the three states that do not report to the UI director report instead to the state's workforce agency executive director, and therefore have no responsibility to the UI director. While none of the staff from these states fear any conflict of interest in working under the ultimate supervision of the UI director, the BAM staff from one state recalled feeling pressure from the state's former UI director to code BAM cases in a certain way. They acknowledged, however, that this may have been one of the reasons for the UI director's termination.

Although operating independently of UI intake and adjudication staff helps preserve the integrity of the BAM investigation process, the BAM units in three states reported benefits of functioning alongside other UI operational integrity efforts. Investigators from two BAM units also work on BTQ reviews, Tax Performance System validation, and/or data validation. In three other states, the BAM unit operates in the same division as other quality control efforts, such as BTQ and internal audit. BAM staff from these states said that these overlaps in staffing and programs provide staff with an opportunity to collaborate on quality control issues and increase BAM's efficiency and effectiveness.

2. Staffing

a. Unit Staffing Structure

The BAM units across the eight states have similar staffing structures: each has at least one supervisor and five to six investigators. In addition, half the study states have administrative support to assist with investigations. They obtain customer information, prepare case files, send mail correspondence to claimants, employers, and third parties, and file the cases at the conclusion of the investigation. BAM supervisors are typically responsible for program administration and oversight of BAM investigations. In one state, there are two additional supervisory or lead investigator positions that fall between the BAM supervisor and the investigators. These staff assist with assigning cases and training the unit.

BAM supervisors assert that the investigator position is difficult and requires extensive knowledge of the entire UI process. Therefore, while they sometimes hire BAM investigators from outside the UI agency, they typically "try to pull from the more experienced, better adjudicators, so that when they're doing the BAM audits, they're thorough enough." As one

supervisor described, the investigators are the "cream of the crop" in terms of experience and knowledge of UI. Although the position requires a bachelor's degree or comparable experience, supervisors in five states said that they value applicants who have adjudication experience and broad UI knowledge over those who meet the minimum education requirement. One state also reported having a civil service requirement specifying number of years worked, and another state has a merit system that tests all applicants for promotion. Desired investigator traits include timeliness, strong organizational skills, and exposure to monetary claims. BAM investigators in the eight states studied were hired from many different departments, including adjudication, the claim intake center or call center, the Office of Special Investigation, and the fraud unit. Although supervisors look for the most qualified applicants, not all BAM unit hires are successful, because "not every[one] who can succeed in UI can do the BAM job."

BAM investigators are responsible for verifying all information on a previously adjudicated claim. They collect new and independent fact-finding statements from claimants, base period and benefit year employers, and any applicable third parties, and meticulously document their findings. Based on their data collection, BAM investigators decide whether cases were properly or improperly paid, and whether any fraud had been perpetrated. If they find that corrections are needed, they initiate the process for corrective action. All states said that their BAM investigators worked on paid and denied claim investigations, except in one state where part-time staff assisted only on certain types of claims, such as paid and separation denied claims, as a way to assist with large caseloads. Although BAM investigators do not generally specialize, one state noted that investigators know each other's strong points and seek certain staff for questions pertaining to specific areas, such as overpayments or adjudication processes.

UI and BAM leadership from six of seven states reported that retaining BAM investigators is not an issue (the eighth state did not comment). According to BAM supervisors from three states, investigators have schedules more flexible than those of intake and adjudication staff and enjoy the autonomous nature of their jobs, so they do not leave the unit. One state supervisor explained that unlike other sections of UI, BAM is not "segmented" and allows investigators to review the "entire process." However, because they are capable, knowledgeable, and experienced, BAM investigators do occasionally leave the program for promotion or retirement. For example, one state said that although turnover is low, they lost all their experienced investigators to retirement over the past two years. Two states noted that although their unit could employ additional investigators, they are currently not hiring (they did not specify whether this was for budgetary or other reasons). One state hired retirees to work in the BAM unit, explaining that these staff are already versed in state UI procedures and BAM investigations, and need only minimal refresher training before stepping in and assisting when the unit is short-staffed.

b. Staff Training

BAM units from all eight states utilize primarily mentorship and on-the-job training to prepare new BAM investigators. Throughout the training period, experienced investigators explain the investigative process to new staff and review the coding procedures with them. These experienced investigators walk mentees through cases step by step so they can learn how to build case files, contact claimants and employers, and complete state-specific data collection forms. In one state, the BAM supervisor said that new investigators sit with every investigator in the unit to become exposed to the different investigation styles. This allows the investigators to use the best practices they see from watching other staff while developing their own investigation style.

Supervisors also noted that this approach is especially useful because most investigations involve unique and challenging situations. Access to sufficient mentorship time may be challenging, however, because staff still have their regular caseloads when new investigators are hired. Investigators in one state indicated that when experienced investigators do not have time for formal one-on-one training, new investigators are "train[ed] as [they] go along" as opposed to a training period where they learn from watching other staff complete investigations. One staff member described this method of training as "get[ting] thrown to the lions."

While mentorship is the primary training approach for all states, five also use more formal techniques to train new investigators, including internal staff meetings, state webinars and training courses, and regional trainings. Additionally, subject to available resources, DOL conducts BAM investigator and supervisor training every year. Pending the timing of their hire and current budget conditions, new hires from all states attend this training. BAM staff in four states found that the federal training was helpful because it covered the entire BAM process and allowed states to hash out issues where they have different perspectives. However, staff in two states thought that the training was not useful because it used different terminology from their states and did not delve in enough depth into specific investigation procedures. One investigator mentioned attending the training five years after starting investigations. Staff from one state also reported attending training from their state Department of Labor office, covering topics like time management, customer service, and strategies for dealing with irate customers. And BAM staff in another state attend UI training so they can learn about any new policies or procedures.

In addition to training, supervisors from three states also like to ease investigators into the process by slowly building their caseload and beginning with certain types of claims. In one state, for example, the supervisor assigns only denials to new staff before moving onto paid claims, because denied claims are usually less detailed and require less time and effort. Conversely, the BAM supervisors from two other states assign paid claim and monetary denial investigations to new staff so that they can learn the many different components of these longer and more complicated investigations.

3. BAM Unit Budgets

UI and BAM leadership from seven states did not know their annual BAM operating budgets. Interviewees noted, however, that the budget was "relatively consistent" from year to year. The majority of the BAM budget consists of staffing salaries, with a small allowance for travel. However, three states said that because of budget restrictions, not all investigators attend federal BAM training. One state noted that the budget could fluctuate based on the size of the UI caseloads.

B. BAM Sampling Methods

Seven of the states visited sample about 480 paid claims and 150 claims for each type of denial annually. BAM units typically sample about 20 cases a week, which includes about 10 paid claims and 3 claims for each type of denial: monetary, separation, and nonseparation. States' weekly sampling requirements are a function of their annual sample size, which is determined by their UI workload. Five of the seven "large" states sample 9 to 10 new paid claims and 3 to 4 claims for each type of denial each week. The other two "large" states estimated that they sampled 16 to 22 total claims a week, though they did not provide separate information for paid and denied claims. The remaining "small" state, which samples fewer claims annually,

samples about 7 paid claims and 3 to 4 claims for each type of denial per week. Although BAM and UI staff in most states considered their sample size to be sufficient, three states remarked that their sample size was not adequate to produce accurate BAM estimates (see Appendix B for more information).

Table A.1 UI Caseload and BAM Annual Sample Sizes by State

State	UI, UCFE, and UCX Paid Amount ^a	Denied Sample Size (per each Paid Sample Size type of denial) Total Sample				
Alabama	\$402,348,664	480	150	930		
Delaware	\$130,996,402	360	150	810		
Louisiana ^b	\$339,883,551	486	150	936		
Maine	\$192,380,727	480	150	930		
Minnesota	\$958,317,077	480	150	930		
Texas	\$2,465,002,749	480	150	930		
Washington	\$1,422,976,354	480	150	930		
West Virginia	\$201,340,712	480	150	930		

^a UI, UCFE, and UCX Paid Amount data is from January 1, 2011, through December 31, 2011. BAM sample sizes are provided in ET Handbook No. 395, 5th Edition, Chapter VI.

1. Sample Selection Procedures

All eight study states reported following sample selection procedures consistent with the ET Handbook No. 395, 5th Edition. They reported several steps in the sample selection procedures. First, the BAM supervisor sends the weekly sample specifications to the state IT staff, including sample sizes for each type of claim, random numbers, batch number, and any case exclusions. An IT staff member then pulls the sample over the weekend, so that the information is ready for the BAM unit to begin their investigations on Monday morning. One technologically savvy state noted that after the COBOL programs pull the BAM sample, they add information about the claimant from their local database (such as birth date). A second state reported that their COBOL program also pulls information for UI program type (Regular UI, UCX, UCFE) for each sampled claimant. IT personnel then move the file back to the state's non-mainframe computer for access by the BAM unit. On Monday morning, the BAM unit accesses and downloads the sample, with the exception of one state for which the IT department directly sends the BAM sample information to the BAM unit supervisor. BAM supervisors review the sample and assign the cases to their investigators. Few BAM investigators were aware of their state's specific sample selection procedures, while IT personnel and BAM supervisors displayed knowledge of the process details. That said, investigators quite clearly understood that the BAM sample is selected randomly from the UI claims universe.

All states use DOL's COBOL software program for case selection and, for the most part, states reported that they have not altered this program. Because the program works well for IT staff in all states, none have modified it in any major way. BAM and IT staff in seven states reported that there have been no changes to the program during their tenure with the department. One state mentioned that their program was modified in the past to make it compatible with other

^b Louisiana explained that they sample 486 paid claims per year because their designated sample size for paid claims (480) doesn't allocate evenly across 52 weeks. Louisiana did not provide information on their sample size for denials; 150 cases for each type of denial is assumed considering sample sizes of other "large" states.

state databases; however, the logic of the program remained intact. An additional state modified its program to include ethnic classification as a data element.

The eight study states do not have a formal internal mechanism to review their BAM sample selection processes. However, six states reported reviewing the BAM sample output as proxy information indicating whether the sample selection procedures are accurate. Only if they notice something awry in the sample will the IT department review sample selection procedures to assure that the system is operating as intended. For example, the IT staff in one state reviews the population size for each type of claim each week. If there is a large difference in population sizes from week to week, the IT staff will either review and rerun the sample selection program, which may fix the error, or contact the state's IT specialist who can solve the problem. States pay particular attention to specific pieces of information in the sample pull, such as the population size and claimants with unusual birthdates or benefit amounts, to determine whether the sample was correctly pulled. Similarly, one state produces a report that compares BAM sample data to various federal and UI reports on a quarterly and yearly basis. This allows the state to measure its sample against federal benchmarks to verify the sample's validity. In the past, these comparison efforts helped this state to determine that the size of the universe from which they sampled nonmonetary cases was out of compliance with various benchmark estimates of target population size.

2. Flexibility and Challenges in Sampling Procedures

According to BAM supervisors from all the study states, the current sampling procedures are flexible enough to meet BAM unit staffing needs. Supervisors from all states reported slightly varying the number of cases they sample each week to accommodate investigators' schedules, including vacations, holidays, and sick days. One supervisor noted that they "rotate [their] sample size based on the time of year to accommodate months with back-to-back holidays; in October, [they'll] drop it down to just eight cases a week, and [they'll] run that through the beginning of March." Another supervisor explained that they assign fewer cases to staff if they will be taking time off from work, so "that way, staff don't have to worry about their cases while they are on leave." One state pointed out that it can take BAM investigators a long time to catch up on their caseload after taking time away from the office, and so flexibility in sampling procedures helps mitigate this challenge.

BAM supervisors closely monitor their state's yearly and quarterly sampling requirements, and adjust their weekly sample to meet those requirements while being mindful of staff schedules. One state said that they sometimes sample more than the minimum caseload size in the event there are cases they cannot complete. A BAM supervisor in another state explained that the state was unable to adjust their sampling in a way most beneficial to them. The supervisor lamented that because of the seasonality of employment in the state, it would be beneficial to

¹ The DOL BAM software on state SUN computers includes Sample Characteristics and Sample Validation reports, though none of the states indicated that they use these reports. States can use these reports to compare BAM sample distributions with their population distributions; the software flags any sample and population differences that are statistically significant. Additionally, DOL runs quarterly Comparison and Exceptions reports and informs states when reports indicate that a batch contains significant deviations.

have a larger caseload in the winter months, but their staff availability could not accommodate sample size fluctuations of that magnitude.

Although states reported that their sampling procedures generally function seamlessly, some reported occasional challenges. BAM supervisors and IT staff in four states report that their sample sometimes includes ineligible cases or excludes eligible ones. In two of these four states, the BAM sample sometimes incorrectly includes ineligible monetary denials; when this occurs, these states reported that they will delete the erroneous cases and pull additional sample in later weeks to compensate for the deleted cases. This issue of sampling and deleting erroneous cases adversely affects investigator caseloads. In a third state, IT staff found that certain monetary denials were erroneously excluded from the BAM sample universe, and IT staff from a fourth state reported that their BAM sample occasionally includes cases for which claimants already withdrew their claim and are thus ineligible for a BAM investigation. When this occurs, the ineligible case must be replaced with an eligible one. An additional state reported an unrelated challenge: occasionally, the target population size for denials is incorrect.

States reported few or no challenges in BAM sample selection procedures. They remarked that the process "just seems to work" and that the system operates quietly on its own. However, four states considered the procedures to be outdated. Among their chief concerns were antiquated procedures for backing up the data and the reliance on archaic programming language. IT staff in two states expected that with newer programming language, the program could operate more efficiently, but neither considered the outdated system to be a major concern. In addition, a few state-specific challenges in sample selection emerged. One BAM supervisor must enter each random number for the sample manually, a tedious and time-consuming process. Also, as mentioned above, states say that excluded cases sometimes appear in the sample pull, which requires that the IT department rerun the sample for the BAM unit.

3. Assigning Cases to Investigators

a. Overview

BAM supervisors download the sample information and assign cases to the BAM investigators in their unit. BAM staff in five states reported that investigators are assigned three to four new cases each week. One state assigns an entire batch of 16 to 20 cases to one investigator every five weeks. BAM supervisors' strategy for case assignment varied across states. In five states, the supervisor randomly assigned cases to investigators with no consideration for case difficulty. With this method, the same investigator could theoretically receive all the difficult cases for the week. One state BAM supervisor factors the difficulty of cases into their assignments, giving the cases with a greater number of base period employers and more complex issues to more experienced investigators.

BAM supervisors in some states assign the cases based on claimant/adjudicator characteristics, language barriers, or geographic location. For example, a BAM supervisor from one state spreads denials among the investigators to assure that one investigator is not consistently reviewing the decisions of the same adjudicator in the call center. To avoid frustration in nonresponse situations, this supervisor also tries not to assign several cases from the same employer to a single investigator. A supervisor from another state assigns cases with Spanish-speaking claimants and employers to investigators who speak Spanish. Two BAM supervisors consider geographic location of the claimant or employer when assigning cases to

investigators. To maintain objectivity, one of the states decentralizes the investigators and deliberately assigns them cases originating outside the area in which they work. Conversely, another BAM supervisor assigns cases close to the decentralized investigators' locations, even though they no longer travel to conduct investigations.

The BAM supervisor from one state described a unique case assignment procedure recently implemented. Rather than being assigned a portion of sampled cases each week, investigators are assigned an entire batch of cases every fifth week—about 16 to 20 cases in total. The startup process can be time-consuming when so many cases are initiated at once, but as soon as all cases are prepared, investigators can focus on investigating the claims. The BAM supervisor expects that this process will allow investigators to complete cases more quickly, thus giving the supervisor more time to review the cases. After the first week, during which investigators spend considerable time setting up cases, they will likely have, in the remaining four weeks, more free time to assist with other BAM investigators' cases. Although the state is enthusiastic about its new approach, there is not yet any evidence supporting or denying the effectiveness of assigning cases in this manner.

b. File Setup

In seven states, BAM investigators receive only basic information about a claimant when they are assigned new cases each week, typically name, address, phone number, and Social Security Number (SSN). As indicated previously, one state incorporates UI program type as well. Investigators or IT personnel download a series of forms and information on the claimant to build their case files, including employment history, payment records, previous UI claims accounts, and Employment Services (ES) records. Investigators also download information on base period wages, base period employers, UI determination information and any reconsiderations, ongoing fraud investigations, and out of state wages. They pull this information from various databases and print it for their case files. One state noted that this is especially timeconsuming because it has no support staff to assist with the case preparation process. The BAM data collection instrument (DCI), which facilitates coding of cases, may contain some prefilled information. States noted, however, that investigators must verify this information with the claimant during the investigation, to confirm whether it is correct or needs to be updated in the state's systems. Frustrated with the apparent inconsistencies of this manual file setup, one state's BAM unit partnered with its IT department to develop a faster and more efficient process (Box A.1 describes their unique procedures).

Box A.1. Automating Case Setup Procedures

Minnesota's case setup procedures differ greatly from those in the other study states. When Minnesota investigators receive their case assignments, they are given 12 pages of information in PDF format for each case. IT staff have developed a program that automatically queries this preliminary information to include in the weekly batch. This promising practice saves investigators a substantial amount of time setting up their case files on Monday morning and allows them to begin the investigation immediately. Minnesota staff noted that although this does provide them with most of the information they need to start the investigation, there is additional information they must obtain to conduct the investigation.

C. BAM Data Collection: Investigation Procedures

While all states conduct their BAM investigations according to the procedures prescribed by DOL in *ET Handbook No. 395, 5th Edition*, each state serves unique claimants and operates its UI program in keeping with its own laws and policies. Therefore, the eight BAM evaluation states described many of the same investigative practices, but also described facing their own particular challenges. In this section, we outline these investigation procedures, challenges, and states' techniques for overcoming them. Because the BAM questionnaires are a vital component of BAM investigations, we discuss them separately in this chapter.

1. Contacting Claimants

BAM investigators from all the study states start contacting claimants immediately after receiving their new case assignments. Investigators in five states call claimants to notify them of their selection for the investigation, while those in three states mail claimants a notification letter. Regardless of which method the BAM unit uses—phone or mail—the goals of this initial contact are the same across all eight states. First, investigators explain to claimants how and why they were selected for the BAM investigation and describe its purpose. BAM staff explained that responding to agency requests is a condition of benefit receipt in their states, and that claimants are accustomed to providing employment, earnings, and "able and available" information to the UI agency each week that they file a claim. As a result, few claimants are surprised or confused when BAM contacts them for the investigation. BAM staff from half the study states also credited the initial information they provide to claimants for helping to quickly and effectively ease any initial concerns that the claimants have about the investigation. According to these staff, it is important to relay the following information to claimants during the initial contact: (1) your claim was randomly selected for this investigation (i.e., "You just happened to be chosen"), (2) this is not because you have done anything wrong, and (3) we are just making sure that the state is following all state laws, rules, and policies.

After explaining to claimants the purpose and goals of the BAM investigation, investigators give them an overview of the BAM questionnaires. Investigators from three states explained that the paid claim questionnaire is long and can seem daunting to claimants. The initial contact is an opportunity to warn claimants about the questionnaire's length and suggest that they assemble key employment documents in preparation for completing it. Finally, at the conclusion of the first phone call, or at the end of the contact letter, BAM investigators give claimants a deadline for completing the questionnaire. This means scheduling a follow-up phone interview, giving claimants a return-by date for a mailed questionnaire (7 to 14 days), or discussing an alternative completion method.

While some claimants respond immediately to initial contact attempts, BAM staff from all eight states reported that most investigations require a substantial amount of claimant follow-up; one BAM supervisor staid that her staff might attempt to contact claimants up to 13 times for particularly challenging cases. Investigators described using a multi-pronged contact approach—including phone, mail, email, fax, and in-person meetings—to conduct this follow-up. They indicated that it is important to provide claimants with the flexibility to respond to investigation requests in the manner most convenient for them. As one investigator put it, "My job is to support [claimants] in completing [the questionnaire] and submitting it timely. [I ask,] 'What is it that I can do to help facilitate that process?'" In four states, this means inviting claimants to visit the BAM unit in person to complete the questionnaire with staff support. Investigators from these states noted that in-person meetings are rare but are an extremely effective way of collecting information from low-literacy claimants.

Four of the five states that reported how claimants prefer to complete the BAM questionnaires indicated that at least 50 percent choose to respond by mail. (Only one state reported that claimants prefer the telephone.²) Investigators from these states explained that claimants may be uncomfortable providing personal information, such as their SSNs, over the phone and that seeing the materials in writing and on agency letterhead reassures them that the investigation is legitimate. Claimants also appreciate the flexibility to complete and return the questionnaire at their convenience, especially since it sometimes requires that they reference a variety of employment, earnings, and "able and available" documentation. While claimants favor mail, BAM staff in all eight states prefer to collect questionnaire responses from claimants over the phone. According to investigators, such administration allows them to explain confusing items and ensures that claimants answer all requisite questions. Investigators from one state estimated that these phone interviews could last anywhere from 20 to 60 minutes depending on the "complexity" of the claim, which they define as the number of base period employers and how much they have to probe about "able and available" issues.

While phone and mail are the most common response methods across all states, BAM staff in three states noted that email is an increasingly popular response option. Investigators in these states explained that if they cannot reach a claimant by phone, they email them the questionnaire in the event that email is more convenient. Investigators in two of these states send a Microsoft Word version of the questionnaire that the claimant can "just fill out electronically" and email back to the unit. An investigator from one state asserted that claimants respond quicker via email than they do using other methods. She relayed an anecdote from a recent investigation in which she emailed the questionnaire to a claimant at 2:00 PM and received a response the same day at 5:20 PM. A BAM supervisor from another state noted that claimants who complete electronic questionnaires may provide more complete responses than those who mail a hard copy: "When someone is tabbing through a document from field to field, they are not as likely to skip [anything]." Despite these apparent advantages, an investigator from one state cautioned that claimants may not check their email every day and suggested coupling email with other contact methods. She also noted that states need to take extra precautions to protect personally identifiable information when communicating with claimants via email.

² When asked about claimants' response preferences, BAM investigators from the other three states noted that mail and phone are popular methods but could not estimate which was more popular or by how much.

BAM units reported high claimant response rates for paid claim investigations. Supervisors and investigators from all but one state explained that they can prohibit claimants from receiving UI benefits if they fail to respond to BAM unit requests, which creates a major incentive for paid claimant response. All these staff repeated that responding to agency requests is a condition of benefit receipt and described how they constantly reiterate this message to claimants. BAM units in two states, for example, include in their initial contact letters bolded text to this effect: "Should you fail to contact me within [a certain number of days from] the above date, your unemployment benefits will be suspended until you have completed the interview." Other states include similar messages in written correspondence and/or make statements like these while on the phone with claimants. Investigators from two states provide claimants with at least one warning before stopping their UI benefits, while those in the five other states said that they will enact the benefit stop if the claimant fails to respond to the first contact attempt. If a claimant does not respond, BAM staff stop the benefits via the UI management information system. Claimants in states with weekly benefit filing via the web receive an error message instructing them to call the BAM unit to complete their application. Similarly, when accessing a claimant's file, intake staff in states where claimants file over the phone or in person receive a warning message that instructs them to have the claimant call the BAM unit immediately. Few investigators provided estimates of claimant response rates; supervisors from all seven of these states asserted that this approach is effective and reported that "most" paid claimants respond to investigation requests. Individual BAM staff from three states estimated that between 85 and 99.9 percent of their paid claimants complete the questionnaire.³

BAM units from six states reported that claimant response rates are lower for denied claim than for paid claim investigations. While prohibiting claimants from receiving UI benefits may be a strong incentive for paid claimants to respond to unit requests, it does little to encourage claimants who have already been denied UI benefits to cooperate with BAM investigations. As one investigator summarized, these claimants think, "I've already been denied, what does this matter?" Because monetary denial claimants have been denied UI benefits due to insufficient base period earnings, investigators reported that there is little they can say or do to get them to cooperate. However, investigators from three states described how they can sometimes overcome this apathy and convince separation and nonseparation denial claimants to respond. These investigators said that they explain to separation denial claimants that BAM might uncover new information that could result in a reconsideration of their denial. And, for nonseparation denials, which are sometimes short-term or temporary, investigators tell claimants that they will not be able to receive benefits in the future if they do not complete the BAM questionnaire.

BAM units catalogued a series of additional challenges with paid and denied claimant contacts. According to BAM staff from two states, for example, it is extremely difficult to contact claimants who have returned to work. According to a UI director from one of these states, "It's like, 'I'm done with you guys. I don't even want to receive your mail." The state's

³ The BAM investigators from the one state that does not prohibit claimants from receiving benefits for BAM nonresponse stated that they incentivize response by telling claimants that they might owe money to the UI agency should the investigation uncover an overpayment. They did not comment on the effectiveness of this approach, but they did report a claimant response rate between 80 and 85 percent. It is not clear why the BAM unit in this state does not prohibit claimants from receiving benefits if they fail to respond to BAM, but the BAM supervisor noted having "a request in" that the unit be allowed to do so in the future.

BAM supervisor estimates that as many as 25 people a year fail to respond to requests because they are working. Should these claimants apply for UI again in the future, they will receive a notice that they cannot receive benefits until they contact the BAM unit, but this may not happen until long after the investigation is over, if at all. Investigators from one state also noted that claimants who fear that the investigation could expose fraudulent activity rarely respond, and investigators from three states reported that they commonly encounter disconnected phones or address changes during investigations. A final challenge, noted by investigators in two states, is communicating with claimants who speak Spanish. One of these BAM units has a Spanish-speaking investigator conduct these investigations, while the other contacts claimants with the help of a translation agency. BAM staff from across states suggested a variety of techniques for addressing these challenges and increasing claimant response rates, which are described throughout this section and summarized in Box A.2 below.

Box A.2. Techniques for Increasing Claimant Response Rates

- Contact claimants early, often, and on different days at varied times. BAM
 investigators from the study states start contacting claimants on the same
 day the case is assigned, which helps them quickly identify issues like
 disconnected phones or limited English proficiency. Investigators from two
 states call unresponsive claimants in the evenings and on weekends in case
 they have returned to work and are not available during regular business
 hours.
- Employ multiple contact methods. Some claimants prefer to receive BAM information in writing; others would rather respond to the questionnaire via a quick phone call; still others favor email. Investigators reported that claimants appreciate options and flexibility.
- Reassure claimants that they are "not in trouble," but clearly communicate
 consequences of nonresponse. Investigators should assure claimants that
 the agency selected their claim randomly and not because they suspect the
 claimant of wrongdoing. While it is important for claimants to understand that
 they are not in trouble, they must also understand that their benefits could be
 affected if they do not cooperate.

2. Contacting Employers

Employers are an important source of information for BAM investigations. They verify claimant earnings, employment, and work search information that is essential to determining payment propriety. This section details how BAM units contact employers, the challenges they encounter when doing so, and their techniques for overcoming them.

a. Verifying Wage and Employment Information

Wage and separation information are vital to determining whether the UI agency properly paid or denied a claim in the key week. To that end, the BAM units from all eight states request employment and wage information from all base period, lag quarter, separating employers, and benefit year employers. According to investigators from across study states, the type of investigation and the particular circumstances of each claim dictate the specific employers that they contact, but each contact shares at least one of two purposes. The first is to verify wages. BAM investigators contact base period employers (as listed on agency records) to confirm that paid claimants' employment and wages met state eligibility requirements, or that monetary

denial claimants' employment and wages did not. Investigators also collect wage information from benefit year employers. Claimants list these employers on their BAM questionnaires, and units also identify others through the National Directory of New Hires (NDNH) (Box A.3). The goal of these contacts is to ensure that claimants properly reported benefit year earnings and that UI agency staff adequately accounted for those earnings when determining weekly claim determinations. The second reason that BAM units contact employers is to confirm separation reasons. BAM investigators contact separating employers to verify that claimants' discharges met the state's separation eligibility rules, which typically require that claimants had been released from the employer through no fault of their own. Conversely, for separation denial claims, these employers verify that they terminated claimants' employment for cause.

