



# WISCONSIN UNEMPLOYMENT INSURANCE

Supporting Integrity, Accountability and Re-employment

2016 Report to the Unemployment Insurance Advisory Council



STATE OF WISCONSIN



Department of Workforce Development



**STATE OF WISCONSIN**



Department of Workforce Development

Unemployment Insurance

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*"Preserving and enhancing the integrity of the Unemployment Insurance program is our mission. We do so to protect the businesses who fund the program as well as the Wisconsin workers and families who need this program during a time of transition in their lives."*

- Secretary Ray Allen, Wisconsin Department of Workforce Development





March 15, 2016

Dear Members of the Wisconsin Unemployment Insurance Advisory Council:

The Department of Workforce Development is pleased to present this report on the status of the State of Wisconsin Unemployment Insurance program and our ongoing efforts to prevent, detect and prosecute unemployment fraud.

Average initial unemployment claims for 2015 dropped to the lowest level since 1989, and average weekly continued claims are currently at their lowest level since 1999. Monthly estimates also show that more people were working in Wisconsin in December of 2015 than at any other point in Wisconsin history and Wisconsin's unemployment rate is below the national rate.

Wisconsin's employer-funded Unemployment Insurance Trust Fund is solvent and strong as the Fund ended 2015 with a balance of over \$742 million, a \$527 million increase from the previous year. As a result the UI employer tax burden will decline by an estimated \$97 million for tax year 2016.

Our agency remains committed to excellent customer service. The Department has made significant investments in an effort to modernize the UI systems to ensure future efficiency and integrity. For example, our redesigned Internet Initial Claims system has performed beyond expectations and has dramatically reduced the need for claimants to call a claims specialist since its launch in 2014. We estimate 57,000 initial claims that would previously have required the intervention of a claim specialist prior to the enhancement were completed successfully without any staff interaction.

Perhaps most importantly, we are pleased to report that in 2015 the **amount** and the **rate** of fraud against the UI system declined significantly.

Due in large part to Wisconsin's improving economy, total UI benefit payments declined by 17.3 percent from 2014 to 2015. In comparison, the percent of total benefits paid that were obtained fraudulently declined by double that amount, or 34.6 percent. An improving economy, enhanced measures to detect and prevent UI fraud, and other measures all help to ensure a reliable and sustainable UI system for employers and workers.

Contained in this report you will find these and other statistical details, along with a summary of the tools we use to prevent, detect and deter UI fraud. The report also includes an update on prosecution referrals for cases of egregious fraud against the UI system, including the significant increase in the number of referrals in 2015 over previous years.

We will continue to build upon the successes of the past year to protect the integrity of the UI program and look forward to working with you and the members of the Wisconsin State Legislature to advance even more measures.

Sincerely,

Ray Allen, Secretary  
Department of Workforce Development

Joe Handrick, Administrator  
Unemployment Insurance Division

## Integrity Efforts Are Up, Fraud Is Down

*"Referrals to the state Department of Justice soared six-fold thanks to an effort to prosecute unemployment insurance fraud cases."*

- Wisconsin Watchdog.org

### Fraud Overpayments Down in 2015

#### Non-Fraud Overpayments Also Down

Our program integrity focus is paying dividends for Wisconsin.

Fraud against the Wisconsin Unemployment Insurance program is down — both in terms of actual dollars and in terms of a percentage of total unemployment claims.

While these reductions can partially be attributed to a decline in total benefits paid due to the strong Wisconsin economy, they are also evidence our program integrity efforts are working.

In 2015, while total benefits declined by 17.3 percent, UI fraud overpayments declined by 34.6 percent. That is great news for Wisconsin as the decline in fraud overpayments is outpacing the overall decline in UI benefit payments.

Decline in Fraud Overpayments Outpacing the Overall Decline in UI Benefit Payments

	2014 Amount	2015 Amount	Dollar Reduction	Percent Reduction
Total UI Payments	\$732,327,104	\$605,481,027	\$126,846,077	17.3%
+ <b>Fraud Overpayment<sup>1</sup></b>	\$20,455,759	\$13,384,998	\$7,070,761	34.6%
As Percent of Total Payments	2.8%	2.2%		
+ <b>Non-Fraud Overpayment<sup>1</sup></b>	\$16,891,299	\$11,878,072	\$5,013,227	29.7%
As Percent of Total Payments	2.3%	2.0%		
= <b>OVERPAYMENT TOTALS</b>	<b>\$37,347,058</b>	<b>\$25,263,070</b>	<b>\$12,083,988</b>	<b>32.4%</b>

	2014 Number of Cases	2015 Number of Cases	Case Reduction	Percent Reduction
+ <b>Fraud Cases</b>	13,034	9,793	3,241	24.9%
+ <b>Non-Fraud Cases</b>	105,758	78,851	26,907	25.4%
= <b>CASE TOTALS</b>	<b>118,792</b>	<b>88,644</b>	<b>30,148</b>	<b>25.4%</b>

<sup>1</sup>Overpayment figures reflect the amounts detected in the stated calendar year. A portion of those overpayments would have been disbursed in prior calendar years.

