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Nikki R. Haley
Governor

May 3, 2013

The Honorable Andy Patrick
The House of Representatives
State of South Carolina
308-A Blatt Building
Columbia, SC 29211

Dear Representative Patrick:

Thank you for your recent letter regarding the S.C. Department of Employment and Workforce's (DEW) integrity efforts.

The U.S. Department of Labor (DOL) has provided funding to the state of New York to establish a UI Integrity Center for Excellence. The Center's mission will be to develop and implement innovative integrity strategies, including the prevention and detection of UI fraud. The Center will be operated and overseen by a National Association of State Workforce Agencies (NASWA) Steering Committee made up of five member states, including South Carolina. One of the Center's goals is to create a database that states can use to cross-match and detect UI fraud.

For these reasons, it was determined that the expected benefits from the fraud detection software would not be substantial, are duplicative of some cross-matches currently used by the agency, and are expected to be available free of charge in the near future from the work done by DOL and NASWA. At this time, DEW has not received any information or been provided any documentation that would indicate an outside vendor is the best method to use. SAS has provided marketing materials to DEW and we have spoken to their point of contact. DEW requested SAS to provide us with a pilot project at no expense to DEW without a non-disclosure agreement. The pilot project has not begun nor has SAS established a pilot start date.

As a state agency, DEW must abide by the state procurement laws. When considering large, information technology projects, we must go through a competitive bid process using the state-mandated Request for Proposal procedure.

DEW is committed to the prevention and detection of fraud and uses multiple cross match systems for the detection of fraud. When conducting an analysis of our overpayments, 47 percent are a result of the claimant returning to work and continuing to draw unemployment benefits. This can be prevented by employers utilizing the Department of Social Services New Hire

The Honorable Andy Patrick
May 3, 2013
Page 2

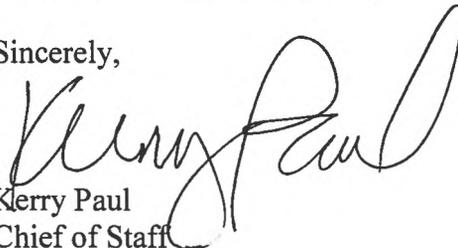
database located at www.scnewhire.com. This database is DEW's primary resource for cross matching for the early detection of overpayments/fraud.

Another 22 percent of overpayments is due to a lack of participation in the first level adjudication of UI claims. Without enough information and facts, an adjudicator may award benefits in a decision that may later be overturned during the first level hearing. If additional information not provided during the initial fact finding is subsequently provided at the first level hearing, this often results in a disqualification from benefits already paid. These large contributors to overpayments can be resolved by an extensive educational campaign and legislative remedies. The data to detect these two issues is not available from any vendor or DEW to detect earlier. Employers report wages to DEW quarterly, as required. Additionally, the new Integrity Bill before the General Assembly will create penalties for employers who show a pattern of failure to respond to requests for information in the fact finding process which results in an overturned decision and overpayment.

DEW is also utilizing all available methods of collection of overpayments. In the first quarter of 2013, DEW has collected \$16 million of overpayments. The agency is committed to finding the most cost effective and efficient solution to the prevention, detection and collection of overpayments and fraud with the highest return on investment.

If you have any additional questions or concerns, please contact me at (803) 737-2551.

Sincerely,

A handwritten signature in black ink, appearing to read "Kerry Paul", written in a cursive style.

Kerry Paul
Chief of Staff

cc: John L. Finan
Agency Administrator