

BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Honorable  
David Pryor  
United States Senate

# Computer Matches Identify Potential Unemployment Benefit Overpayments

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District of Columbia and Virginia unemployment officials have tentatively confirmed that 271 of the 492 persons (55 percent) GAO identified through computer matches improperly received over \$730,000 in unemployment benefits.

These persons may not have been entitled to receive unemployment benefits because they were

- retired and receiving a Federal pension, or
- incarcerated in a District prison, or
- simultaneously receiving unemployment benefits from more than one State or duplicate payments from the same State.

In the future, similar computer matches may be useful to identify overpayments.



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

GENERAL GOVERNMENT  
DIVISION

B-207093

AUGUST 24, 1983

The Honorable David H. Pryor  
United States Senate

Dear Senator Pryor:

On November 10, 1982, you asked us to determine if retired Federal civilian and military personnel pensions were being deducted from State unemployment benefits as required by Federal and State laws. You were concerned these laws were not being enforced because of our October 29, 1982, report to you <sup>1/</sup> in which we found that pensions to five former employees at the Departments of Labor and Energy were not being deducted from their District of Columbia unemployment payments. To determine if this was a problem in other agencies, we performed a computer match of Federal civilian and military retirees with persons receiving unemployment benefits from the District, Maryland, and Virginia.

Also, as discussed with your office, we performed a computer match to determine if District of Columbia prisoners were receiving District, Virginia, or Maryland unemployment benefits to which they were not entitled, since State unemployment laws require that recipients be available for work. Your concern was based on our July 22, 1982, report <sup>2/</sup> which found that some prisoners were improperly receiving various Federal benefits, such as veterans' pensions.

In addition, we matched District, Virginia, and Maryland computer files of unemployment recipients to identify (1) persons receiving unemployment benefits simultaneously from more

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<sup>1/</sup>"Federal Agencies' Unemployment Compensation Costs Can Be Reduced Through Improved Management" (GAO/FPCD-83-3)

<sup>2/</sup>"Prisoners Receiving Social Security and Other Federal Retirement, Disability, and Education Benefits" (GAO/HRD-82-43)

than one State and (2) persons receiving more than one unemployment payment for the same period from the same State. Our findings are summarized below and discussed in detail in the appendix, as are our review objectives, scope and methodology.

Through our matches, we identified 604 persons who may have improperly received unemployment payments: 323 in the District, 169 in Virginia, and 112 in Maryland. Maryland officials advised us that none of the persons we matched and referred to them improperly received unemployment payments. However, District and Virginia officials have tentatively confirmed that 271 of the 492 persons (55 percent) we referred to them improperly received \$734,916 in unemployment payments. These potential improper payments consisted of \$703,870 to 238 Federal retirees; \$26,982 to 30 District prisoners; \$2,206 to two persons simultaneously receiving unemployment benefits from the District and one State; and \$1,858 to one person receiving more than one unemployment payment for the same period from Virginia.

The actual amount of improper payments may change as District and Virginia officials continue to interview individual claimants and investigate potential fraud cases. Unemployment officials have agreed to advise us of the final results.

We believe that computer matches like the ones we performed are useful and cost-effective ways to identify overpayments. Both District and Virginia unemployment officials said that, in the future, resources permitting, they would consider performing similar periodic computer matches.

Department of Labor officials advised us that they recently arranged with the Office of Personnel Management to provide States with computer tapes of current and retired Federal employees. Labor plans to notify States that the computer data will be available for them to perform computer matches and encourage them to perform such matches. In addition, the Secretary of Labor has acted on our October 29, 1982, report recommendation to alert Federal agencies of the need to, among other things, notify State unemployment offices when former employees who apply for unemployment benefits are retired and receiving pensions. This should reduce agencies' future unemployment costs.

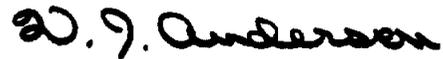
In response to your request, we did not obtain agency comments on this report. However, we did discuss its contents with District, Maryland, and Virginia unemployment officials and, in preparing the report, we considered their views.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this

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report until 30 days from the date of this letter. At that time, we will send copies to interested parties, including the President's Council on Integrity and Efficiency, and the Secretary of Labor. We will make copies available to others upon request.

Sincerely yours,

A handwritten signature in cursive script that reads "W. J. Anderson".

William J. Anderson  
Director



OBJECTIVES, SCOPE,  
AND METHODOLOGY

Our objectives were to determine if improper unemployment benefits were being paid to (1) Federal military and civilian retirees, (2) District of Columbia prisoners, (3) persons simultaneously receiving unemployment benefits from more than one State or (4) persons receiving more than one unemployment payment for the same period from the same State.

District of Columbia unemployment officials provided us with computer tapes containing data for all persons who received unemployment benefits from January through March 1982. Virginia and Maryland unemployment officials provided the same type of computer data for persons receiving unemployment payments during March 1982.