**In 2015, while total benefits declined by 17.3 percent, UI fraud overpayments declined by 34.6 percent.**

## Unemployment Fraud is A Crime

### *Criminal Referral for UI Fraud*

The Department pursues, proves, and will attempt to recover all UI fraud committed against the Wisconsin UI system. We have multiple legal and administrative means of recovery including wage garnishment and interception of tax returns.

The Department pursues criminal prosecution in cases of egregious fraudulent activity and works cooperatively with district attorneys, the Wisconsin Department of Justice (DOJ), and federal prosecutors.

In 2015, 115 cases were referred for potential state criminal prosecution, reflecting the Department's increased emphasis on pursuing criminal charges against those who flagrantly abuse the system. This represents a dramatic increase in referrals from 2014. The total dollar amount of fraud from these 115 cases referred in 2015 was \$1.3 million.

The preparation of these cases for referral is an intense and detailed process. Our technical, investigative and legal staff collaborate to thoroughly investigate and prepare each case for a district attorney or the DOJ to prosecute.

## Incarceration Cross Match

### *The Use of Technology to Detect Fraud*

Cross-matching techniques are some of the most powerful anti-fraud tools employed by the Wisconsin UI system. One such technique is used to prevent unemployment fraud by persons who are in a jail, prison, or a house of correction.

Any person incarcerated for greater than 48 hours in a week is not available for work in that week and is, therefore, ineligible for benefits (unless the claimant has been granted work release privileges).

The Department employs the APPRISS cross-match system to identify any claimant who is currently incarcerated — both inside and outside of Wisconsin. In addition, the Department cross-matches with the Federal Social Security Administration (SSA) database of incarcerated persons.

The Department detected an estimated \$177,633 in fraudulent UI claims last year using these tools. Early detection allowed the Department to prevent an additional \$382,000 in improper payments in 2015.



**Wisconsin UI System utilizes powerful fraud prevention & detection software to ensure a reliable & sustainable program for employers & workers**

## Moving from Government Dependence to True Independence

### *Award Winning Re-employment Services and Increased Work Search Requirements Are Helping Workers*

Unemployment Insurance provides a valuable economic stabilizer for families and communities by providing short-term assistance while unemployed workers transition to new employment. The Department's goal is to ensure families receive the assistance they need in the short-term and help them find new employment for their long-term security.

Wisconsin's efforts to help workers become rapidly reemployed after the loss of a job has garnered national recognition from the American Institute for Full Employment. The Department was presented with the 2015 Full Employment Award for the Department's Re-employment Services System Enhancement. The initiative is focused on a complete online orientation and assessment for every UI claimant who is required to search for work. (See addendum E for more information.)

Under Wisconsin law, UI recipients (except those qualifying for a waiver) must register with Job Center of Wisconsin and actively seek employment.

2013 Wisconsin Act 36 requires the Department to conduct random work search audits on UI claimants. In 2015, the Department conducted over 35,000 random audits. Those audits revealed 7,700 instances where work search requirements were not being met. Although these efforts resulted in \$2 million in savings to the UI Trust Fund, our ultimate objective is 100% compliance.



***“Wisconsin is one of a growing number of states that have developed new programs that efficiently provide their UI claimants with increased connection with job search readiness services that not only helps jobs seekers land jobs more quickly, but also helps them avoid long-term unemployment.”***

**- John W. Courtney, President  
American Institute for Full  
Employment**



▲ UI Administrator, Joe Handrick, speaks before a committee.

## Worker Misclassification Efforts

### *Protecting Workers, Protecting Employers*

Wisconsin's UI system is not immune from the nationwide challenge of worker misclassification. Wisconsin UI auditors identified misclassified workers on approximately one-third of the audits during 2015 that involved the construction industry.

Worker misclassification contributes to waste and fraud in the UI program through the loss of UI tax revenue that is deposited into the UI Trust Fund from employers who misclassify workers, and the creation of an unfair business climate which places businesses that follow the law in a position of competitive disadvantage.

The worker misclassification initiative continued to demonstrate success in its second full year of operation.