Box A.3: New-Hire Databases

DOL encourages employers to enter information into NDNH each time they hire a new employee. State UI agencies run regular "cross-matches" of their UI caseloads against the NDNH to detect if any claimants have returned to work, the results of which they share with BAM. Four of the study states also maintain state-level new-hire databases against which they run similar cross-matches to identify benefit year employers. UI and BAM leadership from six states also reported that they use NDNH and/or their state-level new-hire database as a broader overpayment-prevention tool. They reported being generally satisfied with NDNH, but they noted that its effectiveness is contingent upon employer participation (which is not mandatory) as well as the accuracy and comprehensiveness of the information that employers report.

As with contacting claimants, BAM investigators use multiple methods to obtain information from employers, including a combination of phone, mail, fax, email, and in-person contacts. Unlike with claimants, however, investigators from across states noted that it is important to receive information from employers—such as wage verification forms, employer affidavits, and separation testimonials—in writing rather than over the phone. Because employers are not completing a questionnaire, the wage and separation data on these forms is the only basis for comparison to the information they provided as part of the original claim. BAM investigators from five states explained it is ideal that employers provide wage information in the weekly format in which the BAM investigator requests it, but that some employers either incorrectly complete the wage forms (e.g., they record monthly or annual wages) or ignore them altogether (e.g., they submit their own payroll or wage records). When this happens, investigators convert the information into the weekly format necessary for the key week investigation. Although it is best if employers provide separation testimonials in writing, investigators from one state noted that they will accept them over the phone. BAM staff from three states noted that, if necessary, they make in-person visits to employers to retrieve documents. All eight BAM units said that they contact employers in other states during their investigations. They use the same forms and follow the same contact and verification procedures with these employers as do they with employers in their home states.

BAM units noted that employers are generally responsive to BAM investigation requests. BAM supervisors and investigators suggested a number of possible reasons for this. As with claimants, state UI agencies require that employers respond to all agency requests. BAM staff from three states explained that failure to do so is against state law and could adversely affect the employer's tax rating. Investigators from one of these states said that they enclose a copy of this section of their state's UI law along with the wage and separation forms that they send to employers. BAM units in half the study states can also subpoena employers for investigation

information and/or fine them for not providing it. The BAM unit in one of these states, for example, can fine employers \$500 for noncompliance, and the unit in another state can fine them between \$250 and 10 percent of their taxable wages. However, staff from these units reported that they rarely use their subpoena capabilities or assess fines against uncooperative employers, because they are "employer-friendly states" and therefore do not consider such methods to be effective response incentives. Finally, investigators from one state suggested that some employers comply with BAM requests because they appreciate that the purpose of the investigation is to ensure that states are properly spending their UI tax dollars.

Despite the fact that most employers respond to BAM inquiries, investigators noted that employment and wage verifications can be very time-consuming, especially if the claim involves numerous base period employers. As an investigator from one state put it, although employers respond to their requests, they do not respond "as quickly as [the investigator] would like." He explained that some employers get angry "because they previously provided this information . . . and are frustrated that they have to submit it again," which could delay their responses. Another investigator noted that small employers are sometimes "spread thin" and might not have dedicated human resources or accounting staff to provide information to the BAM unit. Conversely, it can be difficult to identify the correct person to provide wage information among the bureaucracies at large employers. Finally, when asked about employer contact challenges, investigators from all eight states unanimously and emphatically reported that it is difficult to get information from third-party employer representatives (Box A.4). While investigators estimated contacting an average of two or three employers per investigation, they recounted examples of investigations that involved contacting as many as 20 employers.

Box A.4: Key Employer Contact Challenge: Third-Party Representatives

BAM investigators from all eight study states report that third-party employer representatives hinder their ability to collect comprehensive employment information and complete their investigations promptly. Investigators say that these agencies represent large, national employers like Walmart, Target, and Best Buy and account for anywhere from 25 to 90 percent of the "employers" investigators have to contact. These representatives rarely respond to requests for information, and when they do, "nine times out of ten" the information is incomplete or incorrect. Most commonly, responses omit employment and pay period dates. Investigators in Texas suggest that for employers that use a third-party representative, the unit should identify a point person whom they can contact regularly for investigations. The Texas unit struggled to obtain employment and wage information on former Walmart employees until they bypassed the company's third-party representative and developed a relationship with an individual from the human resources division, whom they call their "savior."

b. Verifying Work Search

BAM units also contact employers to verify claimant work search efforts for paid claim investigations. All eight study states require that claimants search for work each week that they claim benefits, but the specifics of these policies vary considerably from state to state (Table A.2). For example, Alabama, Maine, Minnesota, and West Virginia require a "reasonable" search effort, but do not prescribe the number of employers that claimants contact each week; whereas Delaware requires that they contact one, and Louisiana, Texas, and Washington require that they contact at least three. States also differ in their definitions of acceptable work search activities.

Table A.2: Work Search Policies and Verification Procedures by State

State	Work Search Policy ^a
AL	 Make a reasonable and active search for work through customary means for their occupation. Keep a list of contacts. Verify searched for work when filing weekly claim.
DE	 Make at least one work search contact each week. Keep a log that includes the employer name, address, type of work sought, result of the contact, and the date. Furnish log upon request. Supply work search date when filing weekly claim.
LA ^b	 Complete three job search activities each week. Encouraged to keep a log of employer names. Enter work search information into online system when filing claim. Requirement waived for union members, who need to remain in good standing with their union during period of unemployment. Requirement waived for temporary lay-offs who are still job attached.
ME	 Seek work each week by applying to employers in person, by mail, or online. Keep a log of contacts.
MN	 Seek work commensurate with claimant skills and experience. Not required to keep a contact log. Not required to verify or report work search efforts. Requirement waived for union members, who need to remain in good standing with their union during period of unemployment.
TX	 Local workforce boards determine job search requirement for their local areas, based on local economic conditions. Complete a minimum of three job search activities each week; local areas require up to 10 activities each week. Activities include completing an application, going on a job interview, etc. Required to keep a log of job search activities. Furnish log upon request.
WA	 Complete three job search activities each week. Activities can include (1) workforce center activities (meet with job developers, create resume, etc.), (2) visit employer and complete application/drop off resume, (3) complete online job applications (via WA Works or other job search or employer sites). Keep a log of activities which includes employer name, date, activity description, etc. Furnish log upon request. Enter work search information into online system when filing claim.
WV	 Search for work each week. Number of weekly employer contacts will depend on occupation and the condition of the labor market. Keep a record of weekly job contacts. Furnish this record upon request. Union members must be a member in good standing and comply with union hiring practices.

^a Source: State UI handbooks for claimants.

Some states, such as Washington, specify that activities may include workforce center activities such as resume creation. As part of their BAM investigations, each state confirms that claimants' work searches were commensurate with state policy during the key week. Rather than having BAM investigators subjectively determine whether a claimant has made a "reasonable search," the four states that do not set minimum contact amounts require that claimants provide the BAM unit with at least one work search contact for the key week.

Despite these different work search policies, BAM staff from across states described using similar methods to collect work search information from claimants and verify it with employers.

^b The work search policy outlined in Louisiana's UI handbook for claimants differs from the one described by staff during the study visit. The information in this table reflects the policy as described by staff.

Investigators explained that claimants provide information on their work search efforts primarily via their weekly work search log (if required by the state) or the BAM paid claimant questionnaire, which asks for the name, address, and phone number for each employer they contacted during the key week as well as the date, method, and outcome of the contact. Investigators then contact each employer listed on the log or questionnaire, even if the claimant listed more employers than the state policy requires. Most commonly (in five states), BAM investigators call employers for verbal confirmation of claimant work search efforts. Investigators from a sixth state mail work search verification forms to employers. While they prefer to get verifications in writing, these investigators will also accept verbal confirmation. Staff from the remaining two states did not specify a preferred employer contact method.

Whether by phone or mail, investigators from all states verify the claimant's work search efforts by asking employers a series of questions, which commonly include "Did you have any openings [during the key week]?; Did [the claimant] contact you seeking work [during the key week]?; and How did [the claimant] contact you?" Because an increasing number of employers require that job seekers apply online, BAM investigators from three states mentioned that they ask claimants to provide copies of the email confirmations they receive after completing these applications. In addition, BAM units from three states that consider workforce center activities as acceptable work search efforts will confirm customer participation in these activities via services data in the ES management information system.

During investigations, BAM units from across states categorize each work search contact in one of three ways:

- **Acceptable.** The employer affirms that the claimant applied for a job in the manner required by the state during the key week.
- **Unacceptable.** The employer denies that the claimant applied for a job in the manner required by the state during the key week.
- Unverifiable. The employer either (1) cannot recall whether the claimant applied for a job in the manner required by the state during the key week, or (2) does not respond to unit contact attempts.

According to BAM staff from five states, the majority of claimant work searches are unverifiable. Investigators from these states explained that employers are less responsive when they contact them with work search questions than they are when they contact them for wage and employment information. They noted that few employers keep detailed records on job applicants and rarely remember if a claimant contacted them looking for work. Further, employers are too busy to "search through the stack of resumes on their desk" to confirm whether a claimant applied. When these and the other three BAM units cannot disprove that the claimant searched for work, they code the work search as unverifiable. As one investigator put it, "We're not going to penalize the claimant for the fact that the employer couldn't verify it."

All eight states consider claimants not to have met work search requirements if (1) they reported that they did not search for work during the key week, or (2) they did not have the minimum required number of acceptable or unverifiable work searches. Should claimants fail to meet the requirement during the key week, BAM units in two states issue the claimant a warning, and those in five other states disqualify the claimant for the key week. According to investigators in these states, searching for work according to the state's guidelines is an ongoing eligibility

requirement and a condition of benefit receipt. Thus, a claimant who did not provide any work search information or enough acceptable work searches for the key week was not eligible to receive benefits that week. The BAM unit in the remaining state does not formally penalize claimants for failing to meet the state work search requirement during the key week, but it does report the claimants to their state's UI customer service staff, who then meet with the claimant to discuss their lack of work search activities.

3. Other Sources of BAM Investigation Information

a. Third Parties

BAM investigators frequently contact a variety of third-parties to obtain information that could impact their determination of whether a key week payment was proper (not to be confused with the third-party employer representatives discussed above). The BAM investigators from the eight study states explained that they most commonly contact third parties to pursue "able and available" issues during paid claim investigations. In all eight states, claimants must be able and available to work as a condition of UI benefit receipt. Injuries or full-time enrollment in school or training are common reasons why a claimant may not meet these criteria during the key week. The BAM paid claimant questionnaire asks a number of questions related to claimants' ability and availability for work; BAM investigators review claimant responses to these items to determine which third parties they need to contact for an investigation. While doctor offices, schools, and training providers were the third parties most commonly cited by investigators, investigators from across sites indicated that they contact any source necessary to verify claimant information. For example, an investigator from one state described contacting a county clerk's office to verify that a claimant had jury duty during the key week. Investigators from all eight study states described similar methods for collecting and verifying information from third parties.

b. UI Agencies and BAM Units in Other States

BAM investigators explained that they sometimes work with BAM and UI staff from other states during investigations if a claimant lives in one state and works in another. For example, investigators from five of the study states contact other BAM units to obtain North American Industry Classification System (NAICS) codes and employer tax rate information for out-of-state employers. They explained that they need this information to complete coding for their investigation determinations but usually cannot access it when the employer is in another state. When an employer connected to one of their cases is located in another state, they contact that state's BAM unit to get this information. An investigator from one state recalled when a BAM unit from another state contacted an employer on her behalf because the employer refused to give information to a representative from another state. One BAM supervisor noted that US DOL's BAM contact list is "sorely out of date," which can make such communication more difficult.

Interstate claims are another reason why BAM units from different states contact one another during investigations. Claimants have the options of applying for benefits in the state in which they live or in the state in which they most recently worked; a claimant from Alabama, for example, might live in nearby Mississippi or vice versa. UI leadership and BAM staff from five states explained that they work closely with UI agencies and BAM units in other states to investigate these claims. In Texas and Louisiana, this process includes contacting one another to

verify Employment Services (ES) registration. States like Texas, for example, require UI claimants to register with ES for job search assistance in the state in which they live. Therefore, Texas claimants who live in Louisiana must register with Louisiana's ES division. To that end, BAM staff from these states must sometimes contact one another to verify ES registration during BAM audits. In 2011, Texas and Louisiana launched an automated process for verifying interstate ES registrations (see Box A.5).

Box A.5: The "Texas-Louisiana 'Killer App' Work Registration Pilot Project"a

Although the Texas Workforce Commission (TWC) requires that all claimants register with ES in the state in which they live, it did not have procedures for verifying these registrations until recently. As a result, these claims were frequently coded as ES registration overpayments when selected for BAM investigations, even when the claimant had registered. In 2011, TWC partnered with the Louisiana Workforce Commission (LWC) to develop a "Killer App" to combat this issue. Through this automated verification process, TWC's and LWC's UI claimant databases isolate intrastate claimants, determine whether those claimants are registered with ES in their home states, and generate registration status reports for both agencies. According to TWC, the app's benefits are twofold. First, it identifies claimants who are not complying with the states' ES registration rules so that staff can follow up accordingly. Second, it identifies claimants who are complying with the requirement, should they appear in the states' BAM sample.

4. Making Determinations and Documenting Investigation Activities

Once BAM investigators have contacted claimants and all requisite employers and third parties, they make their final case determination. BAM staff from all eight states described similar processes for determining whether a payment or denial was proper. First, investigators ensure that they made "every effort" to contact each respondent. Then, they compare information from across the three respondent groups to detect inconsistencies and/or potential violations of state UI law and policy. Next, if the investigators identify an error, they assign responsibility to the appropriate party (the agency, claimant, or employer). Finally, they determine whether the key week payment or denial was proper and code the case in the SUN System (see Table A.3 for common improper payment causes by state).

When asked whether they encountered any difficulties in making determinations, investigators reported that, aside from the occasional case-by-case challenge, they do not typically struggle to decide cases. One exception, noted by investigators in three states, is separation denials. Investigators explained that separation denial decisions require that staff use their judgment to determine if the claimant or the employer is telling the truth. It can be challenging to make these determinations if investigators have not heard from all necessary parties. Despite the fact that investigators make "every effort" to contact respondents, some respondents do not cooperate with unit inquiries. Investigators from all eight states stated that in

^a Source: "Texas and Louisiana 'Killer App': Work Registration Pilot Project."

⁴ ET Handbook No. 395 5th Edition does not dictate how many times investigators should attempt to contact each respondent before closing the case, though it does say that "every effort should be made to complete the claimant questionnaire." BAM staff from across states affirmed this guidance (typically citing "exhaustive attempts"). They referenced subsequent guidance from DOL that prescribed minimum contact attempts, which staff reported as three or four claimant attempts and three employer attempts. Investigators typically noted, however, that they attempt to contact each respondent many more times than the minimum requirement.

these instances, they must make a case determination using the available information, even if it is incomplete or unverified. In two states, investigators having difficulty making a case determination consult with their supervisors or experienced investigators. The BAM unit in one of these states also meets each morning to briefly discuss case issues including difficult determinations.

Immediately after making their final case determinations, but before coding cases in the SUN System, BAM investigators ensure that they have all of the documentation needed to support the decision. According to an investigator from one state, there should be a document to support each coding item: "If it's not documented, it didn't happen." Although the documents that investigators collect vary by investigation type and from claim to claim, investigators explained that their files usually include some combination of the following:

- **UI agency documents.** Investigators collect and store all agency documents related to the claimant's initial and ongoing claims. These materials typically include claim applications, employment and wage information (from the base period, benefit year, and NDNH), adjudication and appeal decisions, proof of claimants' ES registration, and certification of claimant participation in workforce center activities.
- Completed claimant questionnaires. Regardless of the investigation type or specific claim, each BAM investigation file should include a completed claimant questionnaire. This document will be missing only if the unit could not reach the claimant, which is more common of denied claim investigations than in paid claim investigations (as is discussed earlier in this section).
- Employment, wage, and work search verification materials. Case files also contain the important materials that BAM investigators collect from employers, such as wage records, separation testimonials, and work search verifications.
- Third-party verification documents. As necessary, investigators collect information from third parties such as training providers, schools, doctors, and unions. Investigators keep these materials—which, among other things, help verify information about being able and available to work—in investigation files.
- Investigation contact logs. Investigators from all eight states keep logs detailing their attempts to contact all respondents. These logs range from systematic and detailed accounts of all investigation activities to less formal documents (i.e., pieces of notebook paper) that include brief notes about contact dates, times, and outcomes.

BAM units from all but one study state store this case information in hard-copy case files. These states typically store completed files on-site for about three years before either scanning them for electronic storage or sending them to an off-site storage facility, though one state scans files and shreds hard copies immediately after closing a case. Minnesota, however, uses an electronic filing system (see Box A.6 for more about this system and its apparent advantages). Individual investigators in at least one other state keep electronic copies of some documents (such as questionnaires that claimants completed via email or investigation contact logs) but noted that they ultimately print the forms for inclusion in hard-copy files.

Box A.6: Electronic Document Storage: Saves Time, Reduces Errors, Eases Access

Minnesota's BAM unit used to waste a lot of time printing materials, writing audit information by hand, and "flipping through binders." To combat these perceived inefficiencies, the unit created a process for storing BAM investigation documents (completed questionnaires, wage records, work search information, and so on) electronically on a secure internal network drive. Additionally, the unit formatted all investigation materials such that investigators can complete them directly on a computer, rather than printing, completing, and re-uploading them. For example, instead of hand-writing answers to the BAM questionnaires during telephone interviews with claimants, staff can now enter these responses into an electronic document.

Paramount among the documents in BAM case files is the Summary of Investigation, which summarizes all aspects of the investigation and describes how investigators processed the case information that led to their determination. According to BAM staff from three states, the Summary of Investigation should "stand alone," and "speak for itself." In other words, "you have to be able to read it and tell everything that happened, [including] the results of the [investigation]" without referencing other case materials. The information that BAM units document in these summaries is consistent across states, but the forms vary. Half of the study states use "free-form" summaries or "narrative" forms to explain their investigations and determinations; two other states use forms that include "a combination of check boxes and narrative sections." Two states did not describe their forms, but investigators from all states explained that summaries should clearly identify issues that emerged during the investigation and provide detailed explanations of how each was pursued. In addition to their Summary of Investigation forms, three states use the Key Week Error Summary Worksheet from US DOL's ET Handbook No. 395, 5th Edition to record improper payment information; it is unclear whether these states use the form consistently. Staff from one of the states that does not use the Key Week Error Summary said that it "confus[es]" them, but did not elaborate further. Others noted that their internal summary forms are sufficient and therefore they do not need to use the one from ET Handbook No. 395, 5th Edition.

BAM staff from all but three states had a difficult time estimating how long it takes them to complete a BAM investigation, noting that many factors influence the length of an investigation.⁵ For example, the length of a paid claim investigation usually depends on the

⁵Estimates about average time to complete a BAM investigation, based on FY 2008 BAM data, are available in the OMB package that outlines BAM operations. According to the OMB package, BAM investigators spend 5.1 hours to complete a BAM paid claim investigation and 3.2 hours to code and enter data, averaging 8.3 hours per paid claim investigation. In general, BAM investigators spend less time investigating denied claims: monetary denials take about 6.8 hours to investigate; separation denials take 6.5 hours; and nonseparation denials take 6.6 hours. For each claim, investigators spend about a half hour contacting each claimant, employer, and third party. OMB Control No. 1205-0245: Benefit Accuracy Measurement (BAM) Program, Justification Part A, Supporting Statement for Request for OMB Approval Under the Paperwork Reduction Act. Extension without change of a currently approved collection, December, 31 2012, http://www.reginfo.gov/public/do/PRAViewICR?ref nbr=201209-1205-005.

number of base period employers that an investigator has to contact; many employers means a longer investigation. Employer use of third-party employer representatives (see Box A.4) can also lengthen an investigation, as can a case with "issues" identified on the completed claimant questionnaire.

BAM investigators from two states, however, closely monitor how much time they spend on each case. One of these states could not supply summary data during the study visit, but the BAM unit from the other state reported that the average paid claim investigation takes about 4.5 to 6 hours to complete over the course of about 30 to 40 days. The BAM supervisor in a third state estimated that his investigators spend as many as 40 hours across 20 days to complete a paid claim investigation; denied claim investigations, on the other hand, can take only a day or two. Investigators from three states also noted that while they might finish a paid claim investigation in less than a month, they have to wait 37 days to receive NDNH cross-match results regarding potential benefit year employment before they can close the case.

Despite uncertainty among most units regarding how long investigations take, BAM staff from across states said that their ultimate goal is to complete all cases within 60 days of selection. Per US DOL's *ET Handbook No. 395*, 5th Edition, "a minimum of 60 percent of cases must be completed within 60 days of the week ending date of the batch," and "85 percent must be completed within 90 days." Additionally, "a minimum of 98 percent must be completed within 120 days of the ending day of the calendar year." BAM supervisors from five of the study states require investigators to complete their cases within 45 to 55 days, so they or an experienced auditor can review the case before the unit considers the determination final and the investigator codes the case in the SUN System.

5. Disseminating Investigation Information

BAM units do not just identify errors and improper payments; they also initiate corrective actions. BAM supervisors from the seven states that answered a question regarding this procedure explained that when the unit identifies an error, it typically notifies the appropriate division so that it can make the requisite correction. This process includes sending adjudication information to call centers and intake supervisors, forwarding overpayment information to the tax department, and notifying Benefit Payment Control about claimant fraud. BAM units in two of these states also initiate fraud proceedings, attend related meetings and hearings, and assess penalties. BAM staff from three states also reported that, when other UI divisions oppose a BAM error determination, the UI agency defers to the BAM unit's finding. They noted, however, that BAM and other units rarely disagree.

According to UI leadership from across states, DOL originally conceived BAM as a quality control program. To that end, BAM staff from five study states reported that they actively share their findings with other departments—namely, the agency's intake and adjudication divisions—to inform process improvement and staff development efforts. BAM supervisors from these states email investigation findings to other divisions and/or meet regularly with other department leaders. The purpose of these meetings, which are usually bi-weekly or monthly, is to discuss

⁶ BAM units from two other states said that they rarely share BAM audit information with other departments beyond notifying them of specific claim errors but indicated that they have plans to do so in the future.

issues regarding payment propriety and program integrity and to develop improvement plans. Issues include errors that cause improper payments, as well as other general problems identified by the unit during investigations. BAM investigators in one state, for example, identified a number of errors caused by intake staff incorrectly applying the state's alternate base period. The unit's supervisor presented the issue at a regular cross-departmental managers' meeting, during which she and other leaders determined that the agency's base period wage form was confusing and difficult for staff to use; the agency revised the form, and the errors decreased. In another state, BAM investigators prepare and distribute to the supervisors of other UI units a packet containing information on errors and issues detected during recently completed investigations. Then, they meet with these staff to "go through all of the errors" and develop remediation plans.

We met with UI intake, adjudication, and call center staff at three study states to get their perspectives on the usefulness of BAM data in making program improvements and promoting staff development. Staff from across these states indicated that BAM findings are generally useful and they appreciate getting the information. However, these staff also noted that they cannot always remediate issues identified during BAM investigations. A call center supervisor from one state explained that state finality laws limit his unit's ability to revise case actions based on BAM unit decisions:

Finality—if we get new and additional information, [I'm] not gonna change [the decision] because the employer or the claimant had appeal rights to appeal [the issue] to change the decision... If they haven't responded or filed an appeal within the 15 days [since the original adjudication], then it's final.

Two states worry about animosity between the BAM unit and other departments. One call center supervisor reported that there is some resentment between BAM and call center staff. He explained that call center staff are angry when BAM communicates an error to them, because "BAM gets so much more time [to review a claim] than we do." A BAM supervisor from another state said that the BAM unit in his state has an "internal affairs" stigma that causes friction between BAM and UI staff. One state recently initiated a staffing reorganization to overcome these kinds of issues. All BAM messaging now originates from the office of the UC director, rather than the BAM unit, to ensure that partner divisions understand the importance of BAM results. UI leadership from this state explained that, when communicated by someone in a position of authority, the information will carry substantially more weight and peer divisions will be more likely to use BAM results for program improvements.

D. BAM Data Collection: Instruments

1. BAM Questionnaire⁷

BAM investigators rely on a series of standard survey instruments to collect and document case-related information from claimants, employers, and third-party contacts. This includes separate claimant questionnaires for paid and each type of denied claim (monetary, separation, and nonseparation). Claimant questionnaires request basic characteristics as well as detailed

⁷ As interviews focused primarily on the coding and questionnaires for paid claims, the questions and codes noted in this section reference the paid claim DCIs, unless otherwise noted.

information on benefit eligibility, such as separation information, past employment and wages, and work search efforts. Employer and third-party questionnaires collect additional information on a claimant's benefit eligibility, including details of employment and wage information.

a. Critical and Problematic Items on the BAM Questionnaire

i. Critical Items

States vary considerably in which BAM questionnaire items they regard as critical to their determination of payment propriety, and nearly all items are considered important by BAM staff in at least one state. Although a variety of items are named as important across states, ranging from basic claimant characteristics to employment history, BAM staff note that items relating to work search and "able and available" requirements are most important to making a determination.

Demographics. All but one state cited the importance of demographics (basic claimant information); however, states noted that some of this information is important to conducting their investigation, while other demographic information is important for statistical purposes. States point out that some basic claimant information is prefilled, yet six states feel a need to verify it, including name (Q1), SSN (Q2), and date of birth (Q8), to ensure that they are investigating the appropriate claimant. States said that other personal characteristics of the claimant, including gender (Q9), race (Q10), and ethnicity (Q11), are collected mainly for DOL statistical purposes rather than for making a determination. Three states point out the importance of Q12, which asks claimants about their U.S. citizenship, a factor that can determine benefit eligibility.

Job Characteristics. Although fewer states consider information on job characteristics important to their determination, those that do note that these items can help identify "able and available" issues. Three states highlighted items in this section that are important to their investigation, including the lowest rate of pay a claimant would accept (Q21), mentioned by two states; and days, hours, and shifts available for work (Q16-Q19), also mentioned by two states.

Work Search. BAM staff in all states consider the Work Search section of the paid claim questionnaire (Q24-Q41) as critical to making a determination. Two states specifically highlight page 4 of the BAM paid claim questionnaire (Q42), which requests details of the claimants' work search, as aiding their determination. Other states name specific items that can indicate any barriers to conducting a work search, and ultimately working. BAM staff in three states point to Q27, which asks about work and work search transportation, and one state also considers Q26 ("Do you have a valid driver's license?") as helpful in identifying any transportation issues that could prevent the claimant from working or conducting a work search.

Able and Available Issues. Half the states visited cite Q24-Q25, which ask claimants how long (in time and miles) they are willing to travel one way to work, as helpful in determining "able and available" issues.

Investigators use several items in this section to help them determine whether a particular claimant met their work search obligations, including employer recall status (Q23), cited by two states; state employment service registration (Q30), cited by one state; union membership (Q34), cited by three states; and attendance at any school or training program (Q35) cited by four states.

BAM staff in three states say that some additional items in this section are useful in identifying issues involving claimants' ability and availability to work. This includes **Q36**, which asks about health problems of the claimant or family, and **Q37**, which pertains to dependent care.

Other Key Week Activities and Claim Issues. States also consider some items in the final section of the BAM questionnaire, which asks about other key week activities and issues surrounding a claim, to be important in making their determination. Two states each highlight Q43, which asks about jobs offered to the claimant in the key week, Q44, which asks about work in the key week, and Q45a/b, which asks about other sources of income.

A small number of states cite the items about the claimant's UI claim as critical. Two states mention the items relating to receipt of UI benefit information (Q46) and problems or questions with the claim (Q47/Q48); and one state cites the final item, which verifies whether the claimant has worked since filing for UI benefits (Q49).

Three states add that the information collected on claimants' employment history is important to making their determination (page 7 on the paid claim questionnaire).

Half the study states noted that some questionnaire data are collected solely for statistical purposes. Although respondents acknowledged the potential statistical importance of this data, they noted that they do not use it to make case determinations. According to one investigator:

Yeah, in reality, everything is important. Everything has a reason for it to be in here. If nothing else, because of the fact that we have to code the case at the very end and things like their statistical information like race, ethnicity, all that kind of stuff, we have to code it in a certain way for the Department of Labor to have that information.

An investigator in a second state agrees, "I guess that might not affect your determination, but it's important for the UI program to know about."