To determine if Federal retirees' pensions were being deducted from their State unemployment payments, the Office of Personnel Management (OPM) and the Department of Defense (DOD) provided us with computer tapes listing all civilian and military retirees receiving pension checks during March 1982, <sup>1</sup>/ <sub>the dollar amount of the pensions and other identifying data such as social security numbers and dates of birth. We then matched these tapes with the District, Virginia and Maryland unemployment tapes and, when we found names appearing on both tapes, asked the appropriate State unemployment offices to answer the following questions:</sub>

- Were the retirees' pensions being deducted from State unemployment benefits as required by Federal and State laws?
- How much in unemployment benefits was improperly paid to Federal retirees whose pensions were not being deducted?
- Had the Federal retirees accurately reported to the State unemployment offices that they were retired and had applied for or were receiving their pensions?
- Were the identified overpayments charged to the Federal agencies from which the employees retired or to the private employers for whom the retirees worked after leaving Federal service?

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<sup>1</sup>/ We did not ask for information on pensions paid to retirees' survivors because Federal law does not require States to deduct these payments from unemployment benefits.

To determine if District of Columbia prisoners were improperly receiving unemployment benefits, we asked the District's Department of Corrections to provide us with a computer tape of District prisoners for March 1982. We then matched the names on this tape with the names of persons receiving District, Virginia, or Maryland unemployment payments. When the same names appeared on both tapes, we referred them to the appropriate State unemployment office to determine if these people had indeed received unemployment benefits improperly. Since prisoners are unavailable for work, they are not entitled to receive unemployment benefits.

To determine if anyone in our sample was improperly receiving unemployment benefits from more than one State or receiving more than one unemployment payment for the same period from the same State, we matched the names and addresses from the District, Virginia, and Maryland computer tapes. When we found names that matched, we gave them to the appropriate unemployment officials for verification.

State unemployment offices computed potential overpayments for the period of time the persons first received unemployment payments up until about January 1983 when the State unemployment offices calculated the amount of potential overpayments.

We performed our review in accordance with generally accepted government audit standards except that we did not independently verify information on the computer tapes.

#### BACKGROUND ON UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES

Since January 1, 1955, Federal civilian employees have had unemployment insurance protection under Chapter 85, Title 5, of the U.S. Code. In addition, Public Law 96-499, the Omnibus Reconciliation Act of December 5, 1980, requires each Federal agency to pay the costs for all unemployment benefits paid to eligible former Federal employees by all 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands (hereafter referred to as States).

The Department of Labor, through its Employment and Training Administration's Unemployment Insurance Service, is responsible for (1) developing administrative procedures and forms for States and Federal agencies to use and (2) advising State offices and Federal agencies of their responsibilities under the law. The Secretary of Labor has entered into agreements to require all States to pay unemployment compensation to former Federal employees in the same amount and under the same terms and conditions that apply to unemployed private industry claimants. Generally, the paying State will be the one in which the claimant's last official duty station was located.

All States require that, to receive payments, a claimant must be unemployed from lack of work but be able and available for work. State unemployment compensation laws and policies vary regarding eligibility requirements, amount of payments, and duration of payments.

Public Law 96-364, section 414, dated September 26, 1980, states the specific circumstances under which States must deduct certain types of pensions from unemployment benefits if employers in the State are to be entitled to Federal tax credits for amounts paid into the State unemployment funds. However, this law does not prevent States from deducting other types of pensions. For example, District and Virginia laws generally require that pensions from any prior employment be deducted, a requirement not dictated by Federal law.

A Department of Labor official advised us that from October 1982 through March 1983, nearly 31,000 former Federal civilian and 22,000 former military personnel had collected unemployment payments. The estimated unemployment costs for former civilian and military personnel for fiscal year 1983 are \$232 million and \$178 million, respectively.

#### RESULTS OF PENSION MATCH

Our computer match identified 434 Federal civilian and military retirees who may have received unemployment benefits to which they were not entitled. We gave their names to the appropriate unemployment officials to determine whether the unemployment payments had been improper.

Maryland unemployment officials advised us that the 88 Federal civilian and military retirees we referred to them did not receive improper unemployment payments, primarily because Maryland law is not as restrictive as Virginia or District laws regarding the deduction of pensions. However, as shown in Table I, District and Virginia unemployment officials have tentatively confirmed that 238 of the 346 retirees (69 percent) we referred to them had improperly received \$703,870 in unemployment payments. Of this amount, District overpayments were \$612,723 (87 percent) and Virginia overpayments were \$91,147 (13 percent). Fifty percent of the District's potential overpayments resulted from the failure to deduct civilian pensions, while 89 percent of Virginia's potential overpayments resulted from failure to deduct military pensions.