The worker classification website yielded 44 tips in 2015 that resulted in 32 misclassification investigations. The investigative staff conducted 162 field investigations that resulted in almost 100 referrals to the Field Audit Section. On average, an audit conducted by the Department resulting from a referral by investigators yielded 12 misclassified workers and an additional \$4,722 in unpaid UI taxes.

As of the publication of this report, \$434,098 has been generated in UI taxes, interest and penalties as a result of the Department's efforts to detect worker misclassification. The total dollar amount will continue to increase as a result of audits still being conducted from 2015 misclassification cases that will increase the total dollar amount.

The Department has financed the worker misclassification initiative almost exclusively through federal grants. In 2013 and 2014, the Department received federal grants totaling \$200,000 from the USDOL for two limited-term investigators. The Department received additional federal funding in September 2014 and again in September 2015 through competitive federal grant awards totaling \$1 million, for additional limited-term investigators and a project field auditor. Wisconsin was one of only 10 states to receive competitive federal grant awards in both 2014 and 2015.

The investigative staff delivered more than a dozen presentations to hundreds of business and labor group representatives, and provided seven internal training sessions to Department staff.

Through the additional resources made available by federal grant funding, the Department has committed to conducting a total of 300 worker classification field investigations in 2016 and 2017. In addition, investigative team members will present at construction industry events, labor union meetings and other public forums on worker misclassification, and will hold meetings with individual contractors that have large numbers of misclassified workers. The goal of the meetings will be to educate the employers on worker misclassification, warn them of the legal and financial consequences of misclassification, and work with the employers to bring them into voluntary compliance with the worker classification laws.

More information on Wisconsin's efforts to combat worker misclassification can be found in addendum D.

[http://dwd.wisconsin.gov/worker\\_classification/](http://dwd.wisconsin.gov/worker_classification/)

# Fighting Fraud On All Fronts

*"In Wisconsin we deploy an 'All of the Above' strategy in the fight against fraud. We seek to deter it, prevent it, detect it. And when we do detect it, we recover it."*

- Joe Handrick, UI Administrator

## Prevention Tools

The Wisconsin UI program has instituted cutting-edge data analytics aimed at protecting the UI Trust Fund through prevention of fraud. As with the private sector, identity theft poses a threat to the integrity of Wisconsin's UI program. Across the Department, all employees are fully trained to recognize and report any suspicious activity.

***"An ounce of prevention is worth a pound of cure."***

- Benjamin Franklin

By cross-referencing Federal Social Security Administration records and Wisconsin Department of Transportation records, the Department attempts to ensure that an individual is not claiming benefits fraudulently on behalf of another person. The Department also reviews employer wage files to determine a claimant's work history.

The Department's current process proactively identifies suspected claims, allowing time to place holds on UI claims, properly investigate those claims, and prevent potential improper payments. It is estimated that the data analytics used to identify and prevent claims resulting from identity theft are preventing the payment of \$9.7 million in fraudulent claims each year.

Other fraud prevention tools include:

- ▶ Benefit Payment Notices informing employers of UI benefit charges to their account;
- ▶ Non-citizen work authorization verification with United States Citizenship and Immigration Services (USCIS) when the claimant is not a U.S. citizen;
- ▶ Scanning employer tax and benefit charge information to identify potential fictitious employers.

## Detection Tools

Although the Department invests considerable time and resources in fraud prevention activities, when individuals are not deterred from committing UI fraud the Department has a wide range of systems and methods to detect and recover fraudulently obtained benefits.

The Department aggressively pursues additional federal funding when it is made available for the purpose of fighting fraud. A recent federal grant award allowed the Department to hire additional staff to, among other duties, assist with benefit fraud investigations.

These benefit fraud investigators – many of whom having previous law enforcement experience - have extensive backgrounds in criminal investigations and work on the most complex and organized efforts to scam the system. These positions are funded by one-time federal revenue, however. With total UI grant funding for state UI programs being significantly reduced by the federal government, a sustainable funding source for all of our experienced investigators, as well as all other program integrity related operations, is critical to future fraud fighting efforts.





*"As organized fraud schemes become a bigger issue nationally, Wisconsin is fighting fire with fire by bringing in professionals with experience in criminal investigations. This goes part and parcel with Governor Walker's vision for a government that is more effective, efficient and accountable while ensuring that vital services remain available for those who need them."*

- Georgia Maxwell,  
Deputy Secretary



The Department utilizes numerous cross-matches (described below) that assist in detecting "work and wage" and other types of UI fraud.

