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Part VI

Department of Labor

Employment and Training Administration

20 CFR Ch. V

Unemployment Insurance Service

Proposed Quality Control Program;

Advance Notice of Proposed Rulemaking

DEPARTMENT OF LABOR

Employment and Training
Administration

20 CFR Ch. V

Unemployment Insurance Service Proposed Quality Control Program; Under Secretary's Order No. 4-75, Dated April 16, 1975 (40 FR 18515) (5 U.S.C. 553) Interpreting and Applying Sections. 303 (a)(1) and (a)(6) and 303(b)(2) of the Social Security Act (42 U.S.C. 503 (a)(1), (a)(6), and 503(b)(2))

AGENCY: Employment and Training Administration, Labor.

ACTION: Advance notice of proposed rulemaking.

SUMMARY: The Employment and Training Administration (ETA) will publish a Notice of Proposed Rulemaking in December 1984 or January 1985 to establish a permanent Quality Control (QC) program in the State Employment Security Agency (SESA) Unemployment Insurance (UI) system. The design of a QC system has been mandated by the Secretary of Labor and the President's Fiscal Year 1985 Budget includes provision for a UI QC program. The establishment of a UI QC program is a major initiative to reduce administrative errors in the UI system. ETA is publishing this notice to inform interested persons of its intentions.

DATE: Written comments must be received by the close of business on October 26, 1984.

ADDRESS: Submit comments to Carolyn M. Golding, Q.C. Task Force Director, U.S. Department of Labor, Room 7112, Patrick Henry Building, 601 D Street NW., Washington, D.C. 20213.

FOR FURTHER INFORMATION CONTACT: Carolyn M. Golding, Q.C. Task Force Director, Employment and Training Administration, U.S. Department of

Labor, 601 D Street NW., Room 7112, Washington, D.C. 20213. Telephone: 202-376-6636.

SUPPLEMENTARY INFORMATION:*Introduction:*

The Federal/State unemployment insurance program has two major functions—the collection of employer payroll taxes and the payment of UI benefits to eligible workers. State employment security agencies collect employer taxes and determine individual eligibility for benefits in accordance with State employment insurance laws. Provisions in the Social Security Act and the Federal Unemployment Tax Act set requirements for State laws.

Statement of Problem

Random Audit results from 15 States show that nationwide a significant percentage of benefit payments for calendar year 1982 were in error. Under the Random Audit Program, States select a small sample of intrastate claims paid each week and determine the accuracy of the payment. Only partial data is available as to the magnitude of the revenue problem. These data indicate sizable lost revenue resulting from delinquent employer contributions, delayed identification of new employers, and untimely deposit of employer taxes. These losses are occurring at the same time that the UI system is heavily in debt. As of August 31, 1984 outstanding loans totaled \$9.7 billion.

UI Objective for QC

The objective is to design and implement a system of data formatting and analysis precise and detailed enough to support the development and execution of corrective action plans to reduce the number and amount of inaccurate benefit payments (underpayments and overpayments), and corrective action plans to improve

revenue collections in States. Key to the attainment of this objective is the collection and analysis of data that is timely and detailed. The QC principles address known limitations of Random Audit and reflect considerations as to appropriate Federal/State roles as well as resource, timing and capacity constraints.

QC Foundations: Within the framework of QC objectives and principles, the foundation for the detailed QC design and implementation activity planned for the next several years will have the following major characteristics:

- States will have primary responsibility for drawing samples, calculating error rates and initiating corrective action.
- There will be a strong Federal oversight role to ensure consistency of procedures and integrity of data.
- Sample sizes will be increased incrementally, where necessary, to increase the precision and confidence of the data. Alternative data collection and sampling methods will be tested to reduce costs and improve precision.
- Within resource and benefit/cost considerations, QC will target its resources on the permanently authorized programs of greatest size, on programs which are the Secretary's special responsibility and programs funded from Federal resources.
- Pilot tests will be conducted for the revenue and interstate programs, not currently measured by Random Audit.
- QC will be phased-in incrementally over 3 years consistent with resource, timing and capacity constraints.

Signed this 20th day of September 1984.

Patrick J. O'Keefe.

Deputy Assistant Secretary of Labor.

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