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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

DEC 31 1969

CIVIL DIVISION

budget reports

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Dear Dr. Weber:

We have made a limited survey of selected aspects of the reporting requirements established by the Unemployment Insurance Service (UIS), Manpower Administration (MA), relative to the program of unemployment insurance protection for Federal civilian employees. As part of our survey, we examined the actual reporting of wages for five selected unemployed Federal civilian employees by the Boston Regional Office of the United States Civil Service Commission (CSC) to the Massachusetts Division of Employment Security (MDES). Our work was performed at the regional offices of CSC and MA and the headquarters office of MDES in Boston, Massachusetts.

Our survey resulted in three findings: (1) there appears to be a need to revise the MA's manuals provided to State employment security and to Federal agencies governing the reporting of wages paid to Federal civilian employees to specifically require that wage reports be prepared on a basis consistent with applicable State laws governing unemployment compensation, (2) the Form ES-931 needs to be revised to show the specific basis upon which wage reports have been prepared by Federal agencies, and (3) greater care needs to be given to the preparation of wage reports by the CSC regional office in Boston. At the conclusion of our survey, appropriate corrective action appeared to have been initiated on the latter finding.

The implementation of the program of unemployment insurance protection for unemployed Federal civilian employees is the responsibility of the Secretary of Labor. Under agreements entered into between the Secretary and the State employment security agencies, this program is administered by the State agencies as agents of the United States Government.

The Congress makes annual appropriations to the Department of Labor from which payments are made by the Department to the State employment security agencies for the amount of unemployment benefits disbursed to unemployed Federal civilian employees. During fiscal year 1969, the Department paid the State agencies about \$47 million for the benefit payments made by the State agencies.

For unemployment compensation purposes, reports on Federal civilian employees' service and wages are provided by the Federal employing agency to the State employment security agency so that the State agency may ascertain each employee's eligibility for unemployment insurance benefits

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and the amount of benefits to be paid in accordance with the State's unemployment insurance law. Generally, an unemployed Federal civilian claimant's eligibility is determined in accordance with the unemployment insurance law of the State in which he last worked in Federal civilian employment.

Each State establishes its own laws, policies, and procedures for determining the eligibility for and the amount of unemployment insurance benefits to be paid to claimants. Under the unemployment laws of the States, the amount of the benefits to be paid to claimants is generally based on the claimant's wages and/or the length of employment during a one-year period--called the base period--and on the pattern of earnings during the base period. The State laws provide formulas for computing the minimum, maximum, and specific amount of benefits to be paid to a claimant.

The formulas set forth in the laws of various States are not uniform. The laws of certain States, for example, provide that benefits will be computed on the basis of the wages earned by an individual during the base period, whereas the laws of other States provide that benefits will be computed on the basis of the wages paid to an individual during the base period. The unemployment compensation law of the Commonwealth of Massachusetts provides that unemployment insurance benefits be computed on the basis of wages paid.

In order to obtain the necessary information regarding the wages of an unemployed Federal civilian claimant, the State employment security agency handling the claim submits a Form ES-931 entitled, "Request for Wage and Separation Information - UCFE" to the Federal agency or agencies which had employed the claimant during the base period.

The MA manual entitled "UCFE Instructions for Federal Agencies" advises the agencies to report wages on the Form ES-931 as shown on the former employee's individual earnings record card or quarterly payroll summary, when tabulating equipment is used, regardless of whether the entries are on a cash or accrual basis.

Although the manual recognizes that under certain State unemployment insurance laws benefits are determined on the basis of wages paid and under others on the basis of wages earned, no adjustment in reporting is required unless specifically requested by the State agency, as indicated in the following excerpt from the manual:

"When the method of wage reporting is not in accordance with the State law and when this difference in reporting may affect the claimant's benefit rights, a revised report may be requested by the State agency on Form ES-934 (350). When such a request is received, the Federal agency will report the wages on the basis requested."

Similar instructions are contained in Section 5315 of Part V of the Employment Security Manual issued to the State employment security agencies by MA.

The basis upon which wages are reported can affect the amount of benefits paid to beneficiaries who, according to a Department of Labor statistical report have averaged 19,600 a week during fiscal year 1969, and correspondingly, can affect the amounts paid by the Department to the States as reimbursement for benefit payments made to unemployed Federal civilian employees.

