

**PROTECTING EMPLOYER CONTRIBUTIONS TO THE UNEMPLOYMENT
INSURANCE TRUST FUND**

by

Ronald Giachetti

Washington State Employment Security Department
Office of Special Investigations

Good afternoon. I want to thank Robert Thornton for allowing the Employment Security Department Office of Special Investigations the opportunity to share with you what we are doing to protect your contributions to the Unemployment Insurance Trust fund. I also want to give you some hints and tools that you can use to help us insure that benefits are being properly paid to claimants throughout Washington State.

The idea for an insurance program that helped involuntarily unemployed workers grew out of the "Depression Era" and was established in 1937 by the Federal Government. The States were given the authority to establish rules and methods to pay benefits to those individuals who through no fault of their own found themselves unemployed. The purpose of this program was to create an insurance program that would promote the economic stability of individuals and communities with the hopes of limiting serious social consequences.

The Employment Security Department as you have known it in the past has made tremendous changes in the way it does business. We are working hard at developing partnerships with communities, and organizations such as yours to move away from an agency known for paying Unemployment Compensation. We are working hard to be recognized as an Agency that is responsive to the needs of the community by providing a wide range of services that promote employment and economic stability. Our "People" resources are being shifted from paying "Unemployment Benefits" to working with communities to provide services that assist individuals in securing employment and assist employers in finding qualified workers.

What do you think of when you hear "Employment Security Department"? Long lines? Lots of paperwork? Filling out forms? In the next year or two you probably won't even recognize the "Unemployment Office" because it probably won't be there!!! At least not as you have known it to be in the past. There are many exciting changes that are already in place such as you can file for benefits by telephone and even reopen your claim by telephone. In the next few years most of the transactions that involve the filing for and payment of benefits will all be done by telephone. "Employment Offices" will replace the "Unemployment Offices" throughout the state. The "Employment Office" may mean several things and could be more like a "Virtual" office in Cyberspace rather than an office you visit.

This Presentation is part of the 1998 Proceedings of the Washington State Potato Conference and Trade Show.

New methods that you as employers use to pay your quarterly taxes are being looked at and soon you will be able to call a toll free number and get "Fax Back" documents you need to file reports to our agency with. You will be able to file "No Wage" reports through this toll free telephone service and many more features that will enhance our ability to provide better customer service to you and to all our customers throughout Washington and the United States. With this change in focus on how benefits are claimed and ultimately paid, comes risk and the Employment Security Department is committed to the implementation of programs that protect your interests in the Trust Fund by insuring that benefits are paid properly.

FRAUD MANAGEMENT

The Office of Special Investigations is responsible to protect the integrity of the Unemployment Insurance Trust fund. The Office of Special Investigations is comprised of three offices under the Chief Investigator who is located in Lacey, Washington. The Fraud Management Unit, located in Lacey is tasked with the overall operations of an automated fraud detection system. The two other offices, one located in Seattle and one located in Spokane are tasked with the design, development and implementation of an active fraud prevention program.

OFFICE OF SPECIAL INVESTIGATIONS FUNCTIONS

The two major functions of the Office of Special Investigations are to prevent and detect Unemployment Insurance fraud. We also write overpayment denials, investigate benefit check forgeries and recommend that benefit checks be reissued or not reissued. We assist prosecuting attorneys and the United States Attorney with prosecution of individuals who defraud the benefit programs. We are involved in training our own staff in the identification fraudulent payments. We are actively getting the word out to claimants and the community that we conduct an audit on benefits on a regular basis and the importance of accurately reporting all work and earnings of each benefit claim submitted.

HISTORICAL PERSPECTIVE

NUMBER OF CASES RESULTING IN OVERPAYMENTS

Prior to 1993, the Office of Special Investigations was able to identify about 2,000 cases a year that were overpaid. The processes we used were manual and very time consuming. We sent out about 120,000 audit forms a year, yet were only able to focus in on the most flagrant discrepancies due to staffing constraints and the manual processes we used. We even asked employers routinely for employment documentation that included time sheets, payroll journals and even cancelled payroll checks. In 1993, we implemented an automated detection system that reduced the impact on employers by reducing the number of forms we mailed on a yearly basis by 83%. The reduction in forms we mailed saved the Department and Washington taxpayers \$40,000.00 a year in postage costs. We discontinued requiring employers to provide records on a routine basis for cases that we worked.

We relied on the information, you the employer provided on the form, and what happened was an immediate increase in the amount of cases we identified as being overpaid. Instead of 2,000 claimants being identified as having overpayments we were able to identify twice as many claimants as having overpayments.

HISTORICAL PERSPECTIVE

HOW MUCH ARE WE TALKING ABOUT?

The very first year of our automated fraud detection program, 1993, we identified \$1.3 million dollars more in benefit fraud from the previous year. The following year, 1994, we had a tremendous jump in fraud overpayments and are identifying between 8 and 10 million dollars a year in benefit fraud overpayments. The total benefits the Employment Security Department pays on a yearly basis has been between 800 million dollars to 990 million dollars a year over the past several years. The 8 to 10 million dollars we are identifying as being overpaid is about 50% to 75% of what we feel is really overpaid. We feel this is the case because we have only been auditing 5% to 7% of those individuals with earnings reported from your tax reports who also have claimed benefits in the same quarter. We are looking to increase the size of the audit in an attempt to touch as many claimants having overpayments as we can. To do this we need your help.

EMPLOYER ROLE IN FRAUD PREVENTION

Our audit compares your quarterly tax reports with benefits claimed by individuals, so it is important that you complete your quarterly tax report on time and accurately. The formulas we use to determine the probability of an overpayment uses both the wages and hours you report on your quarterly taxes. Each quarter you may receive a Benefit Charging statement. Take the time to review it. It shows the name, Social Security Account number, benefit payment totals and time period that benefits were paid. If you believe an individual listed on this form was working and not eligible for benefits, call our office or send a copy of the Benefit Charging form to our office. Be sure to note on the form why you feel the benefits should not have been paid. Be as detailed as you can. We do review and conduct fact finding to determine if benefits have been properly paid. Each quarter we conduct a Benefit Audit and mail out our Benefit Audit Form. Each week listed on this form is a week that was paid to the claimant listed on the form. If the person worked for you in any of the weeks, take the time to complete the form and list the gross wages in the areas adjacent to the weeks claimed. Remember that we rely on you to provide correct information and we will not ask for additional payroll records as a matter of routine before assessing an overpayment. If you suspect any type of fraudulent activity, please take the time to report it to our office.

BENEFIT AUDIT FORM

The Benefit Audit form is our main tool to identify and assess overpayments. This same form is used to audit individuals claiming benefits from Washington while residing in other states, so if you are an employer from another state you may seek this form.

The lower left-hand portion of the form lists weeks paid to the individual identified in the top portion of the form. Our week begins on Sunday and ends on Saturday. In order to be sure we correctly assess an overpayment, please try to report the work and earnings in the weeks as they appear on the form even though your payroll period may be different from ours. The denials we write usually assess an additional denial for fraud. Fraud denials will prevent future payment of benefits to the individual involved for up to 2 years.

TOGETHER WE CAN MAKE A DIFFERENCE

The Office of Special Investigations is committed to reduce the number of improper benefit payments and has incorporated as part of our yearly goals a reduction of 10 % in the amount of Unemployment Insurance benefit fraud in Washington State. We believe that with your help we can positively impact the Unemployment Insurance Trust fund and may even help you reduce your tax rates by identifying improper benefit payments.