**Quarterly Wage Cross-Match** - The Department cross-matches benefit payment records with the wage records submitted by employers.

**Interstate Wage Record Cross-Match** - The Department utilizes a quarterly cross-match of benefit payment records with the wage records submitted by interstate employers.

**Wisconsin and National New Hire Cross-Match** - Employers are required to report basic information about employees who are newly hired, rehired, or who return to work after a separation from employment. Department staff cross-match UI payment records with new hire information.

In August 2015, Wisconsin began cross-matching quarterly federal wage data from the National Directory of New Hire reports to show what federal government employees are claiming.

**Vital Statistics (Death Records) Cross-Match** - The Department of Health Services provides a record of deaths in Wisconsin from the Vital Statistics section. This data is then cross-matched with claimant data to determine if UI claims continue to be filed beyond the claimant's death.

Additional approaches utilized to prevent and detect fraud include:

- ◆ Audits of employers resulting in assessments totaling nearly \$1.4 million;
- ◆ Employer complaints and tips from the public concerning suspected fraudulent claims;
- ◆ Using 1099 information from the Internal Revenue Service (IRS) to investigate employers who may be misclassifying employees as independent contractors;
- ◆ Contacts from local, state, and federal law enforcement officers and correctional officers reporting suspicious activities;
- ◆ U.S. Bank utilizes Predictive Risk Manager (PRM), a licensed neural-based fraud monitoring system, which allows the Department to monitor, predict, and respond quickly to suspected fraudulent activity.

**DWD identified \$1.4 million in unpaid taxes in 2015, with tools in place to recover them.**

## Tools of the Trade

### Deterrence Tools

In 2015 the Governor and Legislature took steps to provide for additional penalties to deter overpayments from the UI Trust Fund.

The administrative penalty for acts of concealment was increased from 15 percent to 40 percent of the overpayment amount.

The Unemployment Insurance Advisory Council has forwarded additional measures to the Legislature to help preserve integrity of the UI program. Those measures are under consideration by the legislature as of the publication date of this report and include:

- ▶ Clarifying the definition of concealment for benefit fraud;
- ▶ Creating a new administrative penalty for construction employers who coerce individuals to improperly adopt independent contractor status;
- ▶ Creating a new administrative penalty for construction employers who knowingly and intentionally misclassify workers as independent contractors.

Furthermore, all revenue from the new penalties is to be dedicated exclusively for program integrity purposes.

**Employee Education and Assistance** - Education is a key component to any prevention and deterrence effort. The Department is working hard to help claimants and employers navigate the UI system easier by making requirements clearer and easier to understand.

A major step forward in this regard will occur in the spring of 2016 with the deployment of a new, re-designed system for persons wishing to file a continued claim.

The new Internet Weekly Claim (IWC) system will permit all claimants to file claims online and will provide clear, easy-to-follow questions to collect important information. Additionally, the IWC system will provide detailed explanations for questions to ensure claimants are responding accurately. The new system will also be mobile device-friendly to keep up with our ever-changing world. The IWC release follows the successful launch of the redesigned Internet Initial Claims system in the fall of 2014.

The Department has also improved notices that are on both telephone and web-based systems regarding the potential legal and financial consequences of committing fraud. Although a majority of claimants now file online, our call centers continue to provide fast service to those who have inquiries or who need a little extra help.

We also provide to claimants a claimant handbook with detailed instructions on the claim filing process and a, *Top 10 Things You Should Know About the Unemployment Insurance System When Filing Your Claim*, which is posted at <http://dwd.wisconsin.gov/dwd/publications/ui/ucb17144p.pdf>.

### Employer Education and Assistance

Wisconsin's Worker Classification website continues to be the only one in the nation that educates employers on proper classification of workers as either employees or independent contractors.

We also provide written educational guidance to employers on how to protect themselves and the Trust Fund including a pamphlet titled, *How to Protect Your Business From Higher Taxes*, which is posted at [http://dwd.wisconsin.gov/dwd/publications/ui/uct\\_17287\\_p.pdf](http://dwd.wisconsin.gov/dwd/publications/ui/uct_17287_p.pdf).

A number of other resources are available to both employees and employers including:

- ▶ UI Internet resources for employers and employees including "Frequently Asked Questions about UI Benefit Fraud" and methods for reporting UI fraud;
- ▶ An Employer handbook that contains information on how to properly classify a worker in accordance with Wisconsin law.

## Collection Tools

Despite our best efforts, overpayments do occur. Wisconsin is very successful at recovering overpayments.

A longitudinal state study tracked overpayment collections over 10 years and determined 82.5 percent of fraud and 80 percent of non-fraud overpayments were collected.