Three of these states requested that DOL provide them with more details about how they use this information for "statistical purposes," as collecting the data can be burdensome and time-consuming. One explains, "If we're going to focus so hard on trying to get a person's ethnic background, we need to know that this is important for some statistical study that's being done with our data, and is there a better way to get that data?"

ii. Less Critical Questionnaire Items

Compared to the items they deem as critical, states consider a much smaller number of questionnaire items to be unimportant to their investigation. However, they do not necessarily agree on which items those are; items cited as less critical by some states were cited as critical by others.

Some of the items states cite as less valuable are those that they suspect are collected for DOL statistical purposes and are not critical to making a determination. This includes some demographic information that is not directly used in their determination, including race (Q10) and ethnicity (Q11), cited by two states. One state says that Q17, which asks about shifts usually worked, falls into this same category. Another state suggests removing the job duty information request on the employment history form, as it is irrelevant to this portion of the questionnaire.

An investigator in a single state points to one questionnaire item as unimportant, as it is irrelevant to state policy. **Question 30**, which asks about state employment services registration, is unnecessary, as claimants in this state are not required to register.

iii. Problems and Concerns with BAM Questionnaires

States express several general concerns about the current BAM questionnaires. BAM staff note that although questionnaires contain some prefilled basic information about the claimant, it is sometimes incorrect, and so investigators must verify it with the claimant. Three states consider the BAM questionnaires to be too long, burdensome, and complex, and five states cite redundancies in some sections. Specifically, states point to items Q36-Q39 on the BAM Paid Claim instrument, which ask about reasons the claimant may not have been able or available to work during the key week. One state suggests consolidating these items to identify "able and available" issues faster. Other items states consider to be redundant are address (Q3-Q5) and state employment services registration (Q30), because this information is available in other investigation documents. Besides these more general concerns about the BAM questionnaires, states cite several specific items as particularly problematic. These include items that BAM staff consider to be burdensome or difficult for claimants to understand and thus lead to incorrect responses.

Items that require claimants to perform a calculation are especially burdensome. According to three states, **Q20**, which asks "In the last 18 months, what has been your normal wage for the work you usually do?" is particularly challenging for several reasons. Claimants with multiple employers during this period must calculate their average wage across jobs. Many claimants will have been unemployed and receiving UI benefits for a sizable portion of the past 18 months, which further complicates their estimation of average wage. In addition, some state BAM staff point out that because of UI claimants' circumstances, they may have been employed in a job different from the work they usually do, which leaves them unsure how they should respond. States note that because of the complexity and burden of this item, some claimants will instead indicate their last wage, or highest wage during this period, rather than perform any calculations.

BAM supervisors and investigators suspect that claimants skip or misreport several items on the BAM questionnaires because they do not fully understand terms or concepts included in the question text. Two states note claimants' confusion with Q33, which asks whether the claimant registered with a private employment agency. Claimants interpret "private employment agency," as a "temp agency," which most are more familiar with, and answer the question accordingly. An investigator in one state notes that over the past 10 years, not a single claimant responding "Yes" to Q33 was actually registered with a private employment agency. Some states find similar issue with Q40, which inquires as to whether the claimant was "an officer of a corporation, union, or other organization" during the key week.

States also point to several questions for which the wording or instructions are not clear enough to elicit the intended response. Two states note that claimants will often answer either race or ethnicity, and don't understand that they need to provide responses to both. Investigators in another state say that claimants will often answer "any" to questions asking how many miles they would travel to work (Q24), the type of work they are looking for (Q29), and the lowest rate of pay they would accept (Q21), because they lack sufficient instruction and are unsure what constitutes an acceptable response.

Some states say that the item formatting can cause confusion. Two states point out that the Work Search information page of the questionnaire (Q42) provides space for four contacts, even though many states do not require this many contacts in a week. However, some claimants interpret this as a request for four work search contacts, and will provide four, even if some of them are not in the key week. Similarly, with space to indicate employment history for eight employers, some claimants will provide information on their last eight employers, regardless of whether or not they fell within the base period. Another state points out that Q2, which gathers information on whether the claimant earned income under another SSN in the past three years, asks only for the SSN and does not let claimants indicate that this question is not relevant to them.

States suggest some changes to the formatting of the instruments. One state suggests reformatting the questionnaire to reduce perceived length. Two states request more space on the denial questionnaires so that the respondent can provide detailed separation information.

b. Handling of Missing Questionnaire Data

States vary in their treatment of items missing data on the BAM questionnaires. In half the states visited, BAM staff report that a response must be filled in for each item. However, some of these states note that they can code an item as "N/A" and code the case using only the available information. BAM staff in one state say they prioritize collecting information that is critical to conducting the investigation.

c. Questionnaire Administration

As discussed in Appendix A, Section C, states utilize multiple modes of administration to collect BAM questionnaire data. Investigators use both phone and mail, but several states point out advantages to phone administration. One BAM supervisor estimates that to obtain response, their staff will have to follow up with about half of claimants who are mailed the instrument. Several states describe benefits of interviewer administration, including the opportunity to clarify and probe on missing and potentially misreported items. The BAM supervisor in one state elaborates:

We have farmers and people that don't necessarily have a lot of formalized education. So this questionnaire for some of them is very difficult, but taking it by phone, we can talk them through it, ask them questions, explain what it is we're looking for, and then get the answer from the claimant.

One state reports using email and fax to administer the employer questionnaire and obtain responses. They note that employers in particular appreciate having documentation of the information request.

d. State Modifications to BAM Questionnaires

While no states report making any substantive changes to the BAM questionnaire, six of the states visited report making minor changes. This includes changing the format or layout of the instruments, or tailoring wording to reflect state-specific information, such as the name of the state's employment services agency.

2. Coding Structure

Using all available case information, including questionnaire data and information from other fact-finding efforts, BAM investigators document a series of data elements associated with each claimant as a critical part of their BAM investigation. While some codes in the Data Collection Instrument (DCI) are prefilled, most must be entered manually. Like the BAM survey instruments, the DCI collects information on claimant characteristics and benefit eligibility, yet also specifies the nature of any errors and improper payments.

a. Critical Codes

All states reported that their coding procedures mirror those specified in *ET Handbook No.* 395, 5th Edition and states cite a wide variety of coding sections and specific codes as important⁸. However, there is some overlap in the codes and coding sections they consider most valuable. States pointed out that making a determination is straightforward even without referencing the codes, though codes are needed to fully characterize the determination and any associated errors.

Section B. States describe the B group of codes on the DCI as pertaining to claimant demographic and background information. Investigators noted that these codes are generally used for statistical purposes only, and are not required to characterize a determination. However, two states considered codes **B2** *U.S. Citizen* and **B5** *Currently in Training* to be important in specifying their determinations. One state also used codes **B9** *Occ Code Seeking* and **B10** *Lowest Hourly Wage* when specifying determinations. Last, a state found code **B11** *Date of Birth* to be useful in their determinations, and one state used code **B8** *Normal Hourly Wage*. Aside from these exceptions, the B codes were characterized primarily as not useful for determinations.

Section C. The C codes provide details surrounding the claim, including how it was filed (C4), whether there were combined wages (C2), and whether if there are any associated nonseparation issues (C8-C9). States noted that these codes are primarily for statistical purposes; however, a few are integral to determinations. In particular, two states reported that codes C8 Prior Nonseparation Issues, and C9 Prior Nonseparation Disqualification are important to investigators in specifying payment propriety. At least one investigator noted that codes C2 Combined Wage Claim, C6 ERPs, and C7 Last ERPs are helpful to case determinations. On the other hand, one state found codes C4 Init Claim Filing Meth, C5, C6, and C7 unrelated to their determinations.

Section D. BAM investigators explain that the D codes are critical to making a determination because they provide information on claimants' separation and recall status, as well as indicate the NAICS code. Despite every state's proclamation that D codes are important to investigations, three states did not use code **D8** in their determinations, and two did not use **D7** Tax Rate Last Empl. Another state said that it did not find the codes **D5** Recall Status Before and

⁸ Certain data elements, such as **E7** and **E8** (*Weeks Worked Before* and *Weeks Worked After*), and **E13** through **E16** (dependents' allowance issues) may not apply to some states but are needed in others because of their state-specific eligibility requirements and/or state laws; these factors likely affect states' perspectives on critical vs. noncritical items.

D6 Recall Status After useful, either. One state notes that it would be more useful and relevant if claimants' primary—rather than their last—occupation was coded in this section. A claimant's most recent employment might not be relevant if the claimant was unable to secure employment in his or her primary occupation. BAM investigators also note that the D codes are difficult and confusing to define, and two states specifically requested additional training on this set of codes.

Section E. States indicated that some of the E codes on the DCI are integral for investigators in their case determinations, though not every code is useful. Investigators from four states noted that E7 Weeks Worked Before and E8 Weeks Worked After are not critical. Another three states found codes E13 Dep After and E14 Dep Before not useful, while another state said that it considered those codes critical in investigations. Codes E15 Dependent Allowance Before and E16 Dependent Allowance After were deemed not useful by two states. The final codes that at least one state did not consider critical include E5 High Qtr Wages Before, E6 High Qtr Wages After, and E19 Remaining Balance. However, the other codes in this section, including E1 BP Employers Before, E2 BP Employers After, E3 BP Wages Before, and E4 BP Wages After, detail information on base period employers and wages, and their weekly benefit amount, which are very important in determinations.

Section F. States viewed the group of F codes on the DCI as critical to a determination, largely because they contain information about key week earnings as well as other income the claimant received during the key week. Investigators in two states noted that they do not use some F codes, however, including **F10** Date First Pay, **F11** Key Week File Method, and **F12** Key Week Certification. One state said that it also did not use **F9** First CWK Date for determinations. Only one state did not consider these codes to be critical.

Section G. States varied as to whether or not they considered the G codes, which include information on work search requirements, union status, and key week contacts, to be critical to their determinations. Four states specifically noted that they did not use **G11** *Prior KW Contacts*, though they find the other codes to be critical. In addition, one state also said that they do not utilize all codes in this section except for **G1** *WS Requirement* and **G2** *LE Reg Required*. Other states also described codes **G6** *Regis Private Agency*, **G7** *Priv Agency Refers*, and **G12** *Contacts Inv* as unhelpful.

Section H. Finally, the H codes on the DCI, which provide information on the findings of the investigation and supervisory review, were considered important. States use the H codes to specify whether the payment was proper or improper, and if it was improper, the amount of overpayment.

i. Difficulties

Investigators detailed several difficulties they experienced with the current coding structure. First, five states concede that the coding structure and coding guidance outlined in *ET Handbook No. 395*, 5th Edition are confusing and difficult to understand. States consider the language used in *ET Handbook No. 395*, 5th Edition to be unnecessarily technical and complex, thus leading investigators to use their subjective judgment in assigning codes. States suspect that coding inconsistencies—both across and within states—stem from this challenge: because investigators struggle to understand the coding guidance outlined in *ET Handbook No. 395*, 5th Edition, they apply codes in an inconsistent way. States point to the urgency of this problem, citing their recent

peer review meetings as informing them of these coding inconsistencies, and note that such inconsistencies complicate the drawing of accurate cross-state comparisons.

BAM staff in one state also point out that the guidance outlined in *ET Handbook No. 395*, 5th Edition does not address all possible outcomes associated with a case. A BAM investigator in this particular state also notes that some guidance is contradictory, or relates to content outside the purview of BAM investigators.

BAM staff in several states also report that the NAICS codes are not necessary to the investigation; however, because this information must be collected for each case, investigators are routinely forced to call other states for NAICS codes, which can be time-consuming.

ii. State Information Data Exchange System (SIDES)

The majority of states visited do not use SIDES codes to aid their BAM investigations. The only state currently using SIDES in this context uses it to identify separation information to supplement investigations. Four additional states have plans to use the program in the future, including one that uses it elsewhere in the UI department to obtain separation information. One state has no plans to use SIDES in the future, because it already employs a state-specific program with a similar purpose and function. (Two states made no mention of using SIDES in BAM investigations.)

iii. State-Specific Codes

Six states have not added any state-specific codes on the DCI. However, one of those states mentioned that it is currently developing such codes to capture additional information on ES registration. One state added a code to the H series to indicate an overpayment. After experiencing errors relating to ES registration status, another state developed specific codes to identify the source of these errors.

iv. Additional Codes Needed

States proposed a small number of codes to be added to the DCI. One state requested adding a code to Section D to indicate key week employer tax rate, as they noted that the last employer is not always the key week employer. A second state suggested more detailed codes pertaining to whether the decision was proper at the time it was made, based on available information. The BAM supervisor in this state expects that this code could help more accurately assess the performance of the adjudicators and UI department.

3. State-Specific Data Collection Instruments

No state reported developing or using any state-specific survey instruments. However, all states described state-specific forms developed by their respective state, and used to collect additional information needed to conduct the investigation and make a determination. These forms collect information that is not collected by the standard DCIs, such as fact-finding sheets, employer and third-party verification forms, and forms to verify union membership and claimant earnings.

Table A.3: Percentage of Improper Payments by Root Cause, Three-Year Average by Study State (2010–2012)

	ES Registration	Benefit Year Earnings	Separation Issues	Work Search Issues	Severance/ Vacation/ SSI/Pension	Other Issues	Able and Available	Other Eligible Issues	Base Period Wage Issues	Dependents Issues
AL	59.93	15.62	12.55	6.67	2.65	1.10	0.67	0.46	0.35	0.00
DE	0.00	42.43	18.80	1.27	8.15	11.38	7.98	9.08	0.91	0.00
LA	42.06	27.77	15.4	9.90	1.28	1.00	1.44	0.73	0.42	0.00
ME	11.67	11.27	7.19	54.60	0.00	1.00	5.71	5.48	2.92	0.16
MN	0.00	40.29	20.70	3.64	6.37	5.63	14.4	7.02	1.95	0.00
TX	6.40	16.66	29.87	33.09	1.00	3.88	5.00	1.82	2.28	0.00
WA	3.05	15.57	11.01	62.48	0.54	0.00	4.91	1.72	0.73	0.00
WV	46.08	26.34	13.22	4.17	0.00	3.38	1.67	2.36	2.79	0.00

Source: http://www.dol.gov/dol/maps/map-ipia.htm

APPENDIX B STATE PERSPECTIVES ON THE FEASIBILITY OF BAM PROGRAM CHANGES

APPENDIX B. STATE PERSPECTIVES ON THE FEASIBILITY OF BAM PROGRAM CHANGES

Over the years, there have been several proposals for making the Benefit Accuracy Measurement (BAM) investigation process more comprehensive, efficient, and cost-effective. The United States Department of Labor (DOL) asked Mathematica to obtain state feedback on some of them: options for adjusting sample sizes, changing the key week, integrating temporary and episodic programs into investigations, tracking claimants longitudinally, and so on. During these discussions, we asked respondents to weigh the legislative and policy, staffing, and technology considerations of each potential program change. We also welcomed states' thoughts on any other ways DOL could enhance the BAM program. This chapter summarizes states' ideas and reactions to these proposals.

Key Findings: State Perspectives on the Feasibility of BAM Program Changes

- Accommodating major changes to BAM sample sizes and sampling procedures would be difficult for states, considering staffing needs, sampling procedures, and training. Some minor changes to current procedures could be accommodated.
- Including claims from temporary and episodic programs in state BAM investigations would require additional time, staff, and training. Claims from these programs are more complicated and nuanced than Regular Unemployment Insurance (UI) claims and would take more time to investigate than those from Regular UI.
- BAM data collection procedures would benefit from greater use of technology and automation, including web-based questionnaires. Although states cite related challenges, they consider online survey administration to be an important addition to their current questionnaire administration methods.
- For state comparisons, the BAM operational rate may be a better basis than the BAM annual overpayment rate. Some states prefer the operational rate because it excludes improper payments related to certain state-specific policies and might better account for the speed with which UI programs pay claimants, to meet *First Payment Promptness* standards.

A. Changes to BAM Sampling Methods

1. Changes to Sample Sizes

a. Larger/Smaller Sample Sizes

States are generally satisfied with their current BAM sample sizes, with the exception of three that expressed concern that their existing sample sizes prohibit drawing accurate statistical conclusions. One of these states, which is familiar with BAM sample weighting approaches, considers the weighting to be inadequate, given the extent to which BAM rates are used for state-level comparisons. The state's UI leadership believed that their current BAM sample sizes are "miniscule" and "a drop in the bucket" relative to the state's population size. A fourth state,

though not displeased with its current BAM sample sizes, noted the significant variability in the population sizes among states deemed "large" for BAM sampling purposes.

If larger sample sizes were warranted statistically, the question arises whether state UI agencies would have the capacity to work the additional cases. UI leadership and BAM staff in three states said that staff already carry a full workload and could not handle larger samples. However, UI leadership in one of these three states and in a fourth state suggested that increases in BAM sample sizes could be accommodated if BAM procedures were simplified by, for example, streamlining existing procedures such as the way investigations are conducted.

"So can we adjust [sample sizes] with the methodology that is in place now? No. Not easily. But if you could lighten some of the technical aspects of the BAM audit to make it more fluid, functional, it should be able to adjust just like your adjudication unit or your appeals unit, or your claims intake." —State UI Leadership

b. Sample Size Proportionate to UI Caseload

Although we did not specifically ask states about BAM sample sizes that were proportionate to their UI caseloads, states offered that this could be a positive and logical change. However, they qualify the suggestion with notes about several related procedural implications. BAM supervisors in two states described staffing considerations and questioned how easily BAM units could respond to regular fluctuations in the state's UI caseload. They noted that caseload increases would require training and hiring additional staff, yet decreases would result in unneeded workers. UI leadership and BAM staff in two states cited the ability of other units in the agency to accommodate workload variability that stems from shifts in UI volume, such as BTQ, as evidence that BAM staff could manage sample size fluctuations. One state favored using proportional sample sizes if doing so would better reflect the seasonal nature of UI claims.

c. Reasonable Standard/Interval for Sample Size Fluctuation

All states are currently able to accommodate minor fluctuations in BAM sample sizes. To handle variations in staff workload, holidays, and vacations, BAM supervisors purposely vary, by a small amount, the number of cases selected each week. Although UI leadership in one state suspected that their BAM unit could easily accommodate major shifts in BAM sample size, the consensus among staff in other states was that dramatic fluctuations in sample size would negatively affect the quality of investigations.

While UI leadership and BAM staff in three states said they could accommodate yearly changes in sample sizes, another state proposed changing sample sizes only every four years. As with proposals 1a and 1b above, states also described several considerations that would have to be addressed to handle greater-than-existing fluctuations. Seven states cited staffing concerns and noted that state BAM units would have to hire more staff to accommodate increases in caseload, and that new staff would need thorough training given the difficulty and complexity of BAM investigations. However, it was unclear to states what would be done when sample sizes decreased noticeably and additional staff were no longer needed to support BAM functions. A

BAM supervisor in one state wondered, "Where do you pull those people from, and where do you put them when you're done with them, the BAM staff?"

UI leadership in two states pointed out that hiring and training additional staff has budget and funding implications. UI leadership and BAM staff in two states expressed concern that any workload increases could potentially have negative implications for the quality of BAM investigations. Another two states noted that changing sample specifications would require programming and IT support; this would be difficult for one state to implement, given their scarce IT resources.

According to six respondents from a total of four states, advance notice is necessary to address the numerous considerations associated with variations in BAM sample size. However, respondents disagreed on what they considered to be sufficient notice: four employees proposed one year advance notice, and two considered less than one year to be adequate.

2. Changing the Key Week to the First Week of Paid Claims

UI and BAM leadership discussed the perceived benefits, challenges, and procedural considerations associated with changing the key week to the first week of paid claims. States identified several advantages. UI leadership in one state suspected that it would produce information that is more easily accessible and understandable to the public. UI leadership in another state believed that this would simplify BAM audit procedures because investigators would always investigate the same week. Another state pointed out that their current approach often requires that the investigator review information in weeks prior to the key week.

UI and BAM leadership in five states suspected that investigating the first paid week would lead to a reduction in overpayments, as states can catch and address errors earlier in the claims process. According to UI leadership in one state, investigating earlier weeks can help to establish reporting expectations for the claimants selected into the BAM audit sample, and thus reduce noncompliance in later weeks. One state likened this idea to "preventive medicine," as it can prevent problems later in the claim.

States have mixed opinions on how changing the key week to the first week of paid claims would affect rates of improper payment. Several states believed that investigating the first paid week would lead to lower measured rates. Five pointed out that errors are more likely in later stages of claims; the longer a claim is open, the more chance of overpayment. Because claimants and employers will have provided claim information more recently, recall errors are less likely, according to BAM supervisors in two states. UI leadership in one state added that claimants tend to be more hopeful and actively seeking work in the beginning of their claim, thus avoiding errors related to work search. However, at least two states predicted that this idea will be detrimental to improper payment rates. They explained that claimants are still learning about the UI process and how to conduct work search activities, and the threat of denial of benefits is less salient.

States also identified several challenges with changing the key week to the first paid week. Five states questioned how the benefit waiting week would affect this approach in relevant states; two states anticipated complexity in cases when unemployment starts later in the week, yet the waiting week is retroactive until the previous Sunday. Two states added that this approach would not permit the BAM unit to identify any continuing availability issues. It would

limit the ability of at least two states to investigate work search errors, as claimants in these states are not required to produce any evidence of work search activities in the first week. Three states cited technical considerations; although two of them suspected that modifying existing programs would be feasible, limited IT resources would hinder changes in a third state.

UI and BAM leadership in half the states visited did not consider the first paid week of the claim to be representative of the claimant's entire experience in the UI system. UI and BAM leadership in three states proposed modifications to this idea that they believe would produce more representative information: one state suggested investigating the entire claim, and two states recommended investigating just the middle weeks of the claim.

3. Sampling Claims on a Two-Year Cycle, Alternating Between Paid and Denied Claims

States commented on the feasibility of sampling claims on a two-year cycle that alternates between paid and denied claims, and what, if any, benefits this approach would offer. Generally, states were less enthusiastic about this proposed change. BAM and UI leadership in four states pointed out that it would be difficult for the BAM unit to identify widespread procedural problems in a timely manner, or to implement and evaluate the effectiveness of quality improvement actions. UI leadership in two states conceded that information on both types of claims is needed to comprehensively evaluate the integrity process, though UI leadership in one state perceived less benefit in auditing denied claims. They pointed out that for denied claims, claimants are motivated to correct the claim themselves and file an appeal to receive benefits, while paid claimants will continue filing for UI as long as they can, unless someone points out an error in their claim.

Procedurally, investigating both types of claims is not problematic, according to two states. One state suspected that running the same program continuously would be operationally easier than switching back and forth between paid and denied claims; one state cited technology and programming considerations. Three states added that investigators would periodically have to reacclimate themselves to different investigation procedures. One BAM supervisor explained, "It's like kids who don't go to school in summer; they lose it by fall." Two states questioned how this idea would affect sample sizes, and whether they would (1) continue to sample the same number of paid or denied claims as they do each year, or (2) increase the sample size to achieve the same level of precision.

UI leadership in a single state feared that the proposed approach moves the BAM program away from its original purpose, and another state questioned how the approach would facilitate integrity measurement: "How would we know whether we are meeting our goals?"

However, three states foresaw benefit in this idea, specifically for investigators. Because paid claims are more difficult and time-consuming than denied claims, one state suspected that investigating only denials every other year would be easier for investigators. Another state believed that this approach would be less stressful for investigators, and a third state predicted that investigators would be more focused.

4. Other Recommendations about Sampling That Emerged from the Visits

Although one state with a seasonal economy reported that the BAM process accurately reflects variations in unemployment, a second seasonal state believed that their current

strategy—sampling the same number of claims each quarter—does not reflect the seasonal nature of their employment. UI leadership in this state explained that they essentially run two separate UI programs: one for unattached workers, for which claims are evenly distributed throughout the year; and a second for seasonally unemployed workers, clustered in winter months only. They would prefer to sample more claims during the winter and fewer during the summer, when unemployment in their state is lower.

B. Integrating Temporary and Episodic Programs into BAM Investigations

Temporary and episodic programs, such as Extended Benefits (EB) and Emergency Unemployment Compensation (EUC), have become larger parts of the Unemployment Compensation (UC) system in recent years; as a result, demand has grown among policymakers for integrity measures that assess the accuracy of these claims and related payments. When asked about the feasibility of including investigations of these claims in their BAM audits, UI leadership from one state indicated that they could do so without much trouble. UI and BAM leadership from the remaining seven states were not certain whether BAM would be the best venue for conducting these investigations. Two UI directors cautioned against expanding the BAM program's purview until DOL addresses some of the other methodological issues they raised, which are outlined throughout this report. Nonetheless, they and other states indicated the following as important considerations should DOL ask states to investigate claims from temporary and episodic programs as part of BAM.

1. Provide States with Enough Time to Hire New Investigators and to Train All Investigators on the Nuances of Each Program

According to UI and BAM leadership from all eight of the study states, claims from temporary and episodic programs are more complex than those from permanent UI programs. BAM investigators would require training on the intricacies of each program before conducting investigations. In addition, because these claims involve "parent-child" connections between EUC tiers—"a lot of switching from one claim type to another"—and typically represent a significantly longer benefit receipt for each claimant, investigations would be much longer and deeper than those of regular UI claims. BAM units would probably require additional staff to complete the same number of audits each year, and would definitely need more investigators if temporary and episodic claims were added to their annual BAM samples (similar to the concern that states raised about fluctuations in annual caseload size, discussed in Section A of this appendix). A related staffing concern, mentioned by a BAM supervisor from one state, is that BAM units would spend time hiring and training these new staff only to lay them off when the temporary or episodic program ends and their BAM caseloads go back to normal levels.

2. Integrate Temporary and Episodic Program Investigations into BAM When the Programs Are Not Operating

UI leaders from three states explained that implementation of temporary and episodic programs during recessions or other challenging economic times causes caseloads and staff

¹ The longest claim possible under EB and EUC08 was 99 weeks prior to recent legislation, compared to the typical longest potential duration of 26 weeks.

workloads to increase substantially. They said that top priorities during these times include mobilizing staff to help process the increased claim volume (i.e., hiring, reassigning) and paying claimants quickly. UI and BAM leaders from these states asserted that their programs would not be able to absorb any additional work during these times, including adding more cases or complexity to their BAM audits. One state suggested that, if DOL decides to include audits of these claims in BAM, it provide state BAM units with the audit parameters when the programs are not operating so that the units have time to plan and prepare.

During these discussions, UI leadership from half the study states made the related point that their BAM annual overpayment rates would likely increase if DOL included audits of EUC claims. They stated that federal EUC implementation was hectic and occurred with little notice. One UI director explained, "[DOL] roll[s] out the EUC and EB program at the eleventh hour. You're forced to implement it without any extra staff, and sometimes things don't go very well initially. And if you have someone [BAM] measuring that, you would just be beating yourself up over something you have absolutely no control over. It would have a really negative impact on us. It would look like we are wasting all this money." UI leaders from these four states contended that this rushed implementation probably caused state UI offices to make more mistakes and generate more improper payments than usual, and therefore it would be unfair to include them in BAM investigations.

3. Rely on Other, Existing Audits to Measure State Performance Related to These Programs

UI and BAM leaders from two states said that they currently conduct random work search audits of EUC claims, and those from six states reported that they utilize National Directory of New Hires (NDNH) cross-match procedures to detect unreported earnings and separations for all claims, including those from EB and EUC. They argued that expanding the work search audits to EB claims and encouraging states to utilize NDNH might provide enough information with which DOL could evaluate improper payment issues in these programs; including them in BAM, too, may be unnecessarily duplicative. BAM supervisors from two other states added that by the time a claimant starts receiving benefits from temporary and episodic programs, UI representatives have already contacted their employers up to three times to verify claimant wage and employment information (for their initial claim, their EB claim, and their EUC claim, as well as during BAM audits); it seems excessive to also have BAM check this information, and additional audit requests for information from area employers could damage states' relationships with them.

C. Changes to BAM Data Collection Procedures

1. Technology and Coding Enhancements

Appendix A of this report describes states' challenges and concerns relating to the design and administration of the BAM questionnaires, BAM codes, and coding procedures, and offers suggestions for improvement in these areas. The current section explores additional options to modify and enhance BAM data collection procedures; states cited a general need for increased automation and technology and improved coding procedures.

