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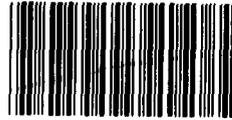
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

July 29, 1983

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The Honorable Albert Angrisani
Assistant Secretary for
Employment and Training
Employment and Training
Administration
Department of Labor



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Dear Mr. Angrisani:

Subject: Observations Concerning States' Implementation
of the Eligibility Review Program (GAO/HRD-83-78)

Recently we met with representatives from your Unemployment Insurance Service office to discuss the preliminary results of our survey of States' unemployment insurance (UI) productivity and quality appraisal efforts. During that discussion, we presented information regarding the Eligibility Review Program (ERP) and how it relates to productivity and quality within the UI program. ERP is designed to review a claimant's continuing eligibility for benefits and to help the claimant find suitable work. This letter details our observations on how ERP was being implemented at selected local UI offices visited during our survey. These observations indicate that ERP is not being implemented in accordance with established program guidance.

Our observations of ERP were made at local UI offices in five States visited during our survey--Tennessee, North Carolina, Florida, Massachusetts, and Virginia. We conducted our fieldwork from November 1982 through June 1983. We interviewed Federal and State agency staff responsible for ERP and reviewed pertinent documents explaining its operation. The results of our work have been discussed with cognizant members of your Unemployment Insurance Service office and their comments have been incorporated accordingly.

The Department of Labor established ERP because the large number of unemployment claims during 1974 and 1975 and the resulting deterioration in claims operations raised questions as to the adequacy of the UI system's controls for preventing and detecting improper benefit amounts. Federal and State administrators recognized a need for a more consistent and stringent application of State laws regarding continued eligibility. As a result, Labor issued guidelines for an ERP to all States in December 1976 and beginning in fiscal year 1977 Federal funds were allocated to the States to operate the program to help improve quality control of benefit payments in the UI system.

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An eligibility review interview is held to aid claimants in effective work search and to determine their continued eligibility for benefits. Claimants need to be advised on how to develop an effective work search plan to maintain their eligibility while the agency needs to be satisfied that benefits are paid only to eligible claimants. According to Labor, an ERP interview must meet four criteria.

--The interview must be scheduled for a definite substantive reason (e.g., inadequate work search plan, failure to return to work on projected date, unreasonable restriction on availability, excessive duration of unemployment in an active labor market or occupation, or an evident need of Employment Service assistance).

--Some definite identifiable agency action must be accomplished (e.g., work search plan developed or revised, restriction on availability removed, referral to fact finding, or referral to the Employment Service based on identified need).

--A decision as to some future action must be made (e.g., schedule claimant for subsequent interview).

--The actions cited above must be recorded in the claimant's files.

According to a Labor official, Labor has issued some more specific guidance on how to conduct an ERP interview. The interview is to be seated and given on an individual basis and usually should not be given to claimants who have just filed their claim or have a definite return-to-work date within 4 weeks of becoming unemployed. Generally, the interview should be in depth and last about 20 minutes. The claimant should be given information about the local labor market, local resources, and effective job finding methods. A detailed work search plan should normally be prepared to assist the claimant and assess his or her labor market attachment. The work search plan then should be modified each time a claimant receives an ERP interview.

Recent studies of the UI program have suggested that the States may have serious problems in controlling benefit overpayments. A May 1981 National Commission on Unemployment Compensation study in six cities found that the most prevalent cause of overpayments was the failure of claimants to meet State laws requiring claimants to be able, available, and actively seeking work. Labor subsequently initiated a project called Random Audit (which is intended to determine the rates and causes of improper payments on a statewide basis). The Random Audit results for five pilot States basically supported the Commission's findings. In addition, your office has conducted some onsite visits to determine the latest increased workloads' effects on UI claims operations. These reviews have raised a concern about

whether the States understand the primary objective of the ERP and whether an effective ERP is in place in all local UI offices.

As a result of these studies and site visits, Labor issued a notice to its regional administrators in May 1982 directing them to urge the States to ensure that ERP was fully operational in all local UI offices. In this notice Labor wanted the States to

- review ERP performance in each local UI office to ensure that program objectives are being met,
- monitor ERP staffing utilization and workloads to ensure that ERP allocations are fully utilized, and
- take corrective actions where necessary to ensure that a sound ERP is being administered.

A report issued in May 1983 by Labor's Office of Inspector General showed that problems still exist in controlling benefit overpayments. The report, entitled "Unemployment Benefit Payment Controls: Improvements Needed," addressed the issue of whether States were adequately managing the UI benefit payment control function. The purpose of benefit payment control is to detect and recover both fraudulent and nonfraudulent overpayments. The report concluded that generally the States made some attempts to detect and collect overpayments. However, opportunities exist to increase effectiveness and efficiency in detecting and collecting overpayments. We believe ERP can be a vital link in the overall system to prevent fraud, waste, and abuse of the UI program. Through ERP a local UI office can detect if a claimant is ineligible for UI benefits, thereby preventing overpayments.

We did not attempt to evaluate whether States have taken the necessary steps to address Labor's concerns. However, our limited review of ERP in conjunction with our survey of States' efforts in the productivity and quality appraisal areas has shown some States are not conducting ERP interviews in accordance with the guidance discussed previously. The following examples are not occurring in all States visited but are used to show some problems that still exist within ERP. Our observations and discussions with local UI officials showed that in some local UI offices:

- ERP interviews were being done at the counter. The interviews mainly consisted of checking places visited by a claimant under work search requirements.
- Some interviews were done in a few minutes when they generally should have been more indepth.
- ERP interviews were done in mass groups and not individually.

- Interviews were done when a claimant initially filed a claim.
- Interviews were done on every claimant regardless of their attachment to the labor force.
- The claimants were receiving subsequent ERP interviews within a relatively short time frame (every 2 weeks) without changes to their work search plans.
- Claimants' work search plans consisted of a general sentence and were not detailed as to a plan of action the claimants agreed to follow in actively seeking employment.

One of the States we visited has placed special emphasis on ERP and recognized it as probably the most effective means available for shortening an individual's period of unemployment through reemployment assistance efforts. This State had prepared a draft information package to be sent to the employers in the State discussing the objectives and results of ERP and how the employers can help the State improve the integrity of the UI program. Because this State attempts to conduct a work search verification process during an ERP interview, it is encouraging employers to maintain complete and accurate records of all applicants who apply for work. This State believes the employers' ability to respond with factual data will improve the effectiveness of ERP. The information being provided further illustrates that preventing and detecting possible overpayments through ERP can provide substantial savings to the UI Trust Fund, thereby saving employers' tax dollars.

Our observations and the recent Office of Inspector General report and Random Audit results may indicate that Labor needs to place more emphasis on ensuring that States implement ERP in accordance with established guidance. An effective ERP should help States combat fraud, waste, and abuse of the UI program. You may want to consider providing additional guidance and direction to your regional staff responsible for monitoring this program.

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We would appreciate your advising us on your efforts to address this situation.

Sincerely yours,



Gaston L. Gianni
Group Director