As previously stated, overpayments in 2015 declined by 32 percent to \$25.3 million. Based on our historical success the Department estimates that at least \$20.5 million of the overpayments established in 2015 will be recovered in the coming years.

In 2015 the Department recovered \$35.5 million of overpayments from prior years -- including almost \$2 million of debts older than 5 years. We achieve this by utilizing various mechanisms, including:

**Tax Refund Intercept** - The Department is able to intercept a claimant's state and federal tax refund. The Department participates in the United States Treasury's Tax Offset Program (TOP) to intercept tax refunds. By utilizing the tools available through TOP, the Department was able to recover almost \$7.5 million in fraud overpayments and \$692,655 in fraud penalties in 2015.

**Bankruptcy** - Fraud debts are not dischargeable in bankruptcy. The Department files adversary petitions to dispute discharge of the debt. A claim is also filed against the assets of the debtor.

**Warrants** - A lien is placed on the debtor's personal property to secure repayment of a delinquent debt.

**Levy Against Wages and Bank Accounts** - A levy is issued against wages, bank accounts or any property belonging to the debtor.

**Financial Record Matching Program** - A financial record matching program is used for debt collectors to identify the bank accounts of delinquent Unemployment Insurance debtors.

## \$35.5 million in overpayments recouped in 2015



▲ Governor Walker signs legislation to improve UI program.

## Addendum A – Overpayment Data

The table below illustrates historical data on benefit payments.

Combined State & Federal	2015	2014	2013	2012	2011
Total Federal & State UI Paid	\$605,481,027	\$732,327,104	\$1,270,761,600	\$1,612,616,543	\$2,094,416,632
+ <b>Fraud Overpayment<sup>1</sup></b>	\$13,384,998	\$20,455,759	\$24,796,194	\$31,505,810	\$41,607,913
Number of Cases	9,793	13,034	14,682	15,825	37,009
Avg. Overpayment	\$1,367	\$1,569	\$1,689	\$1,991	\$1,124
+ <b>Non-Fraud Overpayment<sup>1</sup></b>	\$11,878,072	\$16,891,298	\$26,347,894	\$31,487,390	\$44,943,978
Number of Cases	78,851	105,758	153,072	205,055	374,396
Avg. Overpayment	\$151	\$160	\$172	\$154	\$120
= <b>OVERPAYMENT TOTALS</b>	\$25,263,070	\$37,347,058	\$51,144,088	\$62,993,200	\$86,551,891
NUMBER OF CASES TOTAL	88,644	118,792	167,754	220,880	411,405
Avg. Overpayment	\$285	\$314	\$305	\$285	\$210

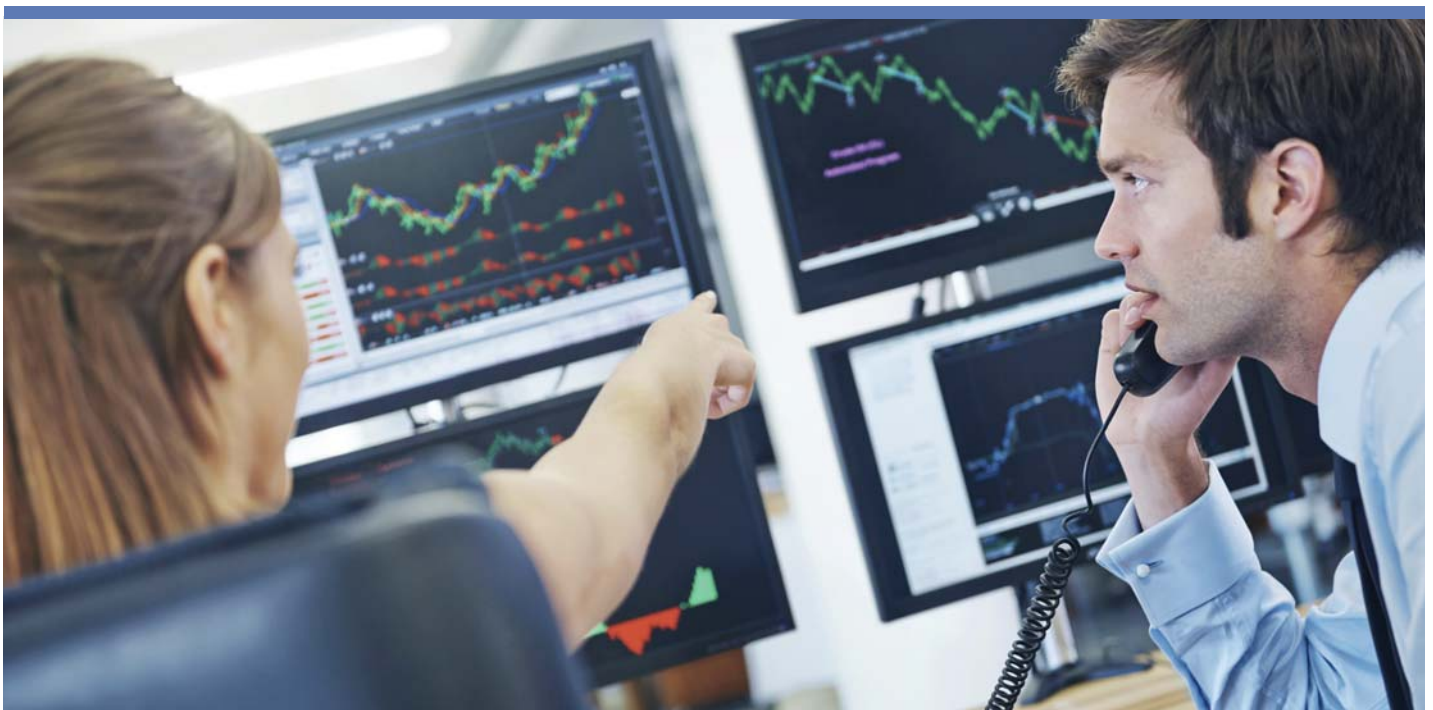
<sup>1</sup>Overpayment figures reflect the amounts detected in the stated calendar year. A portion of those overpayments would have been disbursed in prior calendar years.