For example, respondents claimed that investigation setup procedures are time-consuming for investigators, often requiring half a day of work per case. A few states have incorporated

some automation into investigation setup procedures, such as automatically loading and printing claimant information and forms (one state in particular distributes a PDF of case information when the case is initially assigned to an investigator). Other states said they would also benefit from similar modifications. One of the more automated states hopes that future BAM systems will incorporate even greater use of technology, such as automatically scheduling investigation appointments with claimants.

States also agreed that the BAM questionnaires would benefit from increased automation in data collection procedures, such as pre-programmed skip patterns and prefilled claimant information on certain items (e.g., Employment Services registration status). One of the more technologically advanced states proposed making the BAM questionnaires available on their online portal, so that web-savvy claimants selected for BAM investigations could access the questionnaire immediately, without investigator contact. This state visualized further advancements that would allow their UI system to interact with the SUN System. This would allow more claimant data to be pre-populated into BAM questionnaires, reducing the number of questions for which a response would be required.

a. Web-Based Questionnaires

In response to the proposal to make the BAM questionnaires web-based, states noted several challenges. BAM and UI leadership in all states visited pointed out that at least some claimants in their state lack internet access and computer skills, which limits their ability to complete a web questionnaire. BAM leadership in one state explained that after losing their job, claimants often cancel internet and other nonessential services. Another state remarked that unless instruments are programmed in multiple languages, they will not serve the needs of all claimants.

Although a small number of BAM staff expected a web survey to improve data quality and timeliness of response, UI and BAM leadership in the majority of states believed that this approach could negatively affect data quality. They suspected that personal contact with claimants, characteristic of current data collection methods, greatly improves response quality. Given the length and complexity of the questionnaire, the quality of data provided by claimants benefits from investigator probing and clarification. Investigators also have the opportunity to follow up on missing data and explain the importance of the investigation. For example, one BAM supervisor indicated that some claimants are unsure why they have to provide the same information for the investigation that they provided for the initial claim; through personal contact, the investigator is able to explain the purpose of the investigation. BAM staff in two states suspected that this personal contact stimulates claimants' response, and that claimants might be less motivated to respond via web without investigator prompting. A BAM supervisor in one state believed that this personal contact also adds to the investigation an element of credibility, which the supervisor expected would be lacking in a web-based approach. Further, according to BAM staff in two states, moving BAM questionnaires online would generate many calls from claimants struggling to complete the questionnaire without investigator support.

Respondents also pointed out that it would be difficult to transition entirely to a web-based data collection system, as email addresses are not currently available for all UI claimants. Thus, investigators would have no option but to continue contacting claimants, at least initially, by mail or telephone, until email addresses are practically universal. Even if questionnaire data were collected online, investigators would have to direct claimants to the survey location and provide

them with login credentials by mail or telephone. UI leadership in one state described challenges associated with this procedure:

"Helpful to some, but still you're going to have to either call them—If you can't call them, then you've got to turn around and mail them a letter to take it—I mean, if you call them on the phone and tell them to do it, they may or may not. If you got them, go ahead and get it done."

States noted that the described barriers limit the feasibility and usefulness of a fully web-based data collection system, and a BAM investigator in one state remarked that an online survey instrument "would be another tool that we use to collect the information, and by no means should it be the only [tool]."

Other states saw more promise in this approach. Two states conceded that UI and BAM already successfully incorporate aspects of web technology into current procedures, such as offering claimants the opportunity to file UI claims online. Also, as one investigator added, the population is becoming progressively more technology-savvy, which makes a BAM web survey increasingly practical. One BAM supervisor proposed moving the state's BAM data collection procedures online two years ago. The idea included having the state BAM unit send claimants a PIN number and login credentials by mail or phone, direct claimants to the questionnaire, and provide other relevant details such as a due date for completed materials. However, state funding prohibited moving forward with this idea.

A web-based platform could offer benefits to employers, too, potentially benefiting unit and item response rates, response timeliness, and data quality by reducing the number of missed/skipped items, according to BAM investigators in two states. One of these BAM investigators described how several employers have already requested the ability to complete the questionnaires online.

They said, "Where's the form that I can complete all of this online? . . . It would be so much better if you put it right on the employer's site. . . . So I'm sorry I'm late, but if it was directly on the UI site where I'm seeing all the other stuff that you send me, I can complete it and scan it or email it to you much faster."

b. Mobile Application

Some states commented on the use of mobile applications for BAM investigations. Most of these states did not expect that a mobile data collection approach would be feasible or useful. However, one BAM supervisor disagreed, and envisions a mobile application that relays policy and program change information to claimants. This supervisor suspected that such an application could be successful, as many claimants check or use their mobile phone on a nearly constant basis. Thus, claimants might react more quickly to mobile push notifications than to information releases relayed by mail, the current method for disseminating information. Further, although this state currently lacks mobile phone numbers for many claimants, the BAM supervisor proposed that the information could be collected from claimants earlier in the UI process.

c. Coding

States shared suggestions to improve coding procedures. As noted, states suspected that the complex and technical language used in *ET Handbook No. 395, 5th Edition* promotes coding inconsistencies both across and within states. While some states suggested modifying the current handbook with clear, simplified language to accommodate investigators, others identified a need for a completely new coding handbook that uses accessible language, addresses all possible coding outcomes associated with a case, and minimizes coding unrelated to the determination.

States also anticipated that additional coding training could minimize inconsistencies, as well as help investigators address more complex coding scenarios. BAM staff in one state felt that additional training on specific issues, such as fraud, severance, and pensions would be extremely useful, as such complex situations are encountered frequently.

2. Including the BTQ Quarterly Review of Nonmonetary Determinations

States were largely divided on the benefits of including the BTQ quarterly review of nonmonetary determinations in their BAM audit procedures. UI and BAM leadership in some states indicated that BAM and BTQ processes and samples are compatible enough to align, but staff in other states conveyed just the opposite. States also varied in their valuation of the two programs: one state suggested dissolving BTQ altogether to devote more effort to BAM, while another proposed doing just the opposite.

Of the five states that saw value in combining the programs, all cited the overlap in function and the similarity in processes as permitting their alignment. UI leadership in one state explained, "BTQ is a measure basically to see if the state is performing the basics in adjudication as part of the BAM process. Why measure it twice?" UI leadership in another state also noted similarity in the programs, and considered BTQ to be a more comprehensive version of BAM. One UI director noted that the BTQ sample will include BAM cases "as it pulls cases across the board"

Two states believed that BAM and BTQ staff share a common skill set, including knowledge of state laws. As a result, one of these states is currently attempting to align its BAM and BTQ programs, including sampling procedures and cross-training staff. Two states, to promote collaboration, locate BAM and BTQ staff physically near one another. Further, in one of these states, along with a third state, BAM investigators work on BTQ cases. A third state reported that it previously combined these programs and saw benefit to doing so, though they are currently separate. In this state, BAM used to complete a precursory BTQ review for each audit.

UI and BAM leadership in the other three states disagreed that the programs should be aligned. According to three states, the purpose and procedures of BAM differ fundamentally from those of BTQ. A UI leader in one of these states explained:

"Well, currently BAM and BTQ are looking at two different things. BTQ is determining the quality of the job that's done on our nonmonetary determinations. And BAM is looking at the entire process to see if it's done correctly. It's possible to do that, but I'm not sure how practical it is."

Two states did not consider BAM and BTQ samples to be comparable, and point out that even if the programs were somehow combined, the sample size of each program could not be reduced. UI leadership in one state explained that the BAM sample purposely includes cases with specific issue codes, which may be excluded from the BTQ sample.

BAM supervisors in the three states also pointed out staffing and training implications, and question the feasibility of using common staff to investigate both types of investigations while maintaining program integrity. UI leadership in one state elaborated:

"And with BTQ you have a smaller group of people looking at a cross section. I'm not sure if you had several BAM investigators how much continuity you would have in the reviewing of the claims because each—the experience level, the knowledge level—you wouldn't get the same thing that you do with BTQ, because you have usually two to three people who do that. Concentrate on it 100 percent. And they can find patterns. They can find problems. I'm just not sure that we have the staffing."

BAM leadership in one state questioned the practicality of extensive training that addresses both investigation procedures; BAM leadership in two states said that requiring staff to conduct both types of investigations would be confusing and might result in more errors by investigators. According to one BAM supervisor:

"I think that's too confusing simply because it's two different animals. I mean it's hard enough when they're focused just on BTQ. To have them have our auditors do both at the same time, I think would be very difficult for them."

3. Tracking Claimants Longitudinally

DOL also asked Mathematica to query states regarding their views on tracking claimants longitudinally, an option that was provided in the early years of BAM. Although UI and BAM leadership in four states believed that longitudinally following claimants throughout the course of their claim would provide a fuller picture of the UI process, states mainly cited challenges and disadvantages associated with this approach. UI and BAM leadership in five states expressed concern that a longitudinal process would be intrusive and bothersome for claimants selected in the BAM sample, and two anticipated that the additional information obtained would not be especially useful.

States also identified resource and implementation issues. Three states agreed that current staff sizes could not accommodate this approach, and one suspected that such a program modification would be costly to implement. BAM leadership in three states pointed out that longitudinally tracking claimants would result in an uneven and unpredictable workload, and questioned how they would determine how many cases to sample each week, without knowing how long a case would remain in the UI system. They pointed out that it would not be possible to investigate as many cases as they do currently, "But don't expect us to track 480 claimants a year," said one BAM supervisor.

According to one state's UI leadership, their agency is redesigning UI operational procedures; they suspect that this redesign could facilitate collection of longitudinal information about a claimant. With this new approach, the worker who processes the claimant's initial call or

web application will follow that claim until it is exhausted. Two states pointed out that, as part of current investigation procedures, investigators already look at several weeks of the claim that are prior to the key week.

However, BAM leadership in two states questioned how the proposed longitudinal approach would facilitate measurement of improper payment rates. One of these states suggested that the BAM unit should evaluate the whole claim, and report the percentage of weeks with errors. UI leadership in another state suggested sampling only the middle of the claims process, as they suspected these weeks are highly representative of the entire claim experience.

D. Program Administration Alternatives

In addition to considering methodological changes to the BAM program, the study team asked states to reflect on the feasibility and value of program administration alternatives aimed at improving BAM's organizational integrity. In this section, we summarize states' responses to questions about specific feasibility topics, as well as unsolicited ideas that arose during visits.

1. Improve Cross-State Comparability: The Annual Rate versus the Operational Rate

UI and BAM leadership from all but one study state expressed concern that the BAM annual overpayment rate does not provide a valid basis for measuring and ranking states' performance on payment propriety, in keeping with the Improper Payments Elimination and Recovery Act (IPERA). Three of these states suggested that the BAM operational rate, "though not perfect," might provide a fairer basis for state comparisons, for two reasons. First, the rate excludes improper payments related to certain, state-specific policies, which are included in the BAM annual overpayment rate. Second, it might better account for the speed with which UI programs pay claimants, which is a central component of another DOL performance measure, *First Payment Promptness*.

a. Accounting for State-Specific Policies

Because BAM investigators assess payment propriety against their state's laws and policies, state-specific polices can have a substantial effect on BAM annual overpayment rates (which are "the broadest measure of payments determined to be overpaid" and include "all causes and responsible parties"). UI leaders from the study states argued that incorporating improper payments that relate specifically to state policies in the IPERA performance measure (the BAM annual overpayment rate) might "penalize" states for implementing certain policies that could help the program achieve its ultimate goal of getting claimants back to work, and might inadvertently incentivize states to reduce or eliminate these policies. The BAM operational rate, on the other hand, excludes overpayments related to certain state-specific policies and therefore might provide a measure of payment propriety that gives states the flexibility to implement the policies that are right for their specific economic and workforce circumstances.²

² "Improper Payments Information Act Year 2012: Benefit Accuracy Measurement Data Summary." Prepared by the U.S. Department of Labor, Employment and Training Administration, Office of Unemployment Insurance, Division of Performance Management, March 2013.

Table B.1. Work Search as the Root Cause of Improper Payments

State	Work Search	
AL DE	6.67	
DE	1.27	
LA	9.9	
ME	54.6	
MN	3.64	
TX	33.09	
WA	62.48	
WV	4.17	

Source:

www.dol.gov/dol/maps/map-ipia.htm.

3-year average IPA data for the period of July 1, 2009–June 30, 2012.

UI and BAM leadership often highlighted differences in state work search and ES registration policies to illustrate why including improper payments related to state-specific policies is problematic. They explained that states have different policies regarding how often, and under what conditions, UI claimants should search for work; as described in Appendix A some of these policies are more intensive than others. Minnesota, for example, requires that claimants search for work as a condition of benefit receipt, but does not prescribe how many employers they should contact each week; Texas and Washington, on the other hand, require that claimants contact a minimum number of employers each week and keep a log that can be furnished upon request. Therefore, according to state-specific policies, if claimants in Minnesota and Washington contacted the same number of prospective employers during the key week (e.g., two), the Minnesota claimant met the work search requirement and was paid properly, but the claimant in Washington, which requires three contacts a week, did not meet the requirement and was overpaid (assuming that all other parts of the claim were deemed proper in the BAM investigation). To that end, work search issues represent a larger proportion of overpayments in the two study states with self-described "aggressive" work search policies than they do in states with less-stringent policies (Table B.1).^{3,4}

UI leadership from the states where work search issues are among the leading causes of overpayments argued that they are "penalized" for requiring more of claimants. As one state put it, including overpayments related to the work search in the rate that measures state performance creates "a disincentive to have an aggressive work search [policy]." Rather than decreasing work search overpayments and their BAM annual overpayment rates through stricter implementation of state policy, states might reduce or eliminate their work search requirement. One state cited "warning rules" as an example, noting that some states give a warning the first time claimants

³ UI leadership from two states reported that DOL required that they code claimant nonresponse as a work search overpayment, which substantially increased their work search overpayments. They explained that claimants who have returned to work—perhaps evidence of the effectiveness of their work search policy—are the most likely not to respond to BAM inquiries. One of these states stopped coding nonresponse in this way; the other continues to do so. UI and BAM leaders from other states did not comment on DOL guidance on how to code nonresponse. DOL released UI Program Letter No. 28-13 to address these concerns and misconceptions and to clarify the agency's guidance on claimant nonresponse.

⁴ UI leadership from Maine explained that their former work search policy involved requiring claimants to submit a work search log for every week that they filed a claim. They have since eliminated this policy. Their current work search policy is outlined in Appendix A. As a result of eliminating this policy, the state expects to see a future decrease in overpayments related to work search.

fail to meet the work search requirement, while others have "zero tolerance" policies. If a claimant from a warning rule state does not meet the work search requirement for the key week, and UI staff gave the claimant a warning for that week, the state followed UI law and policy, and therefore the key week payment to that claimant is proper. However, if a claimant from a state with a zero tolerance policy fails to meet the work search requirement for the key week, the payment is improper. According to the leadership in this state, states might adopt a warning rule (which decreases the intensity of their work search requirement) in order to reduce their work search overpayments. In at least one instance, however, high work search overpayments led a state to make a systems improvement: its online claims filing system now prompts claimants to enter their required work search contacts for the previous week before it allows them to submit their weekly claim. UI leadership hopes that this will remind and encourage claimants to complete their work search and will ultimately reduce work search overpayments.

UI leaders from three states also highlighted ES registration policies and procedures to illustrate alleged comparability shortcomings of the BAM annual overpayment rate. While they noted that differences in the policies themselves resulted in measurement inequities (e.g., states like Minnesota, which do not require that claimants register with ES, have a 0 percent ES registration overpayment), they described primarily how small issues in their registration procedures can inflate their BAM annual overpayment rates. As UI leaders from one state explained it, they automatically register claimants with ES as part of their initial claim processing procedures, so they were confused when ES registration issues appeared among their top root causes of improper payments. A "technical glitch" in their registration system made it look as though claimants were not registered in ES even though they in fact were. Soon after fixing the "glitch," the state saw a decline in its overpayments related to ES registration and thus in its overall BAM annual overpayment rate. UI leadership from another state relayed a similar anecdote in which a quick ES registration system fix helped them "overnight, wipe away \$35 million of overpayments that never really existed." UI leadership from these and other states asserted that such systems improvements are valuable to their programs, but that they are not necessarily improvements that had meaningful impacts on the accuracy of actual benefit payments, and thus they should not be components of the rate used to measure their performance. As an integrity director from one state summarized, "[These are] technical errors that do not have an effect on benefit amounts or trust fund balances"; the state's quality control supervisor added, "It's not actual—it has no bearing at all on the actual monetary value that's going to the claimant."

b. Balancing Payment Propriety with First Payment Promptness Standards

UI and BAM leadership from three of the study states explained that one of their top organizational priorities is paying UI claims in a timely manner and meeting DOL's *First Payment Promptness* standard.⁵ They explained that it is difficult to increase their payment promptness percentage while simultaneously decreasing their BAM annual overpayment rate.

⁵ First Payment Promptness is the first of 17 core measures listed on the UI Performs Core Measures Score Card [workforcesecurity.doleta.gov/unemploy/pdf/Core_Measures.pdf]; it measures the "percentage of all first payments made within 14/21 days after the week ending date of the first compensable week in the benefit year (excludes Workshare, episodic claims such as DUA, and retroactive payments for a compensable waiting period)."

Alternatively, the BAM operational rate may account, at least in part, for the speed at which states' intake and adjudication staff make decisions in that it "includes [only] those overpayments that states are reasonably expected to detect and establish for recovery." In other words, the operational rate does not include things like unreported or misreported benefit year earnings, or separation issues where employers did not respond to requests for additional information, where the overpayments are not recoverable under state law; these are instances in which adjudicators could make technically proper decisions that were later deemed improper based on new information uncovered during BAM investigations.

The UI director from one state explained that intake staff spend about 20 minutes collecting information on an initial claim, and adjudication staff have 21 days to resolve claim disputes, a rate of about one adjudication decision per hour. On the other hand, according to ET Handbook 395. 5th Edition, the state's BAM investigators have a total of 60 days (and even up to a total of 90 or 120 days for some cases) to conduct a comprehensive review of the claim and do additional fact-finding. The state estimates that over a three-year period, 93 percent of BAMdiscovered improper payments reflect situations in which intake staff and adjudicators properly followed operational procedures and made the correct determination given the information available, but the BAM unit, through fact-finding, later uncovered information that was not available to intake and adjudication staff. UI leadership from the study states with this concern noted that while decelerating their intake and adjudication staff procedures could help reduce time-of-decision errors and BAM annual overpayment rates, it might prevent them from meeting the First Payment Promptness standard. Further, it could have large budget implications. One state estimates that it costs an average of \$512 for the BAM unit to investigate a case. If the agency were to commit similar resources to each of its 555,000 initial regular UI claims per year, it would require nearly 2.5 times its current total state UI program administrative grant.

2. Changes to the BAM Program to Address Integrity Measures

In January 2013, DOL released UI Program Letter No. 09-13, which introduced two new payment integrity measures: the improper payments measure and the UI overpayment recovery measure. UI Program Letter No. 09-13 also encouraged states to use the Treasury Offset Program (TOP), a U.S. Department of Treasury debt collection tool, to recover UI overpayments from claimants. When asked about any plans to improve performance on these two measures, UI leaders and BAM supervisors from seven of the study states relayed that overpayment recovery is a program priority, but that because the UI Program Letter had just been released, they were still considering the steps they would take to address the measures specifically. The UI director from the eighth study state described how the state will use "a fully automated overpayment case management and collection system," which it is developing in partnership with two other (non-study) states, to improve its performance on the overpayment detection measure. Plans for the system were in development, so this director was unable to provide more detail; the state and its partners expected the system to launch in 2015. In addition, staff from this

⁶ UI Program Letter No. 09-13. "Integrity Performance Measures for Unemployment Insurance." Washington, DC: DOL, Employment and Training Administration Advisory System. January 29, 2013.

⁷ DOL released UI Program Letter No. 09-13 on January 29, 2013. The study visits occurred in February, March, and April of 2013.

and three other states noted that they currently used or planned to use TOP and felt that it either was or would be an effective tool for recovery of overpayments. One state workforce leader estimated that TOP helped the state recover about \$2 million of an estimated \$6 million in overpayments last year. UI leadership from one state also noted that overpayment prevention (vis-à-vis tools like NDNH) may be a better way to assess state performance, but did not surmise how DOL might measure such prevention.

While UI leaders from most of the study states were still developing their plans to address the new integrity measures, leaders from one state explained that one of the measures—the overpayment recovery measure—might create an "apples to oranges" situation similar to that of the BAM annual overpayment rate (discussed above). They explained that state laws dictate how programs can collect debt from residents, and that these laws can preclude them from collecting UI overpayments as aggressively as their peers from other states. For example, state law prohibits this UI program from garnishing wages to collect overpayments for which claimants are responsible (e.g., because of fraud), whereas laws in other states might allow it. Therefore, it may not be fair to require all states to recoup the same percentage of overpayments if some operate in states that are more debtor-friendly than others. UI leaders from two other states were uncertain whether the improper payment rate goal is attainable, but did not suggest a reasonable alternative. UI and BAM leadership from two states also noted that UI Program Letter No. 09-13 promised additional guidance on how to verify claimant work search efforts during BAM investigations. This guidance was subsequently provided in UI Program Letter No. 28-13, released five months after the last site visit. In addition, IPERIA was signed just prior to the site visits; OMB is still developing IPERIA guidance.

3. More Active or Systematic Reviews by DOL

More active or systematic reviews of state BAM investigations by DOL are one way to ensure consistent, high-quality implementation of the program around the country. For example, the federally funded Supplemental Nutrition Assistance Program takes second-level samples to conduct its own independent, rigorous, and comprehensive reviews. This agency then adjusts improper payment rate measures based on its findings. None of the study states thought that it would be beneficial for DOL to conduct similar reviews of state BAM investigations; they did not think that any additional reviews by DOL would be particularly useful, issue-specific or otherwise. UI and BAM leaders worried that DOL might not understand the intricacies of each state's programs well enough to conduct meaningful reviews or to provide helpful input. Still, half the study states saw potential benefit from more active oversight by their regional offices. According to an integrity director from one of these states, regional office staff have "longstanding relationships" with state UI programs and "know more intimately [each] state's requirements and laws." This integrity director and staff from the other states indicated that they would appreciate feedback about how to improve their BAM program operations and annual rates from regional staff who know their program so well. A BAM supervisor from one state warned, however, that this might be true only of regions with experienced BAM administrators, and noted that the region's new administrator is still learning each state's policies and getting to know the BAM units.

While states were not amenable to additional reviews by DOL, they noted that peer reviews help promote quality implementation of the BAM program. BAM supervisors from four states reported that the input they receive at annual regional peer review meetings and periodic cross-regional meetings is extremely beneficial to their BAM units. During the meetings, states review

one another's completed investigations, share investigative best practices, and address coding discrepancies. One BAM supervisor cautioned that some of the guidance provided during peer reviews contradicts the procedures prescribed in *ET Handbook 395*, 5th Edition, which might do more to confuse issues than clarify them. While these staff did not explicitly ask for additional peer reviews, they clearly indicated that they perform an important quality assurance function.

4. Other Suggestions for Program Administration Alternatives: Revise BAM Reporting

Besides giving their thoughts on the specific BAM program changes discussed above, states suggested that DOL more clearly explain and report BAM rate information to policymakers, the press, and the public. Public programs like UI are subject to great scrutiny, especially when it comes to whether or not they are spending taxpayer money responsibly. DOL's BAM reports include information about how the annual rate is calculated and caution readers that because of differences in policies and regulations, BAM rates should not be used to compare states. Despite these warnings, UI leadership from six states cited examples of when the media, the public, or policymakers misinterpreted the rates and used them to draw incorrect conclusions about state UI programs. UI leaders explained that these groups tend to interpret the phrase "improper payment" incorrectly to mean "overpayment" or "illegal payment." Leaders from five states said that they have to correct press reports that describe BAM estimates as actual dollar amounts and calm angry legislators who read these reports and think that they are paying tens and sometimes hundreds of millions of taxpayer dollars "to people who didn't deserve it" (Table B.2).

Table B.2. IPIA-Estimated Improper Payments, by State (2012)

State	IPIA-Estimated Improper Payments
AL	\$53,191,663
DE	\$10,625,608
LA	\$63,055,161
ME	\$26,186,565
MN	\$85,271,467
TX	\$238,932,020
WA	\$149,586,793
WV	\$12,506,418

Source: www.dol.gov/dol/maps/map-ipia.htm.

3-year average IPA data for the period of July 1, 2009–June 30, 2012.

In response to confusion among state policymakers about what the rates mean, the UI integrity administrator in one state created a cross-walk of BAM rates and what each rate measures. This administrator explained, "I had a matrix of 'this is what [DOL] is calling it, this is what a normal person would call it, and then the explanation.' Because the audience is not trained in that" ("that" being statistics and the intricacies of UI policy). This state and the others acknowledged that accountability to these groups is important, and suggested that DOL consider doing the following so that they better understand BAM information: rename the different BAM report rates so that they convey more clearly what each rate measures, report BAM information by responsible party (e.g., agency, claimant, employer), and describe rates in layman's terms that require minimal UI program experience to comprehend. DOL might also consider better explaining the statistical components of BAM rates to state UI and BAM staff. For example, UI and BAM staff from at least two states think that existing BAM samples are not "statistically valid" because they are not proportionate to state caseload sizes. Only one staff person from any of the study states relayed an understanding of the way in which BAM data are weighted to address this very issue.

APPENDIX C

EB AND EUC IMPROPER PAYMENT ESTIMATES: TWO-STAGE SAMPLE

APPENDIX C. USING A TWO-STAGE SAMPLE TO GENERATE NATIONAL IMPROPER PAYMENT ESTIMATES FOR EB AND EUC

For national programs, a two-stage sample design can be very cost-effective and provide the desired precision for estimates. In a two-stage design, three factors affect the precision of national estimates. The first factor is the number of states participating in the temporary or episodic program and the proportion of these states selected for the sample. The variance for national estimates can be reduced by increasing the percentage of states selected for the sample. Second, the sampling variance can be minimized if the national unconditional probability of selection of each claimant is the same or nearly the same. Third, the similarity of outcomes within a state will result in a correlation among responses and data within a state. This correlation (the intracluster correlation coefficient, or ICC) reduces the precision (increases the variance) in proportion to the sample size within the state and the value of this correlation in each state. A cost-effective two-stage design needs to achieve a balance between the variation in the selection probabilities across the state and the sample size in each state.

To facilitate the equal probability of selection of claimants, the states are generally selected with probability proportional to the number of claimants, and the same number of claimants is selected in each state. To account for the differential caseload (number of UI recipients) and to obtain nearly equal selection probability for each claimant, the selection of the states would need to account for the differential UI claims workload in each state. Moreover, when two or more temporary and episodic programs are in operation at the time of the sample selection, a composite size measure can be used to maintain an equal probability sample for each program and a nearly equal sample size of audits in each state (Folsom et al. 1987).

1. Variance Model

The variance model described for the national design is largely the same as for the state-level estimates described in Chapter II. The primary difference is the inclusion of the design effect (Deff) for selecting a large proportion of the states participating in the temporary or episodic program and the design effect from the clustering of the sample within states.

As previously described in Chapter II, the improper payment rate can be written as:

Improper Payment Rate (R) = Total Improper Payments (Y) / Total Payments (X)

We also noted that the annual rate can then be written as:

Improper Payment Rate (R) = [Proportion of Recipients with Improper Payments (P) * Mean Improper Payment (\overline{Y})] /

Mean Total Payment (\overline{X}) ,

or

Improper Payment Rate (R) = $[P * \overline{Y}] / \overline{X}$.

Assuming that the total payments are known (fixed), we can determine the sample size required for a target of \pm percentage points as shown in Equation (8) in Chapter II

$$n_{Rec} = 1.96^2 * [\overline{y}^2 * p * (1 - p) + p * s_o^2] / [0.03 * \overline{X}]^2,$$
 (8)

where

 \overline{y} = an estimate of the mean improper payment for key weeks,

 s_o^2 = an estimate of the UI claim-level (unit) variance of improper payments $(S_o^2)^1$, and

 \overline{X} = the known value of the mean total payment for key weeks.

