



DEPARTMENT OF ECONOMIC SECURITY
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News Release

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FOR IMMEDIATE RELEASE
July 18, 2013

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DES recoups more than \$21 million in fraudulently claimed Unemployment Benefits

PHOENIX – The Department of Economic Security (DES) announced today that through the Federal Treasury Offset Program (TOP) it has collected more than \$21 million in fraudulently claimed unemployment benefits from federal tax refunds. In 2013, DES was able to take full advantage of this new program increasing collections by more than \$10 million over 2012. Through this intercept program, the Department has more than doubled its increase in collections of fraudulently claimed benefits over the last two years.

“The Department is aggressively pursuing every opportunity to recover fraudulently claimed unemployment benefits,” said Director Clarence Carter. “This will result in a substantial cost savings to Arizona taxpayers that will come in the form of lower unemployment insurance taxes for employers. In addition, individuals who fraudulently collected benefits are precluded from receiving benefits again for up to one year.”

The Department has had the ability to intercept individual’s Arizona tax refunds for a number of years, but a program for federal refunds was not in place for Unemployment Benefits until 2011. Through this new process, the Department notifies the IRS of fraudulent overpayment accounts it has established and the IRS will intercept that individual’s federal tax refund if one is due. The intercepted funds are then sent to the State for deposit into the Unemployment Trust Fund.

The Department has implemented several quality initiatives over the past year that have resulted in overpayment reductions. Improper payments have fallen by almost one-third over the last three years – to 13.8 percent in 2012 from 20.2 percent in 2010. The leading cause of improper payments are people returning to work and failing to notify the Department in a timely manner and employers and claimants who provide inaccurate information or no information at all to validate a claim or appeal. However, those caused by claimants and employers have fallen significantly as the Department has implemented new work search reporting requirements and outreach efforts to employers on the importance of responding to Department requests for information pertaining to an individual’s reason for leaving employment. Improper payments caused by DES have fallen by half and currently represents only 2 percentage points of the improper payments.

In order to reduce the occurrence of fraud, the Department encourages all employers to report any newly hired employees to the State Directory of New Hires. This database is used by the unemployment program to identify claimants who return to work, but fail to notify the Department in a timely manner. Reporting of this new hire data is vital to stopping benefit fraud. Employers can report their new hire information online at www.az-newhire.com.