### Fraud Overpayment Detection Amounts and Decisions by Source for 2014-2015

Detection Method	2015		2014	
	Amount	Decisions	Amount	Decisions
Wage Record Crossmatch	\$6,023,960	3,496	\$7,858,128	4,242
Post Verification of Wages	\$422,956	278	\$931,004	553
Liabe Employer Protests Benefit Charges	\$1,572,269	1,402	\$1,755,427	1,487
Tips & Leads from Other than Liabe Employer	\$372,683	305	\$478,163	386
State New Hire Crossmatch	\$946,059	1,383	\$1,003,429	1,357
National New Hire Crossmatch	\$94,735	68	\$151,749	101
Border Sate Crossmatch			\$16,452	8
Quality Control	\$44,325	26	\$87,570	28
Reversals	\$57	2	\$10,409	8
Inmate Crossmatch (SSA)	\$16,026	23	\$217,773	186
Appriss Inmate Crossmatch	\$161,607	326	\$38,865	74
Post Verification-No Wages Reported	\$1,584	4		
Audit of Worksearch	\$316	1		
Field Audit Discoveries	\$57,687	18	\$73,248	16
Interstate Crossmatch	\$82,657	29	\$240,914	80
Agency Detection - Not Covered by Other Codes	\$3,333,237	2,254	\$7,228,377	4,289
State Payroll Crossmatch			\$538	1
Claimant Initiated	\$250,978	174	\$363,713	218
Federal Wage Crossmatch	\$3,862	4		
<b>Total</b>	<b>\$13,384,998</b>	<b>9,793</b>	<b>\$20,455,759</b>	<b>13,034</b>

## Non-Fraud Overpayment Detection Amounts and Decisions by Source for 2014-2015

Detection Method	2015		2014	
	Amount	Decisions	Amount	Decisions
Wage Record Crossmatch	\$1,172,981	2,860	\$1,601,978	3,741
Post Verification of Wages	\$2,673,474	54,204	\$3,318,309	69,912
Liabe Employer Protests Benefit Charges	\$1,752,584	5,251	\$3,128,835	7,725
Tips and Leads from Other than Liabe Employer	\$283,306	892	\$542,104	1,261
State New Hire Crossmatch	\$738,458	2,805	\$993,695	3,816
National New Hire Crossmatch	\$23,962	84	\$40,942	127
Quality Control	\$76,580	114	\$36,375	108
Reversals	\$722,064	430	\$1,103,884	612
Inmate Crossmatch (SSA)	\$4,972	16	\$35,675	58
Appriss Inmate Crossmatch	\$58,881	171	\$19,003	56
Post Verification - No Wages Reported	\$1,302	4		
Audit of Worksearch	\$466,600	976		
Field Audit Discoveries	\$18,779	12	\$4,369	6
SAVE (Alien Verification)			\$2,440	1
Interstate Crossmatch	\$2,590	8	\$28,392	49
Deceased Citizen Crossmatch	\$1,007	2	\$33,686	10
Agency Detection - Not Covered by Other Codes	\$2,246,914	3,618	\$3,795,931	8,857
State Payroll Crossmatch				
Claimant Initiated	\$1,633,618	7,404	\$2,205,680	9,419
Federal Wage Crossmatch				
<b>Total</b>	<b>\$11,878,072</b>	<b>78,851</b>	<b>\$16,891,299</b>	<b>105,758</b>



## Addendum B – Collection Data

The following chart depicts **overpayment recoveries in 2015** by year of the decision.

