

BRIEFLY...

March 31, 2017

BETTER STRATEGIES NEEDED TO INCREASE EMPLOYER PARTICIPATION IN THE STATE INFORMATION DATA EXCHANGE SYSTEM

WHY OIG CONDUCTED THE AUDIT

The Department of Labor's (DOL) Employment and Training Administration (ETA) estimated improper payments related to Unemployment Insurance (UI) benefits were \$3.6 billion (11.8 percent) of \$30.8 billion paid in Fiscal Year (FY) 2016. One of the leading causes of UI improper payments was overpayments (\$464 million) due to claimant separation issues. Specifically, state workforce agencies (SWA or states) overpaid UI claimants when employers did not provide timely and accurate information on the reasons individuals separated from employment.

To address UI improper payments caused by separation-related issues, ETA, in collaboration with SWAs, implemented the State Information Data Exchange System (SIDES), which was designed to enable more rapid and accurate communication between SWAs and employers, resulting in better initial eligibility determinations and a reduction in UI improper payments. While SWAs' and employers' participation in SIDES is voluntary, DOL provided \$43.4 million to 51 SWAs to build and integrate SIDES into their current systems, and to market the benefits of SIDES to employers. As of January 2017, 48 of the 51 SWAs were using SIDES. Of the 3 remaining SWAs, 2 were in the implementation phase and 1 had suspended its SIDES operations.

WHAT OIG DID

We conducted this performance audit in five states to determine the following:

Has SIDES contributed to a reduction in separation-related UI improper payment rates?

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

<https://www.oig.dol.gov/public/reports/oa/04-17-003-03-315.pdf>.

WHAT OIG FOUND

SIDES has contributed to a reduction in separation-related improper payment rates for all five SWAs we sampled; however, better strategies are needed to increase employer participation, which could result in further reductions. All five SWAs' separation-related improper payment rates declined from 2012 to 2016, with fluctuations during that period. For UI claims filed from January 2012 to June 2015, the SWAs received 70 of 321 (22 percent) employer responses to requests for separation information within two days when using SIDES, as compared to 6 percent when using paper. As a result, the SWAs had more time to evaluate the accuracy and completeness of UI claim information, which allowed them to make better eligibility determinations before making the first UI payments, thus reducing the risk of improper payments. Nationwide, separation-related improper payments decreased an estimated \$132 million from FY 2015 to FY 2016.

The five SWAs used SIDES to request separation information from employers for 31 percent of the 2.7 million UI claims filed during our audit period. This low percentage of SIDES usage occurred because only 19.8 percent of employers with UI claims filed had signed up to use SIDES. Focusing on enrolling additional employers with the highest volume of UI claims to use SIDES, would likely yield a substantial increase in UI claims being processed using SIDES, and further reductions in improper payments. Our analysis showed if potential SIDES users (employers) with 20 or more claims filed had used SIDES, the rate of UI claims processed using SIDES would have been 23.6 percentage points higher for the sampled SWAs collectively. Assuming SWAs achieved the same level of reductions in improper payments as when claims were processed using SIDES, we estimate this 23.6 percent increase in claims could have decreased improper payments by an additional \$26 million.

SWAs and employers experienced technical challenges when using SIDES, such as interpreting and responding to system-generated messages. These technical challenges delayed the SWAs' verification of UI claimants' separation information, which could have resulted in separation-related improper payments.

WHAT OIG RECOMMENDED

We recommended the Deputy Assistant Secretary for Employment and Training work with SWAs to increase the number of employers using SIDES, and resolve SIDES' technical challenges.

ETA generally agreed with our recommendations.