The variance model in Equation (8) is for a simple random sample. The variance model for a two-stage design needs to account for the design effect for each of the two variance components in the model. This model can be represented as:

$$n_{\text{Rec}}^2 = 1.96^2 * [\hat{\overline{Y}}^2 * \{\text{Deff(p)} * p * (1 - p)\} + p * \{\text{Deff(Imp)} * s_o^2 \}] / [0.03 * \overline{X}]^2,$$
 (9)

where the Deff(p) denotes the design effect for a two-stage design on the variance of the proportion of UI recipients with an improper payment, and Deff(Imp) is the design effect for a two-stage design on the variance of the average of the improper payment of UI recipients with an improper payment. Each of these design effects can be further partitioned into two primary components:²

1. The design effect from the finite population correction (that is, the selection of a relatively high proportion of the states participating in the temporary or episodic programs);

¹ The unit variance is the variance of the improper payments for an individual recipient who received an improper payment.

² The design effect (Deff) is the variance of a survey estimate accounting for the survey design divided by the variance of a survey estimate assuming a simple random sample. The Deff includes the effect of clustering, unequal selection rates across and within subpopulations, the proportion of the population included in the sample, and other factors. This report uses only two of these components.

2. The design effect from clustering the audits in a sample of states.

2. Design Effect from the Finite Population Correction

When a statistical sample is selected without replacement, the sampling variance is affected by the proportion of the full population included in the sample. For a simple random sample design without replacement, the design effect from the finite population correction (Deff(fpc)) is:

Deff(fpc) = 1 - sample size / population size
=
$$1 - n / N$$
, (10)

where n is the sample size and N is the population size. The sampling variance for an estimate y is given by:

$$Var(y|Design) = (1 - n / N) * S^2 / n,$$

where Var(y|Design) is the sampling variance accounting for the design, and S^2 is the unit variance for y. In most sample surveys, population size is substantially larger than the sample size, and the design effect from the finite population correction can be safely ignored because it is very close to 1.0.

For the national survey of the temporary or episodic programs, the number of jurisdictions is 52 (the 50 states, the District of Columbia, and Puerto Rico). Therefore, if all jurisdictions are participating in the temporary or episodic programs, a sample of 20 to 25 states would include between 38.5 percent and 48.1 percent of the states and must be incorporated into the variance model.

When a sample is selected with probability proportional to size and without replacement, the design effect from the finite population correction depends on the probability that two states are in the sample (the joint inclusion probability) and is not of the form given in Equation (10). For this report, we will use Equation (10), which is an approximation of the actual value of the design effect from the finite population correction.⁴ For example, we will assume that between 20 and 25 states will be selected from the 52 states, and the design effect from the finite population correction will range from 0.62 (for 20 states) to 0.52 (for 25 states).⁵

³ In this text, for simplicity of presentation, the 52 jurisdictions are referred to as 52 states.

⁴ The computation of the design effect from the finite population correction and joint inclusions probabilities require information on the size of the national study that is not currently available. Computing the estimation of the design effect using the full design would be very time-consuming and is outside the scope of this study.

⁵ The survey design for national estimates is affected by the number of states participating in the temporary or episodic programs, which states are participating, and the number of UI recipients affected in a participating state.

3. Design Effect from Clustering

As discussed previously, the similarity of outcomes within a state can result in a correlation among responses and data within a state. This ICC results in a reduction in the precision (an increase in the variance) proportional to the value of this correlation in each state and the sample size within the state. This design effect from clustering, Deff(ICC), is commonly represented by the equation:

$$Deff(ICC) = 1 + ICC * (m - 1),$$

where ICC is the average of the ICC across all the states, and m is the number of records selected for audit within a state. Using BAM data for CY 2012, we computed the ICC for both the proportion of UI recipients with an improper payment and the average of the improper payments for UI recipients with an improper payment. The ICCs for the proportion of UI recipients with an improper payment and the average of the improper payments for UI recipients with an improper payment were similar and averaged between 0.07 and 0.10.

4. Variance Model for Sample Size Determination

The variance model for the national sample will need to account for the design effect from the fpc and from clustering. Because the design effect from the fpc is the same for both components, and we determined the ICC is in the range of 0.07 and 0.10 for both components, we can rewrite Equation (9) as:

$$\begin{split} &n_{Rec} = 1.96^2 * \left[\left\{ Deff(p) * Deff(Imp) \right\} * \left\{ \hat{\overline{Y}}^2 * p * (1 - p) + p * s_o^2 \right\} \right] / \left[\ 0.03 * \overline{X} \right]^2, \\ ∨ \\ &n_{Rec} = 1.96^2 * \left[\ Deff(Total) * \left\{ \ \hat{\overline{Y}}^2 * p * (1 - p) + p * s_o^2 \right\} \right] / \left[0.03 * \overline{X} \right]^2, \end{split}$$

where Deff(Total) = Deff(p) * Deff(Imp).

5. Sample Sizes for the National Survey of Improper Payment Rate Estimates

As an example of the sample size required for a national survey of the improper payment rate for EUC or EB claimants, we will assume that the expected annual improper payment rate is around 12 percent. Using estimates based on an analysis of benchmark data for the years 2008 to 2012 for 50 states, the District of Columbia, and Puerto Rico, we will also assume the following parameter values:

- Percentage of recipients with improper payments = 24 percent.
- Average total payment for a key week = \$284.
- Average improper payment for a key week = \$142 (50 percent of the average total payment).
- Unit variance for improper payments = 20,000.

From Equation (8) in Chapter II, the sample size (n_{Rec}) required for a simple random sample is 448.

To show the effect of the ICC on the sample size required for the same level of precision, we use a range of values for the ICC (from 0.07 to 0.10) and from 21 to 25 states. In Table C.1, we show the sample sizes within each state (over eight scenarios) required to achieve the OMB national reporting standard of a 95 percent confidence interval of +/- 3 percentage points. ⁶

In the analysis of the ICC using the BAM data for CY 2012, the values for the ICC were higher than we initially anticipated. In Table C.1, we show the eight scenarios based on the four levels of the ICC (0.07, 0.08, 0.09, and 0.10) that were computed using the BAM data for CY 2012. Using simulations (by varying the value of the ICC and the number of states and recipients sampled in each state), we determined the number of states and the number of required completed reviews in each state to achieve the national precision requirement for each value of the ICC. Each value of the ICC resulted in a somewhat different design. Moreover, in the simulations, for some values of the ICC, a sample design capable of achieving the precision objectives was not feasible. Based on the simulations, feasible designs ranged from the selection of 21 states and 105 completed reviews in each state (a national sample size of 2,205) when the ICC has a value of 0.07, to the selection of 25 states and 120 completed reviews in each state (a national sample size of 3,000) when the ICC value is near to 0.10.

For an ICC value of 0.07 and 21 states, the computations in Table C.1 are summarized as follows:

- The total design effect (Deff(Total)) is the product of the design effect from clustering (Deff(Clustering)) and the design effect from the finite population correction (Deff(fpc)).
- The model-based national sample size required, n(model-based required), is the product of the total design effect (Deff(Total)) and the estimated sample size requirement (448). For example, 2,214 = 4.94 * 448.
- The design-based sample size for the national survey is the product of the number of states and the number of completed reviews in each state. For example, 2,205 = 21 * 105.
- The effective sample size from the design using 2,205 reviews is the design sample size (2,205) divided by the total design effect (Deff(Total)) for the design: 2,205 / 4.94 = 446.7

⁶ Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123 (April 14, 2011), pp. 7. These guidelines specifically allow agencies to use multiple-stage sample designs (Part I (A)(7), pp. 8).

⁷ For example, the precision objectives could not be met for a national sample design using 20 or fewer states selected from a population of 52 states. Although in the simulations an acceptable design could not be established, a compromise could be achieved for an actual survey and sample design by incorporating stratification and other design components based on the states participating in the temporary or episodic programs.

- The half-width of the 95 percent confidence interval is based on the effective sample size from the design and the variance estimator for the improper payment rate (3 percentage points).
- The state sample size requirement is the rounded number of records to be selected to achieve the desired number of completed interviews, assuming 90 percent completion rate. For example, 105 / 0.90 = 117.
- The approximate national sample size is the product of the number of states and the rounded number of records to be selected. For example, 2,457 = 21 * 117.

In general, as the ICC increased, an increase in the number of states in the sample reduced the effect of the clustering of the sample in states. The increase in the number of states resulted in a smaller Deff from the finite population correction, which offset the increase in the design effect from the clustering. For example, for an ICC of 0.09, increasing the number of states from 24 to 25 resulted in a smaller sample size requirement for each state (from 95 to 55) and a smaller design effect from clustering (a Deff(clustering) value of 9.46 to 5.86). Although there is no single best design, a design with 23 or 24 states and a total sample size of 2,300 recipients (approximately 95 to 100 recipients per state) seems likely to give adequate precision for ICC values in the range of 0.07 to 0.09.

This analysis does not take into account the costs and state burden associated with including an additional state in the sample. When the ICC is assumed to be 0.07 or 0.09, the sample size requirements are similar; the sample size required is nearly 900 fewer when an additional state is included.⁸

⁸ As discussed previously, the design effect from the finite population correction used in this section is an approximation, because if the sample of states is selected with probability proportional to size and without replacement, the design effect from the finite population correction would need to be estimated based on simulations of the analysis of alternative sample selections.

Table C.1. Sample Size and Precision from a National Two-Stage Sample Design for National-Level Analysis of Improper Payment Rates for a Rate Near 12 Percent

	Scenarios							
	1	2	3	4	5	6	7	8
Intracluster Correlation Coefficient (ICC)	0.07	0.07	0.08	0.08	0.09	0.09	0.10	0.10
Number of States (n)	21	22	23	24	24	25	25	26
Deff (fpc)	0.60	0.58	0.56	0.54	0.54	0.52	0.52	0.50
Completed Reviews per State (m)	105	60	75	50	95	55	120	60
Deff (Clustering)	8.28	5.13	6.92	4.92	9.46	5.86	12.90	6.90
Deff (Total)	4.94	2.96	3.86	2.65	5.09	3.04	6.70	3.45
n(Model-Based Required)	2,214	1,327	1,731	1,188	2,284	1,365	3,004	1,547
n(Design-Based)	2,205	1,320	1,725	1,200	2,280	1,375	3,000	1,560
Effective Sample Size	446.7	446.0	447.0	453.0	447.6	451.9	447.9	452.2
Half-Width of a 95 Percent Confidence Internal	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030
Total Number of Audits/Reviews (Assuming 90 Percent Completion Rate)								
Recipients Selected in Each State	117	67	83	56	106	61	133	67
Total Number of Recipients in the National Sample	2,457	1,474	1,909	1,344	2,544	1,525	3,325	1,742

Deff (fpc) is the state finite population correction and equals 1 - n / N, where N = 52.

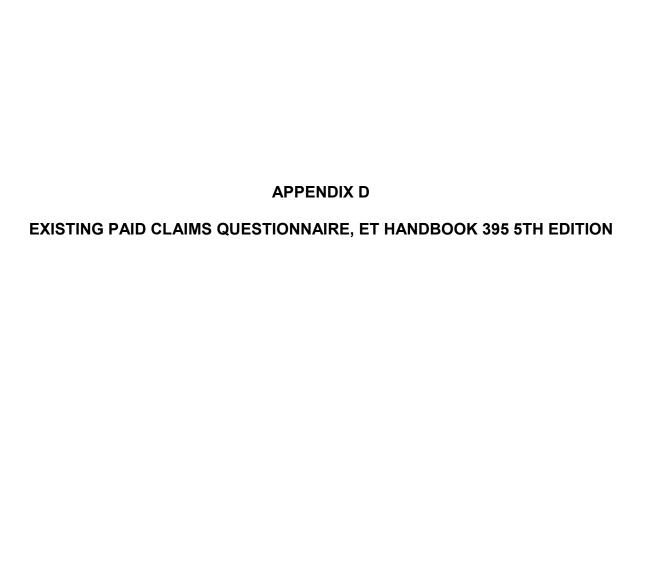
Deff (Clustering) is the design effect from selecting multiple recipients in each state and equals 1 + ICC (m-1).

Deff (Total) is the total design effect and equals Deff(fpc) * Deff(Clustering).

The model-based sample size required is denoted by n(Required) and equals the sample size based on a simple random sample design (448) multiplied by the Deff(Total).

n(Design-Based) is the design-based sample size based on the sample size of states and recipients per state (n * m).

The effective sample from the design is the design-based sample size, n(Design), divided by the Deff(Total).



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BENEFITS ACCURACY MEASUREMENT CLAIMANT QUESTIONNAIRE - PAID CLAIM

Batch #	Sea

Please answer the following questions as accurately as possible. If you do not know the answer, leave it blank. The interviewer will discuss it with you later. It you need help, please ask. Please print clearly. Your answers will be used to determine if your unemployment insurance benefits were properly paid. This information will be verified. The last page of this questionnaire is for recording your work history.

Benefit Accuracy Measurement (BAM) audits randomly selected paid and denied Unemployment Compensation (UC) claims to verify their accuracy. Failures to report, disclose, or provide information when directed or to complete the BAM questionnaire by the due date may result in a delay or in a denial of benefits. Your responses are subject to state confidentiality statutes, which must conform to Federal regulations (20 CFR Part 603). State and Federal agencies safeguard the confidentiality of the BAM information by:

- 1) using the information only for purposes of verifying claimant eligibility for UC and identifying general descriptive characteristics about the Unemployment Insurance program;
- 2) permitting access to the information by only authorized persons;
- 3) ensuring that the physical and electronic storage of the information is secure; and

4) publishing the results of the BAM audits in a format information.	that precludes the identification of any individual providing the		
Name (First, Middle, Last) In the past three years, if you were known or earned income by another name, enter it here:	10. Race - Indicate by selecting one or more of the following: White Black or African-American Asian American Indian or Alaska Native Native Hawaiian or other Pacific Islander Unknown		
2. Social Security Number In the past three years, if you earned income under another Social Security Number (SSN), enter the SSN here:	11. Ethnic Group - Indicate by selecting one of the following: ☐ Not Hispanic or Latino ☐ Hispanic or Latino ☐ Unknown		
3. Street Address	12. US Citizen?		
Apt Number			
4. City, State, ZIP5. Mailing Address (if different)	13. Highest level of education completed (circle one): Grade School - 0 1 2 3 4 5 6 7 8 High School - 9 10 11 12 Some College Associate Degree BA/BS Graduate School Major Field of Study:		
6. If you have moved since you first filed for unemployment benefits on, enter your address when you first filed:	14. Have you had vocational or technical school training? ☐ Yes ☐ No Type of certificate:		
7. Telephone Number (include area code)	15. Circle the days of the week you usually work. SUN MON TUES WED THURS FRI SAT Do you usually work part time? □ Yes □ No		
8. Date of Birth (MM/DD/YYYY)	16. Circle the days of the week you are willing and able to work. SUN MON TUES WED THURS FRI SAT Are you only seeking part time work? □ Yes □ No		
9. Gender: ☐ Male ☐ Female	Are you only seeking part time work? ☐ Yes ☐ No 17. What hours or shifts do you usually work? ☐ 1st shift – Day ☐ 2nd shift – Swing ☐ 3rd shift – Night ☐ Other shift – including rotation		

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BENEFITS ACCURACY MEASUREMENT CLAIMANT QUESTIONNAIRE - PAID CLAIM				
18. What hours are you willing and able to work on a job?	23. Do you expect to be called back to work by any past employer? ☐ Yes ☐ No			
FROMam TOpm OR FROMam TOpm 19. Which shifts are you willing and able to work on a job? 1st shift - Day	If "Yes", please answer the following: Do you have or have you received a recall notice? Yes No When were you told you would be recalled? Month Day Year			
you usually do?	Who notified you?			
\$ per 21. What is the lowest rate of pay you will accept for a job?	When will you report back to work?			
\$ per	Name, Address and Phone Number of employer:			
22. In the last 18 months, what has been your usual occupation?	Name, Address and Phone Number of employer.			
What are your main job duties at your usual work?				
The next group of questions asks about your efforts to find work. WEEK" . "THE WEEK" is the week that began on	SEARCH Some of these questions will refer to a specific week, called "THEand ended on Please keep these dates destions about "THE WEEK".			
24. How many miles are you willing to travel one-way daily to a job?	31. During "THE WEEK" , did the State Employment Service refer you to any jobs? ☐ Yes ☐ No			
25. How many minutes or hours are you willing to travel one way daily to a job?	32. What were the results of these referrals?			
26. Do you have a valid driver's license? ☐ Yes ☐ No	Have you received any referrals from the State Employment Services since you opened your current claim? ☐ Yes ☐ No			
27. By what means do you normally travel to look for work? (Check all that apply)	If "Yes", to how many jobs were you referred?			
☐ Personally owned vehicle ☐ Borrow a vehicle ☐ Ride with friends ☐ Public transportation or relatives ☐ Other (specify)	33. Have you registered with a private employment agency since you first filed for unemployment benefits on?			
Do you have transportation to get to and from a job? ☐ Yes ☐ No	If "Yes", when did you register with the agency?			
28. Would a job have to last a certain period of time before you would accept it?	Name, Address, Phone Number of Agency:			
☐ Yes ☐ No If "Yes", explain:				
29. What is the type of work you are looking for?				
a b	During "THE WEEK", did the Agency refer you to any jobs? ☐ Yes ☐ No			
What is the length and type of experience you have in these occupations?	If "Yes", to how many jobs were you referred?			
a b	What were the results of these referrals?			
30. Have you registered with the State Employment Service to find work since you first filed for unemployment benefits on ? ☐ Yes ☐ No				

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"THE WEEK" is the week that began on	and ended on
34. During THE WEEK , were you an active member of a union? Yes No If "Yes" complete the following: Union Name: Local Number:	36. During THE WEEK , did you have or a member of your immediate family any health problem, handicap or disability that limited your ability to do your usual work or to look for work? ☐ Yes ☐ No If "Yes", explain:
Address:	
Phone Number: Does your union a have a local hiring hall?	37. During THE WEEK , did you have any dependent(s) or other person(s) for whom you provided care during your normal working hours? Yes No If "No" go to Question 38. If "Yes" was there some other person or place available to provide care? Yes No
Do you get work ONLY through the union? ☐ Yes ☐ No	If "Yes" provide the name, address and phone number of the care provider:
Will you accept a non-union job? ☐ Yes ☐ No	
During THE WEEK , were you eligible to be referred to jobs by the union? ☐ Yes ☐ No	
If "No", explain:	38. During THE WEEK , was there any day(s) that you were NOT available for work? ☐ Yes ☐ No
	If "Yes" list the day(s) and reason(s) you were NOT available:
During THE WEEK , were you on the out-of-work list? ☐ Yes ☐ No If "Yes", when was the last time you signed the list?	39. During THE WEEK , was there any reason that you could NOT accept full-time work? ☐ Yes ☐ No
If "No", explain:	If "Yes" explain:
During THE WEEK , how many jobs were you referred to by the union? What were the results of these referrals?	40. During THE WEEK , were you an officer of a corporation, union, or other organization? ☐ Yes ☐ No If "Yes" give name of organization and office held:
35. During THE WEEK , were you attending school or enrolled in a training program?	41. During THE WEEK , did you need any special licenses or certificates to do the type of work you are seeking? ☐ Yes ☐ No If "Yes", did you have the license or certificate needed? ☐ Yes ☐ No What kind of license or certificate is it?
Is the schooling or training related either to the type of work you usually do or the type of work you are seeking? Yes No	When does it expire?
Do you have or can you obtain evidence that you are making satisfactory	

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42. WORK SEARCH CONTACTS

Complete the following information for the job contacts you made during **THE WEEK**. If you had more than four job contacts, the interviewer

"THE WEEK" is to	he week that began on and	ended on
1. Employer Name	Contact Date:	Method of Contact: ☐ In Person ☐ Mail ☐ Telephone ☐ Fax ☐ Internet ☐ Other (Specify):
Address:	Employer Phone (include area code):	Application taken? ☐ Yes ☐ No Resume submitted? ☐ Yes ☐ No
City/State/Zip	Type of work applied for:	Was a job offered? ☐ Yes ☐ No
2. Employer Name	Contact Date:	Method of Contact: ☐ In Person ☐ Mail ☐ Telephone ☐ Fax ☐ Internet ☐ Other (Specify):
Address:	Employer Phone (include area code):	Application taken? ☐ Yes ☐ No Resume submitted? ☐ Yes ☐ No
City/State/Zip	Type of work applied for:	Was a job offered? ☐ Yes ☐ No
3. Employer Name	Contact Date:	Method of Contact: ☐ In Person ☐ Mail ☐ Telephone ☐ Fax ☐ Internet ☐ Other (Specify):
Address:	Employer Phone (include area code):	Application taken? ☐ Yes ☐ No Resume submitted? ☐ Yes ☐ No
City/State/Zip	Type of work applied for:	Was a job offered? ☐ Yes ☐ No
4. Employer Name	Contact Date:	Method of Contact: ☐ In Person ☐ Mail ☐ Telephone ☐ Fax ☐ Internet ☐ Other (Specify):
Address:	Employer Phone (include area code):	Application taken? ☐ Yes ☐ No Resume submitted? ☐ Yes ☐ No
City/State/Zip	Type of work applied for:	Was a job offered? ☐ Yes ☐ No
Please indicate any other job-deve or employment agencies, job clubs,	lopment activities you engaged in during THE WEEK (setc.)	such as networking, resume writing, visiting web sites

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"THE WEEK" is the week that began on	and ended on	
43. During THE WEEK , did you get any job offers either from the contacts you listed in question 42 or from contacts you made in previous weeks? ☐ Yes ☐ No	45a. Check all of the following sources WEEK , excluding unemployment com received from each source for THE W some other time.	pensation, and list the amount you
If "Yes", did you accept any jobs offered to you? \square Yes \square No	☐ None If "None", go to (Question 45b
IE (NI-) why not)	□ Wages	\$
If "No", why not?	☐ Earnings from self-employment or contract labor	\$
	☐ Commission Payments	\$
If "Yes", complete the following:	☐ Reserve or National Guard Pay	\$
Date you accepted the offer:	☐ Separation or Severance Pay	\$
	☐ Holiday Pay	\$
Date you began or will begin work:	☐ Wages in Lieu of Notice	\$
Name, address and phone number of employer:	☐ Vacation Pay	\$
- mand, managed and provide number of employer	☐ Tips or Gratuities	\$
	☐ Workers Compensation	\$
	☐ Disability Payments (Do NOT include Social Security or	\$: Veteran's Benefits)
	☐ Other (specify):	\$
44. During THE WEEK , did you do work of any kind? ☐ Yes ☐ No If "Yes", what type of work did you do?	45b. During THE WEEK , were you e pension, or retirement fund payments?	entitled to any Social Security,
		☐ Yes ☐ No
	If "No", go to Question 46	
Days and times worked:	If "Yes", give the amount you received	1:
	Social Security	\$
Name, address and phone number of employer:	Veterans Benefits	\$
Januaria P	Railroad Retirement	\$
	Federal Civil Service Retirement	\$
	U.S. Military Retirement	\$
	State/Local Government Retirement	\$
Are you still working for this employer? ☐ Yes ☐ No	Private Employer or Union Pension	\$
If "no" provide the reason you are no longer employed:	Other	\$

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BENEFITS ACCURACY MEASUREMENT CLAIMANT QUESTIONNAIRE - PAID CLAIM				
46. Did you receive information about your unemployment benefits, rights, and responsibilities when you first filed for benefits? ☐ Yes ☐ No If "Yes", how was this information given to you? (Check ALL that apply) ☐ In-person (individual) interview	47. Have you had any problems with your unemployment insurance claim? ☐ Yes ☐ No If "Yes", explain:			
	48. Do you have any questions to ask about your unemployment insurance claim or about your responsibilities and rights as an unemployment insurance claimant? ☐ Yes ☐ No			
	If "Yes", explain: Please complete your work history on the following page.			
49. Between the day you filed for unemployment benefits and day that y ☐ Yes ☐ No If yes, are you still working for this employer? ☐ Yes ☐ No ☐ ☐ Yes ☐ No ☐ Yes ☐ Yes ☐ No ☐ Yes ☐	f "No", Why are you no longer working for this employer?			
	red them truthfully to the best of my knowledge. I know my answers will be know the law provides penalties for false statements made to obtain benefits.			
Claimant's Signature	Date Signed			
Interviewer's Signature	Date Signed			
AGENCY USE ONLY → Information obtained by: ☐ Mail	☐ Fax ☐ Phone ☐ In-person ☐ E-mail			

Please complete your work history on the following page(s).

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BENEFITS ACCURACY MEASUREMENT CLAIMANT QUESTIONNAIRE - PAID CLAIM EMPLOYMENT HISTORY PAGE 1

Please provide the following information about employers for whom you worked. Begin with your most recent employer and work back to the date shown. Include **ALL** employment (i.e. full time, part time, out of state, federal employment or contract work).

FROM THE PRESENT BACK TO

MONTH / DAY / YEAR

CURRENT OR MOST RECENT	2 ND MOST RECENT	3 RD MOST RECENT	4 TH MOST RECENT
Employer Name	Employer Name	Employer Name	Employer Name
Address	Address	Address	Address
Location of Job Site			
Telephone Number	Telephone Number	Telephone Number	Telephone Number
Type of work Check all that apply Full time Part Time Contract Federal Military	Type of work Check all that apply □ Full time □ Part Time □ Contract □ Federal □ Military	Type of work Check all that apply □ Full time □ Part Time □ Contract □ Federal □ Military	Type of work Check all that apply Full time Part Time Contract Federal Military
Length of Employment First day	Length of Employment First day	Length of Employment First day	Length of Employment First day
Last day	Last day	Last day	Last day
Your Job Title	Your Job Title	Your Job Title	Your Job Title
Your Wages on this Job \$ Per What were your main job duties?	Your Wages on this Job \$ Per What were your main job duties?	Your Wages on this Job \$ Per What were your main job duties?	Your Wages on this Job \$ Per What were your main job duties?
Reason for Separation Still employed Lack of Work or Layoff Discharge or Fired Quit or Retired Labor Dispute Seasonal Other Compelling Reasons	Reason for Separation Still employed Lack of Work or Layoff Discharge or Fired Quit or Retired Labor Dispute Seasonal Other Compelling Reasons	Reason for Separation Still employed Lack of Work or Layoff Discharge or Fired Quit or Retired Labor Dispute Seasonal Other Compelling Reasons	Reason for Separation Still employed Lack of Work or Layoff Discharge or Fired Quit or Retired Labor Dispute Seasonal Other Compelling Reasons

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BENEFITS ACCURACY MEASUREMENT CLAIMANT QUESTIONNAIRE - PAID CLAIM EMPLOYMENT HISTORY PAGE 2

Please continue to provide the following information about employers for whom you worked. Continue your work history from the prior page and work back to the date shown below. Include **ALL** employment (i.e. full time, part time, out of state, federal employment or contract work).