Year Identified	Fraud	Non-fraud	Total
2015	\$1,553,885	\$6,694,751	\$8,248,636
2014	\$6,646,093	\$3,216,218	\$9,862,311
2013	\$4,249,519	\$1,340,703	\$5,590,222
2012	\$2,664,565	\$993,515	\$3,658,080
2011	\$2,517,766	\$1,065,415	\$3,583,181
2010	\$1,885,760	\$703,996	\$2,589,756
Greater than 5 years old	\$1,201,607	\$773,105	\$1,974,712
<b>Total collected in 2015</b>	<b>\$20,719,195</b>	<b>\$14,787,703</b>	<b>\$35,506,898</b>

The following chart depicts recoveries obtained through the Tax Offset Program

Federal Tax Offset Program Recoveries	2015	2014	2013	2012	2011
Fraud	\$7,495,899	\$8,206,781	\$10,082,628	\$10,769,881	\$2,869,398
Non-Fraud	\$867,815	\$1,030,964	\$1,563,841	\$0	\$0
Other	\$692,655	\$409,503	\$58,615	\$30,267	\$21,684
<b>Total</b>	<b>\$9,056,368</b>	<b>\$9,647,248</b>	<b>\$11,705,084</b>	<b>\$10,800,148</b>	<b>\$2,891,082</b>

State Tax Offset Program Recoveries	2015	2014	2013	2012	2011
Fraud	\$1,516,003	\$2,219,663	\$2,724,161	\$3,174,385	\$2,386,358
Non-Fraud	\$1,655,580	\$2,555,895	\$3,084,434	\$3,537,636	\$2,001,289
Other	\$358,514	\$255,895	\$52,307	\$64,179	\$23,837
<b>Total</b>	<b>\$3,530,097</b>	<b>\$5,031,453</b>	<b>\$5,860,902</b>	<b>\$6,776,200</b>	<b>\$4,411,484</b>

**DWD recovered over \$35.5 million in total UI overpayments in 2015, returning the funds to the UI trust fund.**

## Forfeiture Assessment and Collection, Benefit Reduction Amount and Penalty Assessment and Collection 2011-2015\*

Other Fraud-Related Activity	2015	2014	2013	2012	2011
Forfeitures Assessed	\$716,823	\$2,073,555	\$11,949,972	\$39,469,232	\$40,775,474
Benefit Amount Reduction	\$30,152,510	\$43,264,146	\$32,690,125	\$7,582,891	\$0
Penalties Assessed	\$2,532,081	\$2,823,964	\$2,202,840	\$20,768	\$0
Recovered for All Years Assessed	2015	2014	2013	2012	2011
Forfeitures Collected	\$1,748,211	\$3,309,935	\$8,595,250	\$9,366,384	\$11,454,179
BAR Satisfied	\$5,050,371	\$5,133,741	\$3,102,731	\$50,632	\$0
Penalties Collected	\$2,133,735	\$1,774,331	\$327,106	\$603	\$0
Overpayments Collected	2015	2014	2013	2012	2011
Fraud	\$20,719,194	\$21,773,656	\$23,990,550	\$25,223,873	\$15,597,067
Non-Fraud	\$14,787,703	\$18,686,386	\$25,112,055	\$24,945,202	\$28,099,276
Total	\$35,506,897	\$40,460,042	\$49,102,605	\$50,169,075	\$43,696,343

\* For benefit weeks before 10/12/2012 forfeitures (penalties) were assessed and future UI benefits were withheld to satisfy the assessment. With 2011 Act 198, the forfeiture concept was changed to Benefit Amount Reduction (BAR) or ineligibility for benefits in the amounts of 2 times the weekly benefit rate for the 1st act of fraud, 4 times the weekly benefit rate for the second act of fraud and 8 times the weekly benefit rate for each act subsequent to the second determination.