We reviewed the reports submitted to MDES by the CSC for the five CSC employees who submitted claims during the period from January 1967 through June 1968, to ascertain whether CSC reported on a wages paid basis as is required by the unemployment compensation law of Massachusetts. Although CSC's payroll records were maintained on a wages paid basis, we found that in only one of the five instances did the reports show the wages paid during the period for which the information was requested. In three of the instances the reports of earnings were prepared on an adjusted basis to reflect wages earned and in the remaining instance the report reflected a combination of wages paid and wages earned but not yet paid.

In two instances the improper reporting did not affect the amount of benefits awarded. In the remaining two instances, however, the amounts of benefits awarded, which were based on improperly reported wages, were in excess of the amounts which would have been awarded based on properly reported earnings, and in one of these instances, excess payments in a minor amount were made. Excess payments were not made in the other case because the beneficiary did not collect for the full benefit period.

As noted previously, the MA's manuals provided to the State employment security agencies and to Federal agencies provide that when the method of wage reporting is not in accordance with the State law and when this difference in reporting may affect the claimant's benefit rights, a State agency may request a revised report of wage data from the Federal agency. We examined the records and questioned officials of CSC to ascertain whether MDES had requested revised reports. CSC officials informed us that it had not been requested to submit revised wage reports. MDES officials advised us that, generally, MDES would raise questions concerning the propriety of the wages reported by Federal agencies only when the original wage data was challenged by a claimant.

The MA manuals provided to both the Federal agencies and State employment security agencies do not require that a Federal agency report wages in accordance with applicable State laws and the Form ES-931 does not provide for showing the basis--i.e., earned or paid--for the wages being reported by the Federal agency. Therefore, it is unlikely that the State agency would be in a position to know on which basis Federal agencies are reporting the wages for a former Federal civilian employee. We noted that the form submitted to non-Federal employers in Massachusetts to obtain wage data on employees stipulates the basis upon which wages should be reported.

After discussing our findings with MDES officials, the Director of MDES recommended to MA's Regional Manpower Administrator in Boston that Form ES-931 be revised to provide for identifying the basis for reporting wages by Federal agencies. The Director suggested that the form specify that paid wages be reported by Federal agencies in Massachusetts in accordance with the Massachusetts law. At the conclusion of our fieldwork, no action had been taken by MA on the Director's suggestion, and subsequently in October 1969 we were informed by an MA official at Department of Labor headquarters that no action had been taken.

Regarding the improper reporting of wages by CSC, a CSC regional official advised us, at the completion of our fieldwork, that CSC had started to report on a "wages paid" basis as required by Massachusetts law.

CONCLUSIONS

We believe that the provisions in the MA's manuals provided to State employment security and to Federal agencies dealing with reporting the wages of unemployed Federal civilian employees need appropriate revision to require that Federal agencies report wages on the basis prescribed by applicable State laws. Moreover, we believe that the Form ES-931 should be revised so that State employment security agencies are provided with information as to the basis on which Federal agencies are reporting wages.

It appears to us that under MA's current instructions, State employment security agencies are not provided with information as to the basis on which Federal agencies are reporting wages. The reporting of wages for unemployed Federal civilian employees on a basis other than that prescribed by applicable State law can result in the award of improper unemployment insurance benefits to claimants and improper reimbursements of Federal funds to the States by the Department.

RECOMMENDATIONS

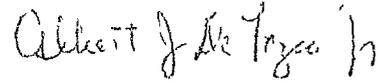
Accordingly, we recommend that MA revise those sections of its manuals governing the computation and reporting of wages paid to unemployed Federal civilian employees to require that Federal agencies report to the State employment security agencies on a basis consistent with applicable State laws. We recommend further that Form ES-931 be revised to provide for reporting as to the specific basis upon which wage reports have been prepared.

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We wish to acknowledge the cooperation given to our representatives during our survey, and we would appreciate receiving your comments on actions taken or planned on the matters discussed herein.

We are sending a copy of this letter to the Executive Director, CSC, and to the Director of CSC's Boston Regional Office, and to the Assistant Secretary for Administration, Department of Labor.

Sincerely yours,



for Henry Eschwege
Associate Director

The Honorable Arnold R. Weber
Assistant Secretary for Manpower
Department of Labor