FROM THE PRESENT BACK TO MONTH / DAY / YEAR					
5 TH MOST RECENT	6 TH MOST RECENT	7RD MOST RECENT	8 TH MOST RECENT		
Employer Name	Employer Name	Employer Name	Employer Name		
Address	Address	Address	Address		
Location of Job Site					
Telephone Number	Telephone Number	Telephone Number	Telephone Number		
Type of work Check all that apply Full time Part Time Contract Federal Military	Type of work Check all that apply Full time Part Time Contract Federal Military	Type of work Check all that apply Full time Part Time Contract Federal Military	Type of work Check all that apply Full time Part Time Contract Federal Military		
Length of Employment	Length of Employment	Length of Employment	Length of Employment		
First day	First day	First day	First day		
Your Job Title	Your Job Title	Your Job Title	Your Job Title		
Your Wages on this Job \$ Per What were your main job duties?	Your Wages on this Job \$ Per What were your main job duties?	Your Wages on this Job \$ Per What were your main job duties?	Your Wages on this Job \$ Per What were your main job		
Time vere your manifest dades.	William Word Jour Hillings Guides	That were your man you diden	What were your main job duties?		
Reason for Separation Still employed Lack of Work or Layoff Discharge or Fired Quit or Retired Labor Dispute Seasonal Other Compelling Reasons	Reason for Separation Still employed Lack of Work or Layoff Discharge or Fired Quit or Retired Labor Dispute Seasonal Other Compelling Reasons	Reason for Separation Still employed Lack of Work or Layoff Discharge or Fired Quit or Retired Labor Dispute Seasonal Other Compelling Reasons	Reason for Separation Still employed Lack of Work or Layoff Discharge or Fired Quit or Retired Labor Dispute Seasonal Other Compelling Reasons		

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APPENDIX E EXISTING PAID CLAIMS DATA COLLECTION INSTRUMENT (DCI), ET HANDBOOK 395 5TH EDITION

PAID CLAIMS ACCURACY DATA COLLECTION INSTRUMENT (DCI)

Sta	te Bate	ch #			Sequence #	San	ple Type
			nvestigator ID		eal Office		
b1	Method Info Obtained			e15	Dep Allowance Bet	fore	Ι
b2	U.S. Citizen			e16	Dep Allowance Aft		
b3	Education			e17	Ind Code Primary I		
b4	Voc/Tech School			e18	Mon. Redeterm. Be		
b5	Currently In Training			e19	Remain Balance		\$
b6	Occ Code Last						
b7	Occ Code Usual			f1	KW Earnings Befo	re	\$
b8	Normal Hourly Wage	\$		f2	KW Earnings After		\$
b9	Occ Code Seeking			f3	Earn Deduct Befor		\$
b10	Lowest Hourly Wage	\$		f4	Earn Deduct After		\$
b11	Date of Birth	//	,	f5	Other Income Befo	ore	\$
b12	Gender			f6	Other Income Afte	r	\$
b13	Race/Ethnic			f7	Other Deduct Befo	ore	\$
	· ·			f8	Other Deduct Afte		\$
c1	Program Code			f9	First CWK Date		
c2	Combined Wage Claim			f10	Date First Pay		/ /
c3	Benefit Year Begin	//	,	f11	KW File Method		4
c4	Init Claim Filing Meth			f12	KW Certification		2
c5	Benefit Rights Given			f13	Original Amount P	aid	\$
c 6	ERPs			ii ii	8		
c 7	Last ERPs	//		g1	WS Requirement		
c8	Prior Nonsep Issues			g2	LE Reg Required		1
c 9	Prior Nonsep Disq			g3	LE Reg/Services		1
	1			g4	LE Deferred		
d1	Reason Sep Before			g5	LE Referrals		
d2	Reason Sep After			g6	Regis Private Agen	cv	1
d3	Date Sep Before	//		g7	Priv Agency Refers		1
d4	Date Sep After	//		g8	Union Status		
d5	Recall Status Before			g9	Union Referral Stat	711S	
d6	Recall Status After			g10	KW Contacts		
d7	Tax Rate Last Empl.			g11	Prior KW Contacts	.	
d8	Ind Code Last Empl.			g12	Contacts Inv		
				g13	Contacts Acceptabl	le	
e1	BP Employers Before			g14	Contacts Unaccepta		
e2	BP Employers After			g15	Contacts Unverified		
e3	BP Wages Before	\$		0-5			I
e4	BP Wages After	\$		h1	Action Code		T
e5	High Qtr Wages Before	\$		h2	Should Have Been	Paid	\$.
e6	High Qtr Wages After	\$		h3	Total Amount OP		\$.
e7	Weeks Worked Before	, ,,		h4	Total Amount UP		\$.
e8	Weeks Worked After			h5	Total KW OP		\$
e9	WBA Before	\$		h6	Total KW UP		\$
e10	WBA After	\$		h7	Inv Completed		
e11	MBA Before	\$		h8	Inv Completion Da	nte	/ /
e12	MBA After	\$		h9	Supv Review Comp		
e13	Dep Before	Ψ		h10	Supv Completion I		. / /
e14	Dep After			h11	Supervisor ID	race	/ /

PAID CLAIMS ACCURACY DATA COLLECTION INSTRUMENT (DCI)

State	Batch #	Sequence #	Sample Type
SSN	Key Week	Investigator ID	Local Office

ERROR ISSUES

Error Issue #: 1

ei1	Amount Key Week Error	ei5	QC Detection Point
ei2	Key Week Action	ei6	Prior Agency Action
ei3	Error Cause	ei7	Prior Employer Action
ei4	Error Responsibility	ei8	QC Action Appealed
		ei9	Claimant Action

Error Issue #: 2

ei1	Amount Key Week Error	ei5	QC Detection Point
ei2	Key Week Action	ei6	Prior Agency Action
ei3	Error Cause	ei7	Prior Employer Action
ei4	Error Responsibility	ei8	QC Action Appealed
		ei9	Claimant Action

Error Issue #: 3

ei1	Amount Key Week Error	ei5	QC Detection Point
ei2	Key Week Action	ei6	Prior Agency Action
ei3	Error Cause	ei7	Prior Employer Action
ei4	Error Responsibility	ei8	QC Action Appealed
		ei9	Claimant Action

Error Issue #: 4

ei1	Amount Key Week Error	ei5	QC Detection Point
ei2	Key Week Action	ei6	Prior Agency Action
ei3	Error Cause	ei7	Prior Employer Action
ei4	Error Responsibility	ei8	QC Action Appealed
		ei9	Claimant Action

Error Issue #: 5

ei1	Amount Key Week Error	ei5	QC Detection Point
ei2	Key Week Action	ei6	Prior Agency Action
ei3	Error Cause	ei7	Prior Employer Action
ei4	Error Responsibility	ei8	QC Action Appealed
		ei9	Claimant Action

APPENDIX F

ANALYSIS MATRIX #1: DCI TO QUESTIONNAIRE CROSSWALK

1 DCI Section	2 DCI Item	3 Codes	4 Data Source(s)/Questionnaire Item(s)	5 States' Perspectives
Claimant Info	N/A	N/A	Q01 - Name Revised Q item A1, A1a.	Important for verifying respondent's identity
Claimant Info	N/A	N/A	Q02 - SSN Revised Q items A2, A2a.	Important for verifying respondent's identity
Claimant Info	N/A	N/A	Q03 - Street Add. Revised Q item A6.	States visited noted that Q3 through Q5 can be answered with agency materials and therefore may not need to be asked on the questionnaire
Claimant Info	N/A	N/A	Q04 - City, State, Zip Revised Q item A6.	States visited noted that Q3 through Q5 can be answered with agency materials and therefore may not need to be asked on the questionnaire
Claimant Info	N/A	N/A	Q05 - Mailing Add. Revised Q item A6a.	States visited noted that Q3 through Q5 can be answered with agency materials and therefore may not need to be asked on the questionnaire
Claimant Info	N/A	N/A	Q06 - Add. First Filed (if changed) Revised Q item A6b.	
Claimant Info	N/A	N/A	Q07 - Telephone Number Revised Q item A4.	
Claimant Info	b1- Method Info Obtained	Primary method by which the information contained in the claimant questionnaire was obtained: 1 - In-person 2 - Telephone 3 - Mail or other method (i.e., fax) -1 - Not obtained	Other: Q administration Revised Q item G.1.	BAM staff from three study states indicated that e-mail is an increasingly popular response option
	b2 - U.S. Citizen	1 - U.S. Citizen 2 - Alien eligible under 3304(a)(14)FUTA 3 - Alien ineligible under 3304(a)(14)FUTA -1 - Missing or information not available	Q12 - U.S. Citizen Revised Q items A7, A7a.	Three study states noted that this Q is important as U.S. citizenship can be an eligibility determinant
Claimant Info	b3 - Education	00 - Never attended school 01 through 11 - Highest grade completed 12 - High school graduate or GED 14 - Some college (but no degree) 15 - Associate's degree 16 - BA or BS Degree 20 - Graduate Degree (Masters, MD, PhD, JD, etc.) -1 - Missing or information not available	Q13 - High. Lev. Ed. Compl. Revised Q item A11.	
Claimant Info	b4 - Voc/Tech School	 1 - Never attended 2 - Attended, but not certified 3 - Attended and received certificate -1 - Missing or not available 	Q14 - Voc/Tech School Revised Q item A12.	

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1	2	3	4 Data	5
DCI Section	DCI Item	Codes	Source(s)/Questionnaire Item(s)	States' Perspectives
Claimant Info	b5 - Currently in Training	00 - Not in training -1 - Missing or information not available UI Approved Training 11 - Tech./voc. 12 - WIA 13 - Academic 14 - Other Not UI Approved Training 21 - Tech./voc. 22 - WIA 23 - Academic 24 - Other	Q35 - Enroll Training KW Revised Q item D5.	Important to know if a respondent is enrolled in training as it could exempt them from state's WS requirement.
Claimant Info	b6 - Occ Code Last	Enter O*NET code for claimant's last job [codes provided in Handbook 395] -1 Missing or information not available	Q - Employment History Agency Records: Last job prior to filing recent Initial/additional claim Other: O*NET	
Claimant Info	b7 - Occ Code Usual	Enter O*NET code for claimant's usual job [codes provided in Handbook 395] -1 Missing or information not available	Q22 - Usual Occ. Last 18 Mos. Revised Q item B3.	The work that a respondent has done for the past 18 months might not be their "normal" work, so they are sometimes unsure how to respond to Q22
Claimant Info	b8 - Normal Hourly Wage	Enter normal hourly wage for the claimant's occupation during the base period -1 - Missing or information not available	Q20 - Normal Wage Last 18 Mos. Agency Records Other: Labor market information Revised Q item B3b.	Three states said that items requiring respondents to perform calculations are challenging for them to complete, specifically Q20. Also, the wage that a respondent has earned for the past 18 months might not be their "usual" wage, so they are sometimes unsure how to respond to Q20.
Claimant Info	b9 - Occ Code Seeking	Enter O*NET code for type of work claimant seeking -1 Missing or information not available	Q29 - Type Work Looking For Revised Q item D1.	Any and all work search questions are important to BAM determinations. Investigators from one state noted that Q29's instructions are confusing.
Claimant Info	b10 - Lowest Hourly Wage	Enter the lowest hourly wage that the claimant was willing to accept during the Key Week -1 - Missing or information not available	Q21 - Lowest Pay will Accept Revised Q item C5.	Two states listed Q21 as an important question. Investigators from one state noted that Q21's instructions are confusing.
Claimant Info	b11 - Date of Birth	Enter date of birth (MM/DD/YYYY) Code 01/01/0001 for missing or information not available	Q08 - Date of Birth Revised Q item A3.	Important for verifying respondent's identity
Claimant Info	b12 - Gender	1 - Male 2 - Female -1 - Missing or information not available	Q09 - Gender Revised Q item A8.	

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1 DCI	2	3	4 Data Source(s)/Questionnaire	5
Section	DCI Item	Codes	Item(s)	States' Perspectives
Claimant Info	b13 - Race/Ethnic	Ethnicity: 0 - Not Hispanic or Latino 1 - Hispanic or Latino 9 - Ethnicity Unknown Race: 1 - White 2 - Black or African American 3 - Asian 4 - American Indian or Alaska Native 5 - Native Hawaiian or Other Pacific Islander 6 - Multiple Categories Reported 9 - Race Unknown No data: 99 - Race nor Hispanic/Latino ethnicity is known	Q10 - Race Q11 - Ethnic Group Revised Q items A9, A10.	Q10 and Q11 are important for "statistical purposes" but do not affect investigators' determinations (according to two states).
Benefit Year Info	c1 - Program Code	1 - UI 2 - UI-UCFE 3 - UI-UCX 4 - UI-UCFE-UCX 5 - UCFE 6 - UCFE-UCX 7 - UCX 8- Temporary emergency/extended benefits (e.g., EUC) 9 - Deleted Record (e.g., TAA, DUA, Workshare)	Agency Records: Type of claim taken	
	c2 - Combined Wage Claim	 CWC Intrastate Claim No combined wages, Intrastate Claim Pending out-of-state wages, Intrastate Claim CWC Interstate Claim No combined wages, Interstate Claim Pending out-of-state wages, Interstate Claim 	Agency Records: Key Week payment info	
	c3 - Benefit Year Begin	Effective date of most recent new or transitional claim, not reopened or additional (MM/DD/YYYY)	Agency Records: Most recent new or transitional claim, not reopened or additional	
	c4 - Init Claim Filing Meth	1 - In-Person Claim 2 - Mail Claim (including e-mail) 3 - Telephone Claim (including automated, interactive telephone systems) 4 - Employer-Filed Claim 5 - Other (e.g., electronic, other than e-mail) 6 - Internet Claim -1 - Missing or other information not available	Agency Records	
	c5 - Benefit Rights Given	A - In-person Interview 0 - Not given 1 - In-person interview given B - Group Interview 0 - Not given 1 - Group interview given C - Booklet/Pamphlet 0 - Not given 1 - Booklet/Pamphlet given D - Video/Electronic/Other Multimedia 0 - Not given 1 - Video/Electronic (including Internet/Telephone/Other Multimedia) given	Q46 - Benefit Rights Agency Records? Revised Q item F1 .	Two states visited highlighted Q46 as important to their determination.
Benefit Year Info	c6 - ERPs	[Eligibility Review Program Interview] 0 - Claimant should have had ERP but did not -1 - Missing or information not available -2 - Not applicable (claimant not required to have ERP or fist ERP scheduled after the Key Week)	Agency Records	
Benefit Year Info	c7 - Last ERPs	Enter date of claimant's most recent ERP (MM/DD/YYYY)	Agency Records	

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1 DCI	2	3	4 Data	5
Section	DCI Item	Codes	Source(s)/Questionnaire Item(s)	States' Perspectives
Benefit Year Info	c8 - Prior Nonsep Issues	Enter number of prior non-separation issues disposed of in current benefit year through Key Week ending date (0 to 99)	Agency Records	
	c9 - Prior Nonsep Disq	Enter number of prior disqualifications that resulted from non-separation issues identified in c8 (0 to 99)	Agency Records	
Sep. Info	d1 - Reason Sep Before	[Separation that caused the period of unemployment for the Key Week] 10 - Lack of Work (e.g., RIF, temporary or permanent lay-off) 20 - Voluntary quit 30 - Discharge 40 - Labor Dispute 50 - Other (include military separation or Compelling Family Reasons) 60 - Not separated (partially or fully employed, job attached, leave of absence)	Agency Records	The states visited noted that d codes are particularly critical to their determinations, but three do not use d8 and two do not use d7 .
Sep. Info	d2 - Reason Sep After	[Separation for the period of unemployment in which the Key Week occurred] 10 - Lack of Work (e.g., RIF, temporary or permanent lay-off) 20 - Voluntary quit 30 - Discharge 40 - Labor Dispute 50 - Other (include military separation or Compelling Family Reasons) 60 - Not separated (partially or fully employed, job attached, leave of absence)	Q - Employment History/Reason for Separation Revised Q item B1.	
Sep. Info	d3 - Date Sep Before	Date of separation from last employer reflected in d1 (MM/DD/YYYY)	Agency Records	
Sep. Info	d4 - Date Sep After	Date of separation from last employer reflected in d2 (MM/DD/YYYY)	Q - Employment History	
Sep. Info	d5 - Recall	[Recall status for Key Week] 0 - No recall 1 - Definite recall (specific return date) 2 - indefinite recall (no specific return date) -1 - Missing or information not available -2 - Not applicable (e.g., partial)	Agency Records	
Sep. Info	d6 - Recall Status After	0 - No recall 1 - Definite recall (specific return date) 2 - indefinite recall (no specific return date) -1 - Missing or information not available -2 - Not applicable (e.g., partial)	Q23 - Expect Called Back by Past Emp. Revised Q item B2-B2e.	Two states cited Q23 as important to their investigation of a respondent's work search efforts
Sep. Info	d7 - Tax Rate Last Empl.	Last employer's UI tax rate at time of filing for most recent new or additional claim -1 - Non-subject employer unit or information not available	Q - Employment History Agency Records Revised Q item B1. (Removing DCI item.)	Three states do not code d7 or d8 to make investigation determinations.
Sep. Info	d8 - Ind Code Last Empl.	Enter NAICS code for claimant's last employer identified [codes provided in Handbook 395] -1 Missing or information not available	Q - Employment History Revised Q item B1.	Three states do not code d7 or d8 to make investigation determinations.
Mon. Elig.	e1 - BP Employers Before	Enter number of subject base period employers, before investigation; those included in monetary determination from which Key Week payment was made (within validation range set by state agency)	Agency Records	
Mon. Elig.	e2 - BP Employers	Enter number of subject base period employers, after investigation; those included in monetary determination from which Key Week payment was	Q - Employment History BAM Employer Verification	
	After	made (within validation range set by state agency)	Revised Q item B1.	

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1 DCI	2	3	4 Data	5
Section	DCI Item	Codes	Source(s)/Questionnaire Item(s)	States' Perspectives
Mon. Elig.	e3 - BP Wages Before	Enter total amount of all base period wages, before investigation (see e1); those included in monetary determination from which Key Week payment was made	Agency Records	
Mon. Elig.	e4 - BP Wages After	Enter total amount of all base period wages, after investigation (see e2); those included in monetary determination from which Key Week payment was made	Q - Employment History BAM Employer Verification Other: Wage Records	
		Farmed the other transfer of the control of the con	Revised Q item B1.	
Mon. Elig.	e5 - High Qtr Wages Before	Enter claimant's high quarter base period wages, before investigation; those included in monetary determination from which Key Week payment was made (whole dollar amount) -2 – Not applicable and/or not in state records	Agency Records	
Mon. Elig.	e6 - High Qtr Wages After	Enter claimant's high quarter base period wages, after investigation; those included in monetary determination from which Key Week payment was made (whole dollar amount)	Q - Employment History BAM Employer Verification Other: Wage Records	
		-2 - Not applicable	Revised Q item B1.	
Mon. Elig.	e7 - Weeks Worked Before	Enter number of actual weeks claimant worked in the base period, before investigation (within validation range set by state agency) -2 - Not applicable if the number of weeks works is not required	Agency Records	
Mon. Elig.	e8 - Weeks Worked After	Enter number of actual weeks claimant worked in the base period, after investigation (within validation range set by state agency) -2 – Not applicable if the number of weeks works is not required	Q - Employment History BAM Employer Verification Other: Wage Records Revised Q item B1.	
Mon. Elig.	e9 - WBA Before	Enter claimant's WBA [weekly benefit amount] for the Key Week, based on the monetary determination from with the Key Week payment was made (whole dollar amount)	Agency Records	
Mon. Elig.	e10 - WBA After	Enter claimant's WBA [weekly benefit amount] for the Key Week, based on the monetary determination that should have been applied to the Key Week payment (whole dollar amount)		
Mon. Elig.	ell - MBA Before	Enter claimant's MBA [maximum benefit amount] for the Key Week, based on the monetary determination from with the Key Week payment was made (whole dollar amount)	Agency Records	
Mon. Elig.	e12 - MBA After	Enter claimant's MBA [maximum benefit amount] for the Key Week, based on the monetary determination that should have been applied to the Key Week payment (whole dollar amount)	Other: Calculation based on fact-finding	
Mon. Elig.	e13 - Dep Before	Enter number of dependents claimed 0 - None and state has a dependency provision -2 - State does not have a dependency provision	Agency Records	
Mon. Elig.	e14 - Dep After	Enter number of dependents that should have been claimed 0 - None and state has a dependency provision -2 - State does not have a dependency provision	Q item D7, D7a.	

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1 DCI	2	3	4 Data	5
Section	DCI Item	Codes	Source(s)/Questionnaire Item(s)	States' Perspectives
Mon. Elig.	e15 - Dep Allowance Before	Enter dependents' allowance before investigation, if any paid during Key Week (within validation range set by state agency) 0 - Claimant is not eligible for allowance and state does not have a dependency provision -2 - State does not have a dependency provision	Agency Records	
Mon. Elig.	e16 - Dep Allowance After	Enter dependents' allowance that should have been paid during Key Week (within validation range set by state agency) 0 - Claimant is not eligible for allowance and state does not have a dependency provision -2 - State does not have a dependency provision	Other: Calculation based on fact-finding	
Mon. Elig.	e17 - Ind Code Primary Empl.	Enter NAICS code for claimant's primary base period employer from whom most wages were earned [codes provided in Handbook 395] -1 - Information missing or not available		
Mon. Elig.	e18 - Mon. Redeterm. Before	[Did state redetermine claimant's monetary eligibility prior to the Key Week?] 1 - Yes 2 - No	Agency Records	
Mon. Elig.		Enter remaining balance of claimant's benefits at time of Key Week; deduct Key Week payment; exclude dependency allowances (equal to MBA minus sum of dollar amounts of all weeks paid including Key Week) 0 – Balance is exhausted	Other: Calculation based on fact-finding	
Ben. Pay. Hist.	f1 - Earnings Before	Enter earnings during Key Week (whole dollar amount), before investigation; do not include pension, holiday, etc.	Agency Records	The states visited noted that f codes are particularly critical to their determinations
Ben. Pay. Hist.	f2 - KW Earnings After	Enter earnings during Key Week (whole dollar amount), after investigation; do not include pension, holiday, etc.	Q44- Work in KW Q45a-KW Earnings Q49 - Benefit Year Employment Q - Employment History BAM Employer Verification Other: New Hire Database(s) Revised Q items E1, E2.	Two states visited highlighted Q44 as important to their determination. One state visited noted that Q49 was important to their determination.
Ben. Pay. Hist.	f3 - Earn Deduct Before	Enter actual amount deducted from WBA (whole dollar amount), before investigation; do not include pension, holiday, etc.	Agency Records	
Ben. Pay. Hist.	f4 - Earn Deduct After	Enter actual amount deducted from WBA (whole dollar amount), after investigation; do not include pension, holiday, etc.		
Ben. Pay. Hist.	f5 - Other Income Before	Enter total amount of other income (deductable under state law) before deductions (whole dollar amount), before investigation; included all deductible income (pensions, holiday, vacation, etc.)	Agency Records	
Ben. Pay. Hist.	f6 - Other Income After	Enter total amount of other income (deductable under state law) before deductions (whole dollar amount), after investigation; included pensions	Q45a - Income in the KW Q45b - SS/Pension/Retirement Revised Q item E2.	
Ben. Pay. Hist.	f7 - Other Deduct Before	Enter actual amount deducted from WBA due to pension, holiday, vacation, etc. (whole dollar amount), before investigation	Agency Records	

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1 DCI	2	3	4 Data	5
Section	DCI Item	Codes	Source(s)/Questionnaire Item(s)	States' Perspectives
Ben. Pay. Hist.	f8 - Other Deduct After	Enter actual amount that should have been deducted from WBA due to pension, holiday, vacation, etc. (whole dollar amount), after investigation		
Hist.	Date	Enter Week Ending Date of first week compensable (paid/offset, totally or partially) [First CWK] in the benefit year as defined by First Payment Time Lapse Report (ETA 9050) (MM/DD/YYYY)		
Ben. Pay. Hist.	f10 - Date First Pay	Enter date first payment was made (or offset applied) for the First CWK (MM/DD/YYYY)		
	f11 - KW File Method	1 - Mail Claim (including e-mail) 2 - In-person Claim 3 - Employer filed (i.e., partial) 4 - Telephone (including automated, interactive telephone systems) 5 - Other (e.g., electronic, other than e-mail) 6 - Internet Claim -1 - Missing or information not available	Agency Records	
Ben. Pay. Hist.	f12 - KW Certification	Key Week claimed on a weekly cycle Key Week claimed on a bi-weekly cycle Other (greater than bi-weekly cycle)	Agency Records	
Ben. Pay. Hist.	f13 - Original Amount Paid	Enter original amount paid in the Key Week (whole dollar amount); including dependent allowance, child support intercepted, tax withholdings, etc.	Agency Records	
ES/WS	g1 - WS Requirement	1 - Required to actively seek work (in addition to union contact, if applicable) 2 - An agency directive (written or verbal) temporarily suspended the claimant's normal work search for the Key Week 3 - Union deferral (seeking work only through union) 4 - Job attached deferral (temporary lay-off, recall, partial, industry attached) 5 - Other deferrals (disability, school, etc) -2 - Not Applicable, if no active work search policy	Q23 - Expect Called Back by Past Emp. Q34 - Active Member of Union Q35 - Enroll Training KW Q36 - Disable/Handicap Dependent Q37 - Dependent Care Agency Records Q42 - WS Contacts Other: Agency policy Revised Q item D13f.	
ES/WS	g2 - LE Reg Required	[State law and policy re: ES registration] 1 - Yes, per state law 2 - No 3 - Yes, as a result of profiling 4 - Yes, for both reasons	Q30 - Reg. w/ES Agency Records Revised Q items D10, D10a.	One state cited Q30 as important to their investigation of a respondent's work search efforts. States visited noted that Q30 can be answered with agency materials and therefore may not need to be asked on the questionnaire.
ES/WS	g3 - LE Reg/Services	1 - Registered with the Employment Service and has received one or more staff-assisted service during the current benefit year (for example, job referral, placement in training, reemployment or assessment services, or job search activities) 2 - Not registered with Employment Service and has not used self-help services from One-Stop delivery system during the current benefit year 3 - Not registered with Employment Service but has received staff-assisted services or has used self-help services from One-Stop delivery system during the current benefit year 4 - Registered with the Employment Service but has received no staff-assisted services during the current benefit year	Q30 - Reg. w/ES Q31 - ES Refer During KW Q32 - Results ES Referrals Agency Records Revised Q items D10b through D10f.	

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1 DCI	2	3	4 Data	5
Section	DCI Item	Codes	Source(s)/Questionnaire Item(s)	States' Perspectives
ES/WS	g4 - LE Deferred	 1 - Union member 2 - Job attached 3 - Partial 4 - Seasonal 5 - Approved training 6 - Local Office policy 7 - Other -2 - Not Applicable, if claimant not deferred 	Q34 - Active Member of Union Agency Records Other: policy Revised Q item D12.	
ES/WS	g5 - LE Referrals	Enter number of time Employment Services referred claimant for employment during current benefit year (CBY) up to and including the Key Week 0 - No referrals while registered in CBY -1 - Information missing or not available -2 - Claimant not registered or received no services during CBY	Q31 - ES Refer During KW Q32 - Results ES Referrals Revised Q items D10 c/f and D10 d/g.	
ES/WS	g6 - Regis Private Agency	1- Registered with private agency 2 - Not registered with private agency -1 - Information missing or not available	Q33 - Reg. Priv. Agency Revised Q items D11	Two states visited noted that respondents interpret "private agency" as "private employment agency".
ES/WS	g7 - Priv Agency Referrals	Enter number of times claimant was referred for employment by a Private Employment Agency during the Key Week 0 - Registered but not referred -1 - Information missing or not available -2 - Claimant not registered	Q33 - Reg. Priv. Agency Revised Q item D11d.	
ES/WS	g8 - Union Status	1- Claimant is a member of a union with a hiring hall and was eligible to be referred by the union during the Key Week 2 - Claimant is a member of a union with a hiring hall but was not eligible for union referral during the Key Week 3 - Claimant is a member of a non-hiring-hall union -1 - Missing or information not available	Q34 - Active Member of Union Revised Q items D12c and D12g.	Three states cited Q34 as important to their investigation of a respondent's work search efforts.
ES/WS	g9 - Union Referral Status	Enter number of times union hall referred claimant for employment during the Key Week (verified by union hall); do not include referrals from non-hiring-hall unions -1 - Information missing or not available -2 - Not Applicable	Q34 - Active Member of Union Revised Q item D12m.	
ES/WS	g10 - KW Contacts	Enter number of all Key Week job contacts listed from any source. 0 - No contacts indicated -1 - Claimant does not or is not available -2 - Not required to and did not seek work	Q38 - Able and Available Q39 - Could not Work in KW Q42- WS Revised Q items D13a through D13f.	All states visited consider the WS questions on the Q to be important to the investigation/determination (which they defined as Q24 through Q42), with different states highlighting Q42, Q26, and Q27 as particularly important. States visited noted that Q36 through Q39 might be redundant. Two states suggested that space for more contacts be added to Q42.
ES/WS	g11 - Prior KW Contacts	Enter the number of work search contacts made prior to Key Week only if used to satisfy the state's work search requirement 0 - No contacts were indicated or KW contacts were sufficient to meet the requirements -1 - Claimant does not or INA [is not available?] -2 - State does not allow contacts outside of the KW to satisfy work search requirements	Revised Q item D13f. (Removing DCI item.)	
ES/WS	g12 - Contacts Inv	Enter the number of work search contacts investigated by BAM, regardless of determination regarding acceptability 0 - No job contacts were investigated		

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1	2	3	4 Data	5
DCI Section	DCI Item	Codes	Source(s)/Questionnaire Item(s)	States' Perspectives
ES/WS	g13 - Contacts Acceptable	Enter the number of acceptable work search contacts for which documentation of acceptability exists in BAM file	BAM Employer Verification	
ES/WS	g14 - Contacts Unacceptable	Enter the number of unacceptable work search contacts for which documentation that contacts were not made by the claimant exist in BAM file	BAM Employer Verification	
ES/WS	g15 - Contacts Unverified	Enter the number of work search contacts for which there was insufficient information to make a judgment of acceptable or unacceptable	BAM Employer Verification	
ES/WS	g16 - Claimant Activities In Lieu of WS	Enter the number of activities performed by claimant that substitute for the work search requirement. Claimant reports performing substitute activity, and SWA records agree. 0 - Claimant reports performing substitute activity, but SWA cannot verify this1 - Claimant reports performing substitute activity, but SWA determines substitute to be unacceptable2 - SWA indicates that claimant performed substitute activity (not reported by claimant) -3 - State does not allow for substitute activities	Requires new questionnaire item Q to DOL about adequacy of Q item D13e for this.	
ES/WS	N/A	N/A	Q15 - Days of Wk Usually Work Revised Q item B4.	
ES/WS	N/A	N/A	Q16 - Days of Wk Willing/Able to Work Revised Q item C2.	Two states visited noted that Q16, Q17, Q18, and Q19 are important to their investigation.
ES/WS	N/A	N/A	Q17 - Hrs/Shifts Usually Work Revised Q item B5.	Two states visited noted that Q16, Q17, Q18, and Q19 are important to their investigation.