**In November 2011, the federal government enacted a mandate that states impose a 15% penalty on fraud overpayments by October 21, 2013, to be placed in states' unemployment reserve funds.**

**Effective with determinations issued October 4, 2015 and later, Wisconsin Act 55 increased the penalty to 40% of the overpayment amount resulting from concealment of work and wages or a material fact.**

### Addendum C – Prosecution Efforts

The Department pursues criminal prosecution in cases of egregious fraudulent activity and works cooperatively with district attorneys, the Wisconsin Department of Justice (DOJ), and federal prosecutors. In 2015, 115 cases were referred for potential state criminal prosecution, reflecting the Department's increased emphasis on pursuing criminal charges against those who flagrantly abuse the system. Cases referred for criminal prosecution can take several years to resolve. The prosecution of UI fraud not only punishes the offender but serves as a deterrent against future fraudulent activity. To date, 30 criminal cases from 2015 have been criminally charged, with additional activities ongoing.

In 2015, the Department established a new procedure for referring criminal cases to prosecutors. All potential criminal prosecutions are referred to the UI Division's Bureau of Legal Affairs (BOLA). The potential prosecutions are reviewed by BOLA legal and investigative staff to determine if the investigation meets Department standards for criminal prosecution. After the review is completed, BOLA staff refers the case to either a county district attorney or the DOJ. From there BOLA acts as a liaison between the Department and the prosecuting agency as the case moves through the criminal justice system. BOLA staff also serve as advocates at sentencing, not only for the Department, but for our partners in the business and worker community who properly utilize the UI program.

**115 cases were referred for potential state criminal prosecution, reflecting the department's increased emphasis on pursuing criminal charges against those who frequently abuse the system.**

### Addendum D - Preventing Worker Misclassification, Additional Information

The Department has demonstrated its continued commitment to fighting worker misclassification through an ongoing initiative combining education of employers and workers and a robust program of worksite misclassification investigations. Wisconsin's worker classification website ([http://dwd.wisconsin.gov/worker\\_classification/](http://dwd.wisconsin.gov/worker_classification/)), remains the only one of its kind in the United States. It provides employers with a clear and understandable process to assist them in determining if their workers are employees or independent contractors. The website also provides a mechanism to report suspected worker misclassification. Worker misclassification tips are received from a variety of sources such as workers, employers, and other government agencies.

Worksite investigations are conducted by seven experienced Department investigators, six of whom have law enforcement backgrounds in white collar and economic crime investigations. One of the investigators is full-time and the other investigators are limited-term employees, all of whom are funded temporarily through federal Supplemental Budget Request (SBR) grants. Department investigators interview suspected misclassified workers at work sites and obtain evidence for use by field auditors and legal staff. One of the investigators speaks fluent Spanish, which aids in conducting investigations in an ethnically diverse construction industry.



# Addendum E - American Institute for Full Employment - Initiative Performance Measures and Results

Noting improvements in Wisconsin's Re-employment Services (RES) for UI Claimants that will more effectively expand and improve reemployment services for those seeking work, the American Institute for Full Employment awarded the Department the 2015 Full Employment Award.

The Department developed the following performance measures for its initiative with the following results for the period from early March through late November 2015:

1. **Engagement.** Increase the percentage of UI claimants complying with the requirement to report in-person. Previously 52% to 55% of claimants who were required to report in-person did so. Since implementation of DWD's new initiative, in-person compliance has increased to 80%, largely due to the online calendar and self-scheduling option.
2. **Compliance Rates.** In 2013 a majority of UI claimants who were assigned RES services became compliant within 15 days of notification by UI that the claimant was not in compliance. In 2015, preliminary data shows UI claimants are achieving compliance within two days of notification by UI, reflecting a dramatic reduction in time.
3. **Speed of Service Completion.** Reduce the time for UI claimants to complete assigned RES services. Claimants completing required services within 0-4 days climbed 60-fold from 0.5% in 2014 to 30% in 2015. Those completing in 10 days or less more than doubled from 23.96% in 2014 to 59.17% in 2015.
4. **Voluntary Online Participation.** Of the 3,315 claimants participating in online workshops, approximately 31% were not required to participate but did so voluntarily.
5. **Placement and Earnings.** Increase in placement and earnings in quarter following reemployment services. Preliminary data suggest an upward trend in the percentage of RES participants who are employed in the quarter following RES services. Preliminary data also suggest an upward trend in median quarterly earnings of RES participants over time.

Average quarterly earnings are \$791 higher in the quarter after completing required RES services.

6. **Low Dropout Rates.** Overall, since implementation, 32,584 participants have received reemployment services - 53% Worker Profiling Re-employment Services (WPRS) and 47% RES - with about 10.2% of the total (3,315) completing at least one online workshop. Approximately 6% of participants failed to complete the required WPRS services





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