TABLE I  
POTENTIAL OVERPAYMENTS RESULTING FROM PENSIONS  
NOT BEING DEDUCTED ACCORDING TO STATE LAWS

Types of pension received	<u>DISTRICT OF COLUMBIA</u>			<u>VIRGINIA</u>			<u>TOTALS</u>		
	<u>Number of names referred by GAO</u>	<u>Number of tentative confirmations</u>	<u>Amount of potential overpayments</u>	<u>Number of names referred by GAO</u>	<u>Number of tentative confirmations</u>	<u>Amount of potential overpayments</u>	<u>Total number of names referred by GAO</u>	<u>Total number of tentative confirmations</u>	<u>Total amount of potential overpayments</u>
Civilian	156	102	\$307,276	14	4	\$10,046	170	106	\$317,322
Military	<u>86</u>	<u>77</u>	<u>\$305,447</u>	<u>90</u>	<u>55</u>	<u>\$81,101</u>	<u>176</u>	<u>132</u>	<u>\$386,548</u>
Total	<u>242</u>	<u>179</u>	<u>\$612,723</u>	<u>104</u>	<u>59</u>	<u>\$91,147</u>	<u>346</u>	<u>238</u>	<u>\$703,870</u>

The remaining 108 retirees whose names we referred to the District and Virginia unemployment offices did not receive improper unemployment payments for various reasons (e.g. their pensions were being deducted as required).

District and Virginia unemployment officials cannot make final determinations on the propriety of the potential overpayments for the 238 persons discussed above until they (1) obtain additional information through their normal adjudication processes and (2) investigate potential fraud cases. They agreed to advise us of their final determinations.

Initial findings, however--as shown in table 2--reveal that \$213,244 (30 percent) of the total amount of potential overpayments was attributable to claimants not notifying the unemployment offices that they were retired and were receiving or had applied for pensions. An additional \$425,274 of potential overpayments (60 percent) was attributable to administrative errors. Claimants had informed the unemployment offices in the District and Virginia that they were receiving or had applied for pensions, but the offices had not deducted the amounts from the unemployment payments. At the completion of our audit work, District officials were not able to explain the remaining potential overpayments of \$65,352 (9 percent). A District unemployment official advised us that a recent upgrading of the District's computer facility should help reduce future overpayments to retirees resulting from administrative errors.

TABLE 2

CAUSE OF POTENTIAL OVERPAYMENTS TO RETIREES

	<u>District</u>	<u>Virginia</u>	<u>Totals</u>
Retiree did not report pension	\$152,862	\$60,382	\$213,244
Unemployment office administrative error	\$394,509	\$30,765	\$425,274
No cause identified	<u>\$ 65,352</u>	<u>-0-</u>	<u>\$ 65,352</u>
Total	<u>\$612,723</u>	<u>\$91,147</u>	<u>\$703,870</u>

As table 3 shows, \$284,596 (40 percent) of the overpayments resulting from not deducting retirees' pensions were charged to Federal agencies and \$386,216 (55 percent) of the overpayments

were charged to private employers that retirees had worked for after leaving Federal service and \$33,058 (5 percent) were allocated between Federal and private employers. The Departments of Defense, Labor, Energy, Housing and Urban Development, the Office of Management and Budget, OPM, and the General Services Administration were among the agencies charged.

TABLE 3

AMOUNT OF POTENTIAL OVERPAYMENT TO RETIREES CHARGED  
TO FEDERAL AGENCIES AND PRIVATE EMPLOYERS

	<u>Federal</u> <u>agencies</u>	<u>Private</u> <u>employers</u>	<u>Federal and</u> <u>private</u> <u>employers</u>	<u>Total</u>
District of Columbia	\$262,090	\$317,575	\$ 33,058	\$612,723
Virginia	\$ 22,506	\$ 68,641	-0-	\$ 91,147
Total	<u>\$284,596</u>	<u>\$386,216</u>	<u>\$ 33,058</u>	<u>\$703,870</u>

According to a District unemployment official, the District periodically adjusts its unemployment tax rate for private employers, basing such adjustments on the amount of unemployment benefits paid to the employers' former employees. The District official pointed out that, as a result of a large amount of potential overpayments charged to private employers, some private employers in the District may have paid more unemployment taxes to the District than they should have.

RESULTS OF PRISONER MATCH

As table 4 shows, District and Virginia unemployment officials have tentatively confirmed that 30 of the 50 prisoners (60 percent) whose names we identified through the matches may not have been entitled to the \$26,982 they received in unemployment payments. Ninety-three percent of the potential overpayments were paid by the District, and all were charged to private employers except for \$585. We did not identify any District prisoners receiving Maryland unemployment payments.

TABLE 4POTENTIAL OVERPAYMENTS TO DISTRICT PRISONERS

	<u>District of Columbia</u>	<u>Virginia</u>	<u>Total</u>
Number of names referred by GAO	48	2	50
Number of overpayments tentatively confirmed by States	28	2	30
Total dollar amounts of potential overpayments	\$25,001	\$1,981	\$26,982

RESULTS OF MATCH FOR  
DUPLICATE PAYMENTS

We referred the names of 25 persons who may have received unemployment benefits from more than one State to the appropriate State unemployment officials. District unemployment officials tentatively confirmed that two of these persons improperly received a total of \$2,206 in unemployment benefits; that is, they were receiving benefits from the District and from Maryland or Virginia simultaneously.

We also referred the names of 95 persons who may have received more than one unemployment payment for the same period from the same State to the appropriate unemployment officials. Virginia unemployment officials tentatively confirmed that one of these recipients may have improperly received an overpayment of \$1,858 in unemployment benefits.





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