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1 DCI Section	2 DCI Item		3 Codes	4 Data Source(s)/Questionnaire Item(s)	5 States' Perspectives
ES/WS	N/A	N/A		Q18 - Hrs Willing/Able to Work Revised Q item C3.	Two states visited noted that Q16, Q17, Q18, and Q19 are important to their investigation.
ES/WS	N/A	N/A		Q19 - Shifts Willing/Able to Work Revised Q item C4.	Two states visited noted that Q16, Q17, Q18, and Q19 are important to their investigation.
ES/WS	N/A	N/A		Q24 - Miles will Travel Revised Q item C6.	Half of the states visited noted that Q24 and Q25 were helpful in determining if a claimant is able and available for work.
ES/WS	N/A	N/A		Q25 - Minutes will Travel Revised Q item C7.	Half of the states visited noted that Q24 and Q25 were helpful in determining if a claimant is able and available for work.
ES/WS	N/A	N/A		Q26 - Valid DL Revised Q item C8.	
ES/WS	N/A	N/A		Q27 - Means Normally Travel to look for Work Revised Q item C10.	
ES/WS	N/A	N/A		Q28 - Job Last for Certain Time to Accept Revised Q items C1a, C1b.	
ES/WS	N/A	N/A		Q36 - Claimant/Family Handicap/Disabled Revised Q items D2, D2a, D7, D8, D9.	Staff from three states visited noted that Q36 helps them determine if claimants are able and available for work (also related Q37). States visited noted that Q36 through Q39 might be redundant.
ES/WS	N/A	N/A		Q40 - Union Officer Revised Q items D6, D6a, D6b.	States visited noted that Q40 confuses some claimants.

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1 DCI Section	2 DCI Item		3 Codes	4 Data Source(s)/Questionnaire Item(s)	5 States' Perspectives
ES/WS	N/A	N/A		Q41 - Need License/Certificate Revised Q items D4 through D4c.	
ES/WS	N/A	N/A		Q43 - Receive Job Offers from WS Empl. Revised Q item D14.	Two states visited highlighted Q43 as important to their determination.
N/A	N/A	N/A		Q47 - UI Problems Revised Q item F2.	Two states visited highlighted Q47 as important to their determination.
N/A	N/A	N/A		Q48 - Claim Questions Revised Q item F3.	Two states visited highlighted Q48 as important to their determination.

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APPENDIX G

ANALYSIS MATRIX #2: DCI REVISIONS

Item	Response Options/Completion Instructions	Recommended Revision
Section B: Claim	ant Information	
b1- Method Info Obtained	1 – In-person 2 – Telephone 3 – Mail or other method (i.e., fax) -1 – Not obtained	Revise response option 3 to include email: 3 - Mail or other method (i.e., fax, e-mail). This will align with revised questionnaire item G1.
b3 – Education	00 – Never attended school 01 through 11 – Highest grade completed 12 – High school graduate or GED 14 – Some college (but no degree) 15 – Associate's degree 16 – BA or BS Degree 20 – Graduate Degree (Masters, MD, PhD, JD, etc.) -1 – Missing or information not available	Combine b3 response options 01 through 11 into a single "Less than high school diploma/ GED" code, commensurate with revised questionnaire item A11: 11 – Less than a high school diploma or GED.
b5 - Currently in Training	00 – Not in training -1 – Missing or information not available UI Approved Training 11 – Tech./voc. 12 – WIA 13 – Academic 14 – Other Not UI Approved Training 21 – Tech./voc. 22 – WIA 23 – Academic 24 – Other	Eliminate response options 11, 12, 13, 14, 21, 22, 23, and 24; DOL analyzes the primary response options (00 and -1) for research purposes, but does not extensively analyze the information captured in the other response options. Revised response options: - 00 - Not in training - 1 - In training 1 - Missing or information not available This will align with revised questionnaire item D5.
Section C: Benefice C: ERPs	[Eligibility Review Program Interview] 0 - Claimant should have had ERP but did not -1 - Missing or information not available -2 - Not applicable (claimant not required to have ERP or fist ERP scheduled after the Key Week)	Revise so that item also refers to Re-employment and Eligibility Assessment (REA) meetings and agency services.

Item	Response Options/Completion Instructions	Recommended Revision
Section D: Separ	ration Information	
d2 - Reason Sep After	[Separation for the period of unemployment in which the Key Week occurred] 10 – Lack of Work (e.g., RIF, temporary or permanent lay-off) 20 – Voluntary quit 30 – Discharge 40 – Labor Dispute 50 – Other (include military separation or Compelling Family Reasons) 60 – Not separated (partially or fully employed, job attached, leave of absence)	 Revise DCI response options 10 and 60 as follows: 10 - Lack of work (e.g. reduction in force (RIF), temporary/job attached, permanent lay-off, seasonal employment) 60 - Not separated (part time, reduced hours) Revised questionnaire Section B. Employment History matches the revised codes but uses common language rather than UI terminology.
d7 – Tax Rate Last Empl.	Last employer's UI tax rate at time of filing for most recent new or additional claim -1 – Non-subject employer unit or information not available	Remove from DCI; investigators do not need the information from d7 for their determinations; US DOL does not need it for research purposes.
Section F: Benef	it Payment History	
f5 - Other Income Before	Enter total amount of other income (deductable under state law) before deductions (whole dollar amount), before investigation; included all deductible income (pensions, holiday, vacation, etc.)	Revise instructions in ET Handbook 395, 5 th Edition; existing instructions for items f5 and f6 in ETA Handbook 395, 5 th Edition do not match and they should.
f6 - Other Income After	Enter total amount of other income (deductable under state law) before deductions (whole dollar amount), after investigation; included pensions	
Section G: Empl	oyment Services Activities and Work Search	
g1 - WS Requirement	1 - Required to actively seek work (in addition to union contact, if applicable) 2 - An agency directive (written or verbal) temporarily suspended the claimant's normal work search for the Key Week 3 - Union deferral (seeking work only through union)	Revise to account for many differences in state work search policies and documentation requirements (per draft coding guidance that OUI-DPM shared with Mathematica during evaluation discussions about challenges in coding Section G); e.g., expand response option "1 - Required to actively seek work (in addition to union contact, if applicable)" to include sub-options 10 through 49, which would describe a myriad of state work search policies and documentation requirements
	 4 - Job attached deferral (temporary lay-off, recall, partial, industry attached) 5 - Other deferrals (disability, school, etc) -2 - Not Applicable, if no active work search policy 	Given states' apparent concern and uncertainty surrounding the coding of work search issues, particularly item g1, US DOL should ensure that final guidance is clear and concise so as not to produce additional confusion.
		These changes will facilitate coding of item ei2 response option 14 – "BAM determines payment was too large except for formal warning rule that prohibits official action. The overpayment is 'technically proper' due to laws/rules requiring formal warnings for unacceptable work search efforts," which some states without formal warning rules had been coding in error.

Item	Response Options/Completion Instructions	Recommended Revision
g2 – LE Reg Required	[State law and policy re: ES registration] 1 - Yes, per state law 2 - No 3 - Yes, as a result of profiling 4 - Yes, for both reasons	Revise DCI instructions/procedures to ensure that investigators can code g2 as 1 or 4 if the state requires ES registration (Wozny et. al. 2012); provide clearer, step-by-step instruction in ET Handbook 395, 5 th Edition, and/or revise edit checks (which requires careful planning to ensure data accuracy when states change policies).
g10 - KW Contacts	Enter number of all Key Week job contacts listed from any source 0 - No contacts indicated -1 - Claimant does not or is not available -2 - Not required to and did not seek work	Revise instructions to, "Enter the number of all job contacts used to satisfy the state's active work search requirements for the Key Week." Revise response option -1 into two separate response options: (a) Claimant searched for work but could not provide employer information, and (b) Claimant did not respond to investigation questionnaire and thus did not provide work search information for the key week (Wozny et. al. 2012).
g11 - Prior KW Contacts	Enter the number of work search contacts made prior to Key Week only if used to satisfy the state's work search requirement 0 - No contacts were indicated or KW contacts were sufficient to meet the requirements -1 - Claimant does not or INA [is not available?] -2 - State does not allow contacts outside of the KW to satisfy work search requirements	Remove item g11; now redundant per g10 revisions noted above.
Error Issues		
ei3 - Error Cause	Other causes 600 - Benefits paid during a period of disqualification, even though a stop-pay order was in effect 610 - Redeterminations (at deputy level) or reversal (appeal or higher authority) 620 - Back pay award 630 - All other causes 638 - Fraud outside of Key Week caused the Key Week to be improper due to disqualification penalty	Consider eliminating "other causes" and incorporating these response options in with the other sections of item ei3; e.g., response options 600 and 620 could be part of the Benefit Year Earnings response options, 100 through 150).

APPENDIX H REVISED QUESTIONNAIRE

ET HANDBOOK NO. 395, 5TH EDITION BENEFITS ACCURACY MEASUREMENT CLAIMANT QUESTIONNAIRE

PAID CLAIM

February 18, 2014

Note: All items from the current ET Handbook 395, 5th Edition version of the questionnaire are included in this proposed revised instrument. The original item numbers are included in parentheses next to each new item number to facilitate review of the revised instrument. In the final version of the questionnaire, this item mapping can be replaced with corresponding DCI codes to facilitate investigator coding. For example, item A7 in this questionnaire, which was item 12 previously, could indicate "(b2)" to facilitate investigator coding of the responses to that item to b2 in the DCI. In addition, instructions can be consolidated onto this page to reduce overall page count. Confirmation is requested of whether there should be an OMB burden statement on this questionnaire; there is not one on the current questionnaire.

TURN TO NEXT PAGE

INSTRUCTIONS

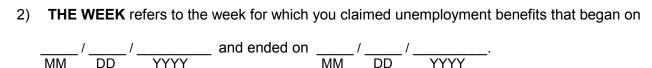
Please answer the following questions as accurately as possible. If you do not know the answer to a specific question, leave it blank. The interviewer will discuss it with you later. It you need help, please ask. Please print clearly. Your answers will be used to determine if your unemployment insurance benefits were properly paid. This information will be verified. Section B of this questionnaire is for recording your recent work history.

Benefit Accuracy Measurement (BAM) audits randomly selected paid and denied Unemployment Compensation (UC) claims to verify their accuracy. Failures to report, disclose, or provide information when directed or to complete the BAM questionnaire by the due date may result in a delay or in a denial of benefits. Your responses are subject to state confidentiality statutes, which must conform to Federal regulations (20 CFR Part 603). State and Federal agencies safeguard the confidentiality of the BAM information by:

- 1) Using the information only for purposes of verifying claimant eligibility for benefits and identifying general descriptive characteristics about the Unemployment Insurance program;
- 2) Permitting access to the information by only authorized persons;
- 3) Ensuring that the physical and electronic storage of the information is secure; and
- 4) Publishing the results of the BAM audits in a format that precludes the identification of any individual providing the information.

When completing this questionnaire, specific items will refer to two key dates:

1)	CLAIM FILING DATE refers to the date when you first filed for unemployment benefits.	This date
	is:	



Whenever you see **CLAIM FILING DATE** or **THE WEEK**, please reference the dates indicated above.

	A. CLAIMANT	INFOR	RMATION
A1 . (Q1)	Name: (First, Middle, Last)	1, , ,	Are you a US Citizen? 1 □ Yes → SKIP TO A8 - 0 □ No
A1a. (Q1)	In the past three years, if you were known or earned income by another name, enter it here:	↓ A7a.	Alien Registration #:(7-, 8-, or 9-digit number) What is your gender?
A2.	(First, Middle, Last) Social Security Number (SSN):	(Q9)	1 □ Male 2 □ Female
(Q2) A2a.	(9-digit number) In the past three years, if you earned income	A9. (Q10)	₁ ☐ White
(Q2) A3.	under another SSN, enter the SSN here: (9-digit number) Date of Birth:		 □ Black or African American □ Asian □ American Indian or Alaska Native □ Native Hawaiian or other Pacific Islander □ Unknown
(Q8) A4 .	MM / DD / YYYY Contact Phone Number:	A10 . (Q11)	Are you Hispanic or Latino?
(Q7) A5 .	Area Code Number Current Email Address:	A11	o □ No o □ Unknown What level of cabacil have you completed?
(new)	□ I do not have an email address	A11 . (Q13)	What level of school have you completed? MARK ONLY ONE 11 □ Less than a high school diploma or GED 12 □ High school diploma or GED
A6 . (Q3)	Current Home Address: Street Address/P.O. Box Apartment #		14 □ Some college credits/courses (but no degree) 15 □ Associate's degree
(Q4)	City, State, Zip Code		 BA or BS degree Graduate degree (Masters, MD, PhD, JD, etc.)
A6a. (Q5)	Current Mailing Address (if different than home):	A12. (Q14)	Have you attended vocational or technical school? 1 □ Never attended SKIP TO
	Street Address/P.O. Box Apartment # City, State, Zip Code	_	2 ☐ Attended, but not certified SECTION B, NEXT PAGE 3 ☐ Attended and received certificate
A6b . (Q6)	If you have moved since your CLAIM FILING DATE enter your address when you filed:	Ψ A12a.	Type of Certificate:
	Street Address on CLAIM FILING DATE		Certification
	City, State, Zip Code		

B. EMPLOYMENT HISTORY (EH, Q49)

Please provide the following information about the employers you have worked for, beginning with your current employer, if currently employed, or most recent employer. Please provide information going back 18 months before the start of your current unemployment claim. Include ALL employment (i.e., full-time, part-time, out of state, federal employment or contract work) during that time frame.

WHEN YOU ARE DONE ADDING EMPLOYERS, PLEASE GO TO B2 ON PAGE 6.

FROM THE PRESENT BACK TO MM	_//	
	B1a and complete one column for each with B1b and complete one column for e	employer for the specified time frame. ach employer for the specified time frame
B1a. Current Employer (if applicable)	B1b. 1st Most Recent Employer	B1c. 2nd Most Recent Employer
Employer Name	Employer Name	Employer Name
Street Address	Street Address	Street Address
City, State, Zip Code	City, State, Zip Code	City, State, Zip Code
Location of Job Site (if different from above)	Location of Job Site (if different from above)	Location of Job Site (if different from above)
Street Address	Street Address	Street Address
City, State, Zip Code	City, State, Zip Code	City, State, Zip Code
Area Code Number	Area Code Number	Area Code Number
Type of work MARK ALL THAT APPLY	Type of work MARK ALL THAT APPLY	Type of work MARK ALL THAT APPLY
1 ☐ Full time 3 ☐ Contract 5 ☐ Federal	1 ☐ Full time 3 ☐ Contract 5 ☐ Federal	1 ☐ Full time 3 ☐ Contract 5 ☐ Federal
2 □ Part time 4 □ Temporary 6 □ Military	2 ☐ Part time 4 ☐ Temporary 6 ☐ Military	2 ☐ Part time 4 ☐ Temporary 6 ☐ Military
Length of Employment (MM/DD/YYYY)	Length of Employment (MM/DD/YYYY)	Length of Employment (MM/DD/YYYY)
First Day:///	First Day:/ / /YYYY	First Day:/ / / /
Last Day:// / /	Last Day:/ / /YYYY	Last Day:/ / /YYYY
Your Job Title	Your Job Title	Your Job Title
Your Wages on this Job	Your Wages on this Job	Your Wages on this Job
\$ per	\$per	\$ per
What are your main job duties?	What are your main job duties?	What are your main job duties?
Reason for Leaving Job 10 □ Lack of work (reduction in force, temporary or permanent lay-off, seasonal employment) 20 □ Voluntarily left job (includes quit or retired) 30 □ Discharged or fired 40 □ Labor dispute 50 □ Other (including military separation or compelling family reasons) 60 □ Did not leave job/still employed (includes part time or reduced hours)	Reason for Leaving Job 10	Reason for Leaving Job 10 Lack of work (reduction in force, temporary or permanent lay-off, seasonal employment) 20 Voluntarily left job (includes quit or retired) 30 Discharged or fired 40 Labor dispute 50 Other (including military separation or compelling family reasons) 60 Did not leave job/still employed (includes part time or reduced hours)

Please provide the following information about the employers you have worked for, beginning with your current employer, if currently employed, or most recent employer. Please provide information going back 18 months before the start of your current unemployment claim. Include ALL employment (i.e., full-time, part-time, out of state, federal employment or contract work) during that time frame.

WHEN YOU ARE DONE ADDING EMPLOYERS, PLEASE GO TO B2 ON PAGE 6.

FROM THE PRESENT BACK TO/ /					
B1d. 3rd Most Recent Employer	B1e. 4th Most Recent Employer	B1f. 5th Most Recent Employer			
Employer Name	Employer Name	Employer Name			
Street Address	Street Address	Street Address			
City, State, Zip Code	City, State, Zip Code	City, State, Zip Code			
Location of Job Site (if different from above)	Location of Job Site (if different from above)	Location of Job Site (if different from above)			
Street Address	Street Address	Street Address			
City, State, Zip Code	City, State, Zip Code	City, State, Zip Code			
Area Code Number Type of work	Area Code Number Type of work	Area Code Number Type of work			
MARK ALL THAT APPLY	MARK ALL THAT APPLY	MARK ALL THAT APPLY			
1 \square Full time 3 \square Contract 5 \square Federal	1 ☐ Full time 3 ☐ Contract 5 ☐ Federal	1 ☐ Full time 3 ☐ Contract 5 ☐ Federal			
2 □ Part time 4 □ Temporary 6 □ Military	2 ☐ Part time 4 ☐ Temporary 6 ☐ Military	2 ☐ Part time 4 ☐ Temporary 6 ☐ Military			
Length of Employment (MM/DD/YYYY)	Length of Employment (MM/DD/YYYY)	Length of Employment (MM/DD/YYYY)			
First Day:/ / / / /	First Day://	First Day:// ///			
Last Day:// /YYYY	Last Day:///	Last Day:///YYYY			
Your Job Title	Your Job Title	Your Job Title			
Your Wages on this Job	Your Wages on this Job	Your Wages on this Job			
\$ per	\$ per	\$per			
What are your main job duties?	What are your main job duties?	What are your main job duties?			
Reason for Leaving Job 10 □ Lack of work (reduction in force, temporary or permanent lay-off, seasonal employment) 20 □ Voluntarily left job (includes quit or retired) 30 □ Discharged or fired 40 □ Labor dispute 50 □ Other (including military separation or compelling family reasons) 60 □ Did not leave job/still employed (includes part time or reduced hours)	Reason for Leaving Job 10 □ Lack of work (reduction in force, temporary or permanent lay-off, seasonal employment) 20 □ Voluntarily left job (includes quit or retired) 30 □ Discharged or fired 40 □ Labor dispute 50 □ Other (including military separation or compelling family reasons) 60 □ Did not leave job/still employed (includes part time or reduced hours)	Reason for Leaving Job 10 □ Lack of work (reduction in force, temporary or permanent lay-off, seasonal employment) 20 □ Voluntarily left job (includes quit or retired) 30 □ Discharged or fired 40 □ Labor dispute 50 □ Other (including military separation or compelling family reasons) 60 □ Did not leave job/still employed (includes part time or reduced hours)			

Please provide the following information about the employers you have worked for, beginning with your current employer, if currently employed, or most recent employer. Please provide information going back 18 months before the start of your current unemployment claim. Include ALL employment (i.e., full-time, part-time, out of state, federal employment or contract work) during that time frame.

WHEN YOU ARE DONE ADDING EMPLOYERS, PLEASE GO TO B2 ON PAGE 6.

MM DD YYYY				
B1g. 6th Most Recent Employer	B1h. 7th Most Recent Employer	B1i. 8th Most Recent Employer		
Employer Name	Employer Name	Employer Name		
Street Address	Street Address	Street Address		
City, State, Zip Code	City, State, Zip Code	City, State, Zip Code		
Location of Job Site (if different from above)	Location of Job Site (if different from above)	Location of Job Site (if different from above)		
Street Address	Street Address	Street Address		
City, State, Zip Code	City, State, Zip Code	City, State, Zip Code		
Area Code Number	Area Code Number	Area Code Number		
Type of work MARK ALL THAT APPLY	Type of work MARK ALL THAT APPLY	Type of work MARK ALL THAT APPLY		
1 ☐ Full time 3 ☐ Contract 5 ☐ Federal	1 ☐ Full time 3 ☐ Contract 5 ☐ Federal	1 ☐ Full time 3 ☐ Contract 5 ☐ Federal		
2 ☐ Part time 4 ☐ Temporary 6 ☐ Military	2 ☐ Part time 4 ☐ Temporary 6 ☐ Military	2 ☐ Part time 4 ☐ Temporary 6 ☐ Military		
Length of Employment (MM/DD/YYYY)	Length of Employment (MM/DD/YYYY)	Length of Employment (MM/DD/YYYY)		
First Day:////	First Day:/ / / YYYY	First Day://///		
Last Day:///	Last Day:/ / / YYYY	Last Day: / / / /		
Your Job Title	Your Job Title	Your Job Title		
Your Wages on this Job	Your Wages on this Job	Your Wages on this Job		
\$ per	\$ per	\$per		
What are your main job duties?	What are your main job duties?	What are your main job duties?		
Reason for Leaving Job 10 □ Lack of work (reduction in force, temporary or permanent lay-off, seasonal employment) 20 □ Voluntarily left job (includes quit or retired) 30 □ Discharged or fired 40 □ Labor dispute 50 □ Other (including military separation or compelling family reasons) 60 □ Did not leave job/still employed (includes part time or reduced hours)	Reason for Leaving Job 10 □ Lack of work (reduction in force, temporary or permanent lay-off, seasonal employment) 20 □ Voluntarily left job (includes quit or retired) 30 □ Discharged or fired 40 □ Labor dispute 50 □ Other (including military separation or compelling family reasons) 60 □ Did not leave job/still employed (includes part time or reduced hours)	Reason for Leaving Job 10 □ Lack of work (reduction in force, temporary or permanent lay-off, seasonal employment) 20 □ Voluntarily left job (includes quit or retired) 30 □ Discharged or fired 40 □ Labor dispute 50 □ Other (including military separation or compelling family reasons) 60 □ Did not leave job/still employed (includes part time or reduced hours)		

	START HERE AFTER COMPLETING EMPLOYMENT HISTORY SECTION	B3. (Q22)	
 В2.	Have you been called back or do you expect to		consider your primary occupation?
(Q23)	be called back to work by any past employer?		
	-ı Yes		
	□ No → SKIP TO B3, NEXT COLUMN	B3a.	Please describe your main job duties in this
	Have you received a recall notice?	(Q22)	occupation:
(Q23)	1 Yes		
(420)	□ No		
B2b. (Q23)	Employer recalling you back to work:		
	Name of Employer	B3b . (Q20)	Please provide the hourly wage or salary that you usually receive in this occupation:
	Street Address		\$ per
		B4.	What days of the week do you usually work?
	City, State, Zip Code	(Q15)	What days of the week do you usually work?
			MARK ALL THAT APPLY
	Area Code Number		₁ □ Sunday
			2 ☐ Monday
B2c.	Who provided you with the recall notice?		₃ □ Tuesday
(Q23)	MARK ONLY ONE		4 □ Wednesday
			₅ ☐ Thursday
	□ Employer recalling you to work		6 ☐ Friday
	2 ☐ Union		⁷ □ Saturday
	3 ☐ Other (Specify)	B4a . (Q15)	Do you usually work full-time, part time, or on a contract or temporary basis?
			MARK ALL THAT APPLY
			1 □ Full-time work
B2d.	When did you receive the recall notice?		2 ☐ Part-time work
(Q23)			₃ ☐ Contract
	/		4 □ Temporary
B2e.	When will you report back to work?	B5.	What hours or shifts do you usually work?
(Q23)	, ,	(Q17)	MARK All THAT APPLY
	MM / DD / YYYY		₁ □ 1 st Shift – Day
			2 □ 2 nd Shift – Swing
			₃ □ 3 rd Shift – Night
			Other shift – including rotation Other shift – including rotation
			Ç

	C. ABILITY AND AVAILABILITY TO WORK					
C1 . (Q16)	Are you willing and able to work full-time, part-time, or in a contract or temporary position?	C5 . (Q21)	What is the lowest rate of pay you will accept for a job?			
	MARK ALL THAT APPLY		\$ per			
	1 ☐ Full-time work					
	2 ☐ Part-time work 3 ☐ Contract	C6. (Q24)	How many miles are you willing and able to travel one-way daily to a job?			
	4 □ Temporary		MILES			
C1a. (Q28)	Would a job need to last a minimum period of time before you would accept it? For example, would a job need to last for at least 1 month, 6 months, 1 year, or longer?	C7 . (Q25)	How many hours and/or minutes are you willing and able to travel one way daily to a job?			
	- 1 □ Yes		HOURSMINUTES			
	$_{0}$ \square No \longrightarrow SKIP TO C2		NUNTES			
Ψ C1b.	Please specify the minimum period of time the job would need to last and why:	C8.	Do you have a valid driver's license?			
	job would nood to last and mily.	(Q26)	1 ☐ Yes			
			o □ No			
C2.	What days of the week are you willing and	C9. (Q27)	What kinds of transportation can you use to look for a job and travel to and from a job?			
(Q16)	able to work on a job?		MARK ALL THAT APPLY			
	MARK ALL THAT APPLY		□ Personally owned vehicle			
	1 □ Sunday		₂ ☐ Borrow a vehicle			
	2 ☐ Monday		3 ☐ Carpool (i.e. share ride with others)			
	3 ☐ Tuesday		4 □ Public transportation			
	4 □ Wednesday		5 ☐ Other (Specify)			
	5 ☐ Thursday		(-)			
	6 ☐ Friday		— No transportation available			
	7 □ Saturday		○ □ No transportation available			
	7 🗆 Saturday					
C3 . (Q18)	What hours are you willing and able to work on a job?					
	CIRCLE AM OR PM					
OD	From : AM to : AM PM					
OR	From : AM to : AM PM					
C4 . (Q19)	Which shifts are you willing and able to work on a job?					
	MARK ALL THAT APPLY					
	₁ □ 1 st Shift – Day					
	2 □ 2 nd Shift – Swing					
	₃ □ 3 rd Shift – Night					
	4 □ Other shift – including rotation					

D	WODE	SEARCH	ACTIVIT	IFC
1)	VVURN	SEARGE	$\Delta(LIIVII$	11-2

	next questions ask about your work search activiti		
bega	n on MM / DD / YYYY and ended MM	/ / DD	YYYY .
D1 . (Q29)	In what occupation(s) would you like to work? 1 2		During THE WEEK, were you attending school or enrolled in a training program? 1 □ Yes No → SKIP TO D6
D1a. (Q29)	Describe the length and type of experience you have in these occupations: 1	↓ D5a . (Q35)	Was the schooling or training related to
D2. (Q38)	During THE WEEK, were there any day(s) that you were NOT able or available to work or to look for work?	D5b . (Q35)	Complete the following about the school or training program:
D2a . (Q38)	- 1 □ Yes □ □ No → SKIP TO D3 List the day(s) and reason(s) you were NOT able or available to work or to look for work:		Name of School or Training Program Name of Contact Person Street Address
D3. (Q39) D3a.	During THE WEEK, was there any reason that you could NOT accept full-time work if it had been offered to you? 1 □ Yes 1 □ No → SKIP TO D4 Please explain why you could NOT accept	D5c . (Q35)	City, State, Zip Code Area Code Number Can you provide records of how well you did in the school/training that you attended during THE WEEK?
(Q39) D4.	any full time work: During THE WEEK, did the type of work you	D6. (Q40)	 1 ☐ Yes 0 ☐ No During THE WEEK, were you an officer or board member of a corporation, union, or
(Q41)	were looking for require any special license or certificate? - 1 □ Yes □ □ No → SKIP TO D5, NEXT COLUMN	↓ D6a.	other organization? - □ Yes □ No → SKIP TO D7, NEXT PAGE Please provide the name of the corporation,
D4a. (Q41) D4b.	What kind of license or certificate was required? Did you have the required license or certificate?	(Q40)	union, or other organization, and office held: Name of Corporation/Union/Organization
D4c. (Q41)	Yes □ No → SKIP TO D5, NEXT COLUMN When does your license or certificate expire?	D6b. (New)	Office Held Please indicate the number of hours during THE WEEK that you spent on officer or board member duties.
	MM DD YYYY		HOURS DURING THE WEEK

,	During THE WEEK, were you responsible for providing care for any dependents? - 1 □ Yes □ □ No → SKIP TO D10, NEXT COLUMN Please provide the number of dependents you provided care for during THE WEEK and their relationship to you (no names please):		Are you registered with the State Employment Service to find work?
D8. (Q36)	During THE WEEK, did providing care for any of these dependents limit your ability to do your usual work or to look for work?	(Q31) D10c.	During THE WEEK, did the State Employment Service refer you to any jobs?
D8a . (Q36)	If "Yes", please explain:		What were the results of these referrals?
D9 . (Q37)	Did you have alternative care for your dependent(s) during THE WEEK? 1 □ Yes No→ SKIP TO D9b	(Q32)	Have you received any <u>other</u> referrals from the State Employment Service, since your CLAIM FILING DATE? -1 □ Yes □ □ No → SKIP TO D11
D9a . (Q37)	If "yes," provide the name, address and phone number of the care provider:	D10f . (Q32)	How many jobs have you been referred to? JOBS
	Name of Care Provider Street Address	D10g. (Q32)	What were the results of these referrals?
D9b. (New)	City, State, Zip Code Area Code Number (GO TO D10, NEXT COLUMN) If "no," please explain why you did not have alternative care for your dependent(s):		agency which provides temporary or permanent job placement services? -1 □ Yes 2 □ Do not know if registered. 0 □ No → SKIP TO D12, NEXT PAGE
		(Q33)	When did you register with the private employment agency?

	Provide the name, address, and phone number	MARK " FOLLOV	YES" OR "NO" FOR EACH OF THE VING:	Yes	No
(Q33)	of the private employment agency:	D12c.	Does your union have a local hiring hall?	1 🗆	0 🗆
	Name of Agency	D12d.	Are your dues considered current?	1 🗆	0 🗆
	Street Address	D12e.	Do you get work ONLY through the union?	1 🗆	0 🗆
	City, State, Zip Code	D12f.	Will you accept a non-union job?	1 🗆	0 🗆
	Area Code Number				
	During THE WEEK did the private employment agency refer you to any jobs?	D12g.	referred to jobs by the union?	ligible to	be
·	- 1 □ Yes				
	□ No → SKIP TO D12		· ₀□ No		
	How many jobs were you referred to? JOBS	D12h.	Please explain why you were <u>n</u> be referred to jobs by the union		le to
(400)					
	What were the results of these referrals?				
(Q33)		D12i.	During THE WEEK, were you or out-of-work list?	n the un	ion's
		l —	· ₁ □ Yes		
D12 . (Q34)	During THE WEEK, were you an active member of a union?		□ No → SKIP TO D12k		
	· 1 □ Yes □ □ No → SKIP TO D13, NEXT PAGE	D12j.	If "Yes", when was the last time the out-of-work list?	e you siç	gned
V D12a.	Provide the name, local number, address, and phone number of your union:		MM / DD / YYYY (GO to D	12I)
	Union Name	D12k.	If "No", please explain why you on the out-of-work list:	ı were N	ОТ
	Local Number				
		Dan	During THE MEEK did your un	: -	
	Street Address	D12I.	During THE WEEK, did your un to any jobs? - 1 □ Yes	ion reie	ryou
	City, State, Zip Code		□ No → SKIP to D13, NEXT	PAGE	
	Area Code Number	D12m.	How many jobs did the union re	efer you	to?
D12b.	Provide the name of your primary contact at the local for obtaining union jobs.	D12n.	JOBS What were the results of these	referrals	s?
	(First Name, Last Name)				
	,				

WORK SEARCH CONTACTS D13. Please attach your work search log/documentation for THE WEEK and, if applicable, for prior weeks of (New) benefits identified by the interviewer: MARK ONLY ONE ☐ Log/Documentation Not Available □ Log/Documentation Not Required \square Attached \rightarrow (GO TO D13e) If your work search log/documentation is not available or not required, complete a column below for each contact you made during THE WEEK. "THE WEEK" is the week that began on and ended on MM D13a. 1st Job Contact: D13b. 2nd Job Contact: D13c. 3rd Job Contact: D13d. 4th Job Contact: Employer Name Employer Name **Employer Name Employer Name** Street Address Street Address Street Address Street Address City, State, Zip Code City, State, Zip Code City, State, Zip Code City, State, Zip Code **Employer Phone: Employer Phone: Employer Phone: Employer Phone:** Area Code Number Area Code Number Area Code Number Area Code Number **Contact Date: Contact Date: Contact Date: Contact Date:** DD YYYY DD YYYY MM DD YYYY DD YYYY **Method of Contact: Method of Contact: Method of Contact: Method of Contact:** MARK ALL THAT APPLY MARK ALL THAT APPLY MARK ALL THAT APPLY MARK ALL THAT APPLY 1 In Person 5 Mail 1 In Person 5 Mail 1 ☐ In Person 5 Mail 1 ☐ In Person 5 Mail 2 \square Telephone 2 \square Telephone 6 ☐ Fax 2 \square Telephone 6 ☐ Fax 2 \square Telephone 6 ☐ Fax 6 ☐ Fax 3 ☐ Internet or 7 D Other 3 ☐ Internet or 7 ☐ Other 3 ☐ Internet or 7 D Other 3 ☐ Internet or 7 ☐ Other Online Online Online Online (Specify) (Specify) (Specify) (Specify) 4 \square Email 4 \square Email 4 ☐ Email 4 \square Email Was application/resume submitted? Was application/resume submitted? Was application/resume submitted? Was application/resume submitted? 1 ☐ Yes o □ No 1 ☐ Yes 0 D No 1 ☐ Yes o □ No 1 ☐ Yes o □ No Type of Work Applied For: Was a job offered? Was a job offered? Was a job offered? Was a job offered? 1 ☐ Yes o □ No 1 ☐ Yes 0 □ No 1 ☐ Yes 0 □ No 1 ☐ Yes o □ No

D13e. (Q42)	Please describe any other work search activities that you engaged in during THE WEEK (such as networking, resume writing, visiting web sites or employment agencies, job clubs, etc.)	D14. (Q43)	question D13 or from contacts you made in previous weeks? - 1 □ Yes
		↓ D14a.	□ No → SKIP TO E1, NEXT PAGEIf "Yes," did you accept any jobs offered to
		↓	you? 1 □ Yes → SKIP TO D14c 1 □ No If "No," please explain why you did not accept any jobs offered to you:
		D14c	(SKIP TO E1, NEXT PAGE) If "Yes," please provide the following
		D 14C.	information about the job you accepted: Date you accepted the offer:
			MM / DD / YYYY
		D14d.	Date you began or will begin work:
			/
		D14e.	Provide the name, address, and phone number of the employer:
			Name of Employer
			Street Address
			City, State, Zip Code
			Area Code Number
		1	

	E. KEY WEEK EMPLO	YMEN	T AN	D INCOME		
E1. (Q44)	During THE WEEK, did you do work of any kind? _ 1 □ Yes	E2. During THE WEEK, did you had not need to compensation?				
	$_{0}$ \square No \longrightarrow SKIP TO E2, NEXT COLUMN		•			
¥ E1a.	Please identify the employer you worked for			ı □ Yes		
	during THE WEEK, the type of work you did, and the days and number of hours worked.	↓		No → SKIP TO F1, NE		
	Name of Employer	. &	45a) THE WEEK and list the amount you received			
	Street Address	MARK ALL THAT APPLY				
			1 🗆	Wages	\$	
	City, State, Zip Code		2 🗆		\$	
	Area Code Number		2 🗅	self-employment or contract labor	Ψ	
	Type of Work:		3 🗆	Commission Payments	\$	
E1b.	Days/Number of Hours Worked: Are you still working for this employer?		4 🗆	Reserve or National Guard Pay	\$	
	1 ☐ Yes → SKIP TO E1d		5 🗆	Separation or Severance Pay	\$	
↓ E1c.	Please indicate why you no longer work for		6 🗆	Holiday Pay	\$	
EIC.	this employer:		7 🗆	Wages in Lieu of Notice	\$	
			8 🗆	Vacation Pay	\$	
E1d.	Please identify any other employer you worked		9 🗆	Tips or Gratuities	\$	
	for during THE WEEK, the type of work you did, and the days and number of hours worked.		10 🗆	Workers Compensation	\$	
	Name of Employer		11 🗆	Disability Payments	\$	
	Street Address		12 🗆	Social Security	\$	
	City, State, Zip Code		13 🗌	Veterans Benefits	\$	
	- <u> </u>		14 🗆	Railroad Retirement	\$	
	Area Code Number		15 🗆	Federal Civil Service Retirement	\$	
	Type of Work:		16 🗆	U.S. Military Retirement	\$	
E1e.	Days/Number of Hours Worked: Are you still working for this employer? □ Yes → SKIP TO E2, NEXT COLUMN		17 🗆	State/Local Government Retirement	\$	
	1 □ Yes → SKIP TO EZ, NEXT COLUMN		🗆		Ψ	
↓ E1f.	Please indicate why you no longer work for this employer:		18 🗆	Private Employer or Union Pension	\$	
			19 🗆	Other (Specify)	\$	

F. BENEFIT ASSISTANCE						
F1. (Q46)	Do you remember receiving information about your unemployment benefits, rights, and responsibilities when you first filed for benefits? 1 □ Yes 0 □ No	(Q48) y a u	o you have any questions about our unemployment insurance claim or bout your responsibilities and rights as an inemployment insurance claimant? ☐ Yes ☐ No → SKIP TO SECTION G			
F2 . (Q47)	Have you had any problems with your unemployment insurance claim?	↓ F3a. If	"Yes", please explain:			
↓ F2a.	. 1 □ Yes □ □ No → SKIP TO F3, NEXT COLUMN If "Yes", please explain:	- - -				
	G. CLAIMAN	SIGNA	TURE			
acknow I have knowle	ompletes the questionnaire—thank you for you ledgement: understood the questions on this questionnaire edge. I know my answers will be used to determine he law provides penalties for false statements mitted.	and I hav	re answered them truthfully to the best of my unemployment benefits were paid properly. I			
Claima	nt's Signature	Interview	ver's Signature			
<u></u> /	/	/_	DD / YYYY			
	f Claimant Signature		nterviewer Signature			
G1. AG	ENCY USE ONLY					
Informa	ation obtained by:					
	Person 4 □ Fax elephone 5 □ Email ail 6 □ Internet or Online					
Batch	# Seq					

APPENDIX I BAM INTEGRITY RATE DEFINITIONS, PAID CLAIMS

Definition ^a	Action Code(s) [DCI Item ei2 "Key Week Action"]	Cause(s) [DCI Item ei3 "Error Cause"]	Rate Formula ^b
Annual Overpayment Rate (10.81%, \$	4.88 billion)		
		Includes all cause codes: - Benefit year (100–159) - Base period (200–249) - Separation issues (300–329) - Eligibility issues (400–489) - Dependents' allowances (500–519) - Other causes (600-638)	Annual Overpayment Rate = Total Key Week (KW) Overpayment (OP) (h5,\$) when KW Action (ei2) = 10, 11, 12, 13, or 15 and when Error Cause (ei3) = anything ÷ Total KW Payments (f13,\$)

Definition ^a	Action Code(s) [DCI Item ei2 "Key Week Action"]	Cause(s) [DCI Item ei3 "Error Cause"]	Rate Formula ^b
Operational Rate (5.99%, \$2.71 billion)			
Includes those overpayments that the states are reasonably expected to detect and establish for recovery: - Fraud and nonfraud recoverable overpayments, excluding: • Work search • Employment service (ES) registration • Base period wage issues • Miscellaneous causes (for example, benefits paid during a period of disqualification, redeterminations, and back pay awards)	Includes: 10 - Fraud overpayment/voided offset 11 - Nonfraud Recoverable overpayment/voided offset Excludes: 12 - Nonfraud/Nonrecoverable overpayment or official action taken to adjust future benefits by decreasing WBA, MBA, KWDA, or RB 13 - BAM determines payment was too large, although payment is technically proper due to finality rules 14 - BAM determines payment was too large except for formal warning rule that prohibits official action; the overpayment is technically proper due to laws/rules requiring formal warnings for unacceptable work search efforts 15 - BAM determines payment was too large, although payment was too large, although payment was too large, although payment was technically proper due to rules other than finality or formal warning rule 16 - Overpayment established by WBA, KWDA entitlement, MBA, or RB decreased which was later officially reversed, revised, adjusted, or modified and BAM disagrees with official action (for example, appeals unit reverses BAM determination and BAM disagrees)	Includes: Benefit year (all, 100–159) Separation issues (all, 300–329) Eligibility issues (400–419; 430–459; 470–489) - Ability to work - Availability to work - Refusal for suitable work - Self-employment - Illegal alien status - Other causes related to eligibility issues - Claimant filed UI claim using the identity of another person (identity theft) Dependents' allowances (all, 500–519) Excludes: Base period (all, 200–249) Eligibility issues (420–429; 460–469) - Active work search - ES registration Other cause codes (all, 600–638)	Operational Rate = Total KW OP (h5,\$) when KW Action (ei2) = 10 or 11 and when Error Cause (ei3) = 100–159; 300–329; 400–419; 430–459; 470– 489; or 500–519 ÷ Total KW Payments (f13,\$)

Definition ^a	Action Code(s) [DCI Item ei2 "Key Week Action"]	Cause(s) [DCI Item ei3 "Error Cause"]	Rate Formula ^b					
Agency Responsibility Rate (2.74%, \$	Agency Responsibility Rate (2.74%, \$1.24 billion)							
Overpayments for which the SWA was either solely responsible or shared responsibility with claimants, employers, or third parties (for example, labor unions or private employment referral agencies) The rate includes: - Nonfraud recoverable overpayments, nonfraud nonrecoverable overpayments - Official action taken to reduce future benefits and - Payments that are technically proper due to finality or - Other rules	Includes: 10 - Fraud overpayment/voided offset 11 - Nonfraud Recoverable overpayment/voided offset 12 - Nonfraud/Nonrecoverable overpayment or official action taken to adjust future benefits by decreasing WBA, MBA, KWDA, or RB 13 - BAM determines payment was too large, although payment is technically proper due to finality rules 15 - BAM determines payment was too large, although payment was too large, although payment was technically proper due to rules other than finality or formal warning rule From ei4, only those overpayments for which the agency had full or partial responsibility: 0030, 1030, 0230, 0034, 1034, 0234, 1234	Includes all cause codes: - Benefit year (100–159) - Base period (200–249) - Separation issues (300–329) - Eligibility issues (400–489) - Dependents' allowances (500–519) - Other causes (600–638)	Agency Responsibility Rate = Total KW OP (h5,\$) when Error Responsibility (ei4) = 0030, 1030, 0230, 0034, 1034, 0234, or 1234 and when KW Action (ei2) = 10, 11, 12, 13, or 15 and when Error Cause (ei3) = anything ÷ Total KW Payments (f13,\$)					
Fraud Rate (2.85%, \$1.29 billion)			_					
The definition of unemployment compensation fraud varies from state to state. Because fraud determination criteria and thresholds vary throughout the SWAs; the individual state rates reflect these differences. The rate includes all causes and responsible parties	10 - Fraud	Includes all cause codes: - Benefit year (100–159) - Base period (200–249) - Separation issues (300–329) - Eligibility issues (400–489) - Dependents' allowances (500–519) - Other causes (600–638)	Fraud Rate = Total KW OP (h5,\$) when KW Action (ei2) = 10 and when Error Cause (ei3) = anything ÷ Total KW Payments (f13,\$)					

Definition ^a	Action Code(s) [DCI Item ei2 "Key Week Action"]	Cause(s) [DCI Item ei3 "Error Cause"]	Rate Formula ^b
Underpayment Rate (0.61%, \$275.6 mi	llion)		
Payments that the BAM investigation determines were too small All causes and responsible parties are included in this rate. It includes errors in which additional payment is made or those errors that are technically proper due to finality rules or technically proper due to rules other than finality	20 – Supplemental check issued/offset applied or increased weekly benefit amount (WBA), dependents' allowance (DA), entitlement, maximum benefit amount (MBA), or remaining balance (RB) 21 – Technically proper due to finality rules 22 – Technically proper due to rules other than finality	Includes all cause codes: - Benefit year (100–159) - Base period (200–249) - Separation issues (300–329) - Eligibility issues (400–489) - Dependents' allowances (500–519) - Other causes (600–638)	Agency Responsibility Rate = Total KW Underpayment (UP) (h6, \$) when KW Action (ei2) = 20, 21, or 22 and when Error Cause (ei3) = anything ÷ Total KW Payments (f13,\$)

^a Rates from calendar year 2012.

Sources:

- U.S. Department of Labor, Employment and Training Administration, Office of Unemployment Insurance, Division of Performance Management. "ET Handbook No. 395, 5th Edition: Benefit Accuracy Measurement State Operations Handbook." Washington, DC: DOL, ETA, OUI, November 2009.
- U.S. Department of Labor, Employment and Training Administration, Office of Unemployment Insurance. "Improper Payments Information Act Year 2012: Benefit Accuracy Measurement Data Summary." Washington, DC: DOL, ETA, OUI, March 2013.
- U.S. Department of Labor, Employment and Training Administration Advisory System. "Integrity Performance Measures for Unemployment Insurance." Unemployment Insurance Program Letter 09-13. Washington, DC: DOL, ETA, January 29, 2013.
- U.S. Department of Labor, Employment and Training Administration, Office of Unemployment Insurance. "Benefit Accuracy Measurement: Methodology and Program Description." Washington, DC: DOL, ETA, OUI, July 2009. Available at http://workforcesecurity.doleta.gov/unemploy/bam/2008/bam-facts.pdf]. Accessed October 2013.

^b Final rates, as reported on the U.S. Department of Labor's website and in BAM reports, are a ratio of weighted overpayments divided by weighted total amounts paid.

APPENDIX J UI PROGRAM PAYMENT INTEGRITY MEASURES

Act	Performance Measure(s)	Rate Formula(s)
Improper Payments Information Act (2002) (IPIA)		
Requirements:		
 All federal agencies will identify programs and activities "that may be susceptible to significant overpayments" (that is, overpayments in excess of \$10 million) Estimate the amount of the overpayments, annually, per Office of Management and Budget (OMB)-approved reporting methods Establish plans to reduce the overpayments US Department of Labor (DOL) response: Use Benefit Accuracy Measurement (BAM) data to establish improper payments rate Report annual rate per statute, and report 3-year average on DOL website 	Improper Payment Rate ("IPIA Rate")	(Overpayment Rate [OP] + Underpayment Rate [UP]) X 100 Otherwise stated as: BAM Annual Overpayment Rate + BAM Underpayment Rate
Improper Payments Elimination and Recovery Act	(2010) (IPERA)	
Amendment to IPIA		
 Redefined significant overpayments: "2.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported," or "\$100 million regardless of the improper payment percentage of total program outlays" (later further redefined by OMB as 1,5 percent of program outlays). Improper payments may not exceed 10% of program payments DOL response (UI Program Letter No. 09-13): Established net improper payment rate = Unemployment Insurance (UI) 	Net Improper Payment Rate	(Estimated Amount Overpaid + Estimated Amount Underpaid) – Actual Amount Recovered Amount Paid x100 Otherwise stated as: BAM Annual Overpayment Rate + BAM Underpayment Rate Does not include overpayments that go undetected
benefits overpaid plus UI benefits underpaid (as estimated by BAM) minus amount of overpayments recovered (as reported in Employment and Training Administration (ETA) 227 Overpayment Detection and Recovery Report) Established overpayment recovery rate: amount of improper overpayments recovered divided by the amount of improper payments identified (as reported by states in the ETA 227 Overpayment Detection and Recovery Report)	Overpayment Recovery Rate	Actual Overpayments Recovered (\$) ÷ (Actual Overpayments Established – Actual Overpayments Waived) x100

Act		Performance Measure(s)	Rate Formula(s)
_	er Payments Elimination and Recovery Imp	rovement Act (passed	2012, signed 2013) (IPERIA)
Amendn	nent to IPIA and IPERA		
Key prov	visions:		
	Agencies must include all improper payments in reported IPIA rates, including those that have been recovered or are in the process of being recovered Agencies can identify those program components that are the most susceptible to payment error and can propose additional rates that isolate payment errors related to those program components	In development	
Per these provisions, DOL can generate and analyze, but not report, the net improper payment rate, which it established in response to IPERA and outlined in UI Program Letter No. 09-13			



FIRST PAYMENT PROMPTNESS AND THE BAM AGENCY RESPONSIBILITY RATE

Mathematica assessed whether or not states with faster processing speeds (high First Payment Promptness rates) have high estimated improper payment rates (based on BAM results). We used Spearman's rank correlation coefficient to rank observations of two variables of interest and analyzed the statistical dependence between the ranks, rather than that of the absolute values.² We first ranked states' relative performance according to the BAM agency responsibility rate, with low rates signaling relatively good performance (the state with the lowest agency responsibility rate received a rank of "1," and the highest rate a rank of "52"). We examined the agency responsibility rate, rather than the more comprehensive BAM annual overpayment or other rates, because this approach isolates "overpayments for which the [state workforce agency] was either solely responsible for or shared responsibility with claimants, employers, or third parties." In other words, the rate separates from other claim issues those errors directly related to factors such as agency claims processing speed. We then ranked state's relative performance on First Payment Promptness, with high rates signaling relatively good performance (the state with the highest First Pay Promptness rate received a rank of "1," and the lowest rate a rank of "52"). If there was a strong negative correlation between these two rates, as states contend, then states with high First Pay Promptness ranks would have low agency responsibility ranks, and vice versa; a Spearman's rank correlation coefficient nearing -1.³

Despite states' assertion that reducing BAM rates could not be achieved without sacrificing First Payment Promptness, we did not identify a statistically strong connection between their relative performance on First Payment Promptness and the BAM agency responsibility rate (a Spearman's rank correlation coefficient of 0.113; positive, but very weak) (see Figure K.1). States with relatively good First Payment Promptness ranks do not typically have poor agency responsibility rates, nor do those with bad First Payment Promptness ranks tend to have better agency responsibility ranks (see Table K.1). In fact, only three states rank among the top 10 performing states on First Payment Promptness and the bottom 10 on agency responsibility rate performance (highlighted in red and asterisk by state name); only 2 states rank among the worst 10 First Payment Promptness performers and the 10 best agency responsibility rate performers (highlighted in gray). At the same time, two states score in the top 10 on both measures, showing that it is possible to achieve both timeliness and accuracy. And five states that are in the bottom ten in accuracy are also in the bottom 10 in timeliness, indicating that something other than a focus on accuracy is the predominant limitation to being timely.

$$r = 1 - \{6* \sum d^2 / [n (n^2 - 1)]\},$$

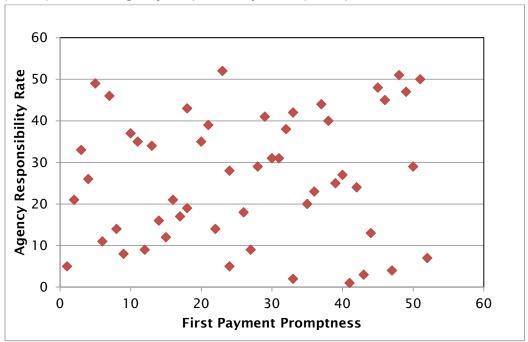
where n is the number of paired observations, and d is the difference in the ranks with the ranks assigned from smallest to largest observed value.

¹ We could not directly test states' implied assertion that speeding up their payment processing will result in more errors using available data.

² More traditional correlation analysis methods would allow for extreme values, or outliers, to skew the results.

³ The Spearman's rank correlation coefficient, r, is computed from the ranks of the two matched sets of data. It is computed as

Figure K.1. Relationship between States' Relative Performance on First Payment Promptness (X axis) and BAM Agency Responsibility Rates (Y axis)



Source: Mathematica computations using CY 2011 QTR 1 to CY 2011 QTR 4.

Table K.1. Agency First Payment Promptness and Responsibility Rate, by State and State Rank

	First Payment Promptness		Agency Responsibility Rate	
State	Rate	Rank	Rate	Rank
North Dakota	97.80	1	4.34	41
South Dakota	96.90	2	2.50	33
Ohio *	95.60	3	4.84	43
Alabama *	94.50	4	5.69	47
Alaska	93.10	5	1.76	24
Utah	93.10	5	0.55	1
Indiana *	93.00	7	39.80	52
Idaho	92.90	8	1.07	9
Minnesota	92.00	9	1.92	27
Washington	92.00	9	1.14	12
Vermont	91.60	11	1.01	6
Delaware	91.30	12	1.28	15
Arizona	90.90	13	4.91	44
Oregon	90.20	14	1.69	22
Wyoming	90.20	14	1.06	8
West Virginia	90.00	16	1.27	14
Maryland	89.80	17	1.55	17
Illinois	89.30	18	1.80	26
Nevada	89.00	19	1.59	18
New York	88.20	20	2.53	35
Texas	87.80	21	1.41	16
Wisconsin	87.80	21	0.59	2
Georgia	87.70	23	2.78	36
Puerto Rico	87.40	24	4.77	42
Virginia	87.20	25	3.95	39

 State	First Payment Promptness		Agency Responsibility Rate	
	Rate	Rank	Rate	Rank
Montana	87.10	26	0.80	4
Michigan	85.50	28	1.76	24
Mississippi	86.50	27	4.12	40
Nebraska	85.30	29	7.85	50
Oklahoma	85.30	29	2.03	28
Arizona	85.20	31	2.43	31
Maine	85.20	31	2.31	30
New Hampshire	85.10	33	0.71	3
New Jersey	83.80	34	1.19	13
Kentucky	83.70	35	1.62	20
Missouri	83.70	35	1.11	11
Connecticut	83.10	37	1.08	10
Pennsylvania	82.10	38	2.46	32
Kansas	81.60	39	1.68	21
Florida	81.00	40	3.71	38
Rhode Island	80.40	41	2.25	29
North Carolina	80.10	42	2.50	33
Hawaii	79.90	43	1.59	18
Colorado	79.50	44	3.38	37
lowa	79.20	45	5.42	46
California	79.00	46	1.05	7
Tennessee	78.40	47	7.37	49
New Mexico	78.10	48	5.33	45
Massachusetts	76.30	49	0.83	5
Louisiana	72.90	50	10.82	51
South Carolina	70.30	51	6.86	48
District of Columbia	70.00	52	1.70	23

Source: Mathematica computations using calendar year 2011 quarter 1 to calendar year 2011 quarter 4 (from batch 201101 to batch 201153).



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