# Key Considerations to Reduce Organizational Risk With Unemployment Claims Management

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# Unemployment Claims Management

Unemployment claims surged when the Covid-19 pandemic hit in 2020, taking us from record low unemployment to record high unemployment in only a matter of weeks as businesses were forced to shut down, and employees were laid off or furloughed. Processing unemployment claims was made even more difficult due to remote workforces, but even in the best of times, when you're not facing a global crisis, managing unemployment claims is tedious, and the consequences for mismanagement can include monetary penalties and higher insurance costs.

**To be eligible for unemployment, an employee generally must:**

## Be unemployed
due to a factor outside of their control, such as being laid off, furloughed or ending seasonal work, quit for good cause, or were fired for anything other than misconduct.

## Meet state requirements
for wages earned or time worked during an established period of time, plus any additional state requirements.

As an organization, you need to understand compliance obligations for each state in which you have employees, stay current with legislative changes, and respond completely and timely to agency requests. If you don't have a system in place to capture your information, and you lack expert guidance to help you navigate the pitfalls, you risk costly errors and noncompliance.

This Buyer's Guide provides a closer look at the processes associated with managing unemployment claims and discusses how the ADP SmartCompliance® Unemployment Claims solution can help reduce risk and create efficiency for your organization.

# Unemployment Claims Challenges

Managing unemployment claims requires focused, specialized expertise. Challenges inherent in unemployment claims processing include:

1. Keeping up with compliance obligations for each state (53 state-level tax jurisdictions)

2. Understanding legislative changes

3. Knowing when and how to handle protests and appeals

4. Responding completely and on a timely basis to agency requests

5. Managing activities that generate tremendous overhead for performing routine tasks

Without structured workflows and integrated quality assurance steps, employers face an uphill struggle to effectively maintain compliance and avoid facing a heavy burden of cost, risk and inefficiency.

# How ADP SmartCompliance® Unemployment Claims Helps to Address These Challenges

When you engage ADP to handle your unemployment claims management, we help you address these challenges by giving you comprehensive unemployment claims and appeals management support with automated workflows, dedicated specialists and easy-to-understand technology.

With ADP SmartCompliance Unemployment Claims Management, you get a team of experienced professionals, a powerful, highly intuitive platform and a finely tuned process designed to help reduce the risk, cost and burden of managing unemployment claims.

## ADP SmartCompliance Unemployment Claims Management core offering includes:

### Document handling
Electronic document processing and storage of all documents.

### Claims processing
ADP examines each new unemployment claim, reviewing the reason the employee gave for filing the claim and comparing that with your organization's reason for separation along with any supporting documents. ADP then applies state-specific law and regulations to the claim to establish its validity. Based upon review of state regulations, ADP will provide guidance if your organization should contest the unemployment claim and will respond on your behalf to the state agency, citing the reason for the protest along with supporting documentation.

### Appeals and hearings
If you need to appeal an unemployment decision, ADP will file the appeal on your behalf, with written argument stating the reason for disagreement with the benefit decision (determination) and request a hearing. ADP will prepare all necessary documentation and can represent you at the hearing. If you lose the appeal, ADP will file written argument stating why the hearing decision is in error and request to have the decision overturned.

**Hearing preparation includes:**
- Providing hearing date, time and location to the employer
- Reviewing the facts and supporting documents of the case
- Creating a timeline of facts and issues for the hearing
- Speaking with employer witnesses
- Providing an overview of hearings process
- Reviewing the testimony of each witness as it relates to the issues and facts
- Providing a recommendation on strength of the case prior to hearing
- Reducing witness anxiety prior to the hearing

**Hearing representation includes*:**
- Appearing with employer witness(es)
- Acting as primary spokesperson in the hearing
- Eliciting testimony that supports employer case
- Presenting documents in support of the employer's case
- Making motions and objections, as appropriate
- Providing closing or summary statement
- Reducing tension between the witness(es) and the former employee

*ADP can arrange hearing representation in states where representation by an attorney is required

## Benefit charge audit

The U.S. Department of Labor Benefit Accuracy Measurement (BAM) program shows that state unemployment agencies often charge employers when they should not be charged. ADP audits every unemployment claim payout to determine whether payments were made in error or there were overpayments. This affects your unemployment account, which is required to maintain a certain reserve. If the reserve is too low, your unemployment tax rate will increase to put more money in reserve. If it is determined that money was paid out in error, ADP will protest the erroneous charges and follow up with the agency until resolution.

Average overcharge during 2020 was **16%** nationally but the "normal" national average overcharge rate is 10 to 13%.

The average amount is in the billions of dollars, which goes up and down each year, but has been at or above **$3 billion** for several years.

Source: United States Department of Labor, Employment and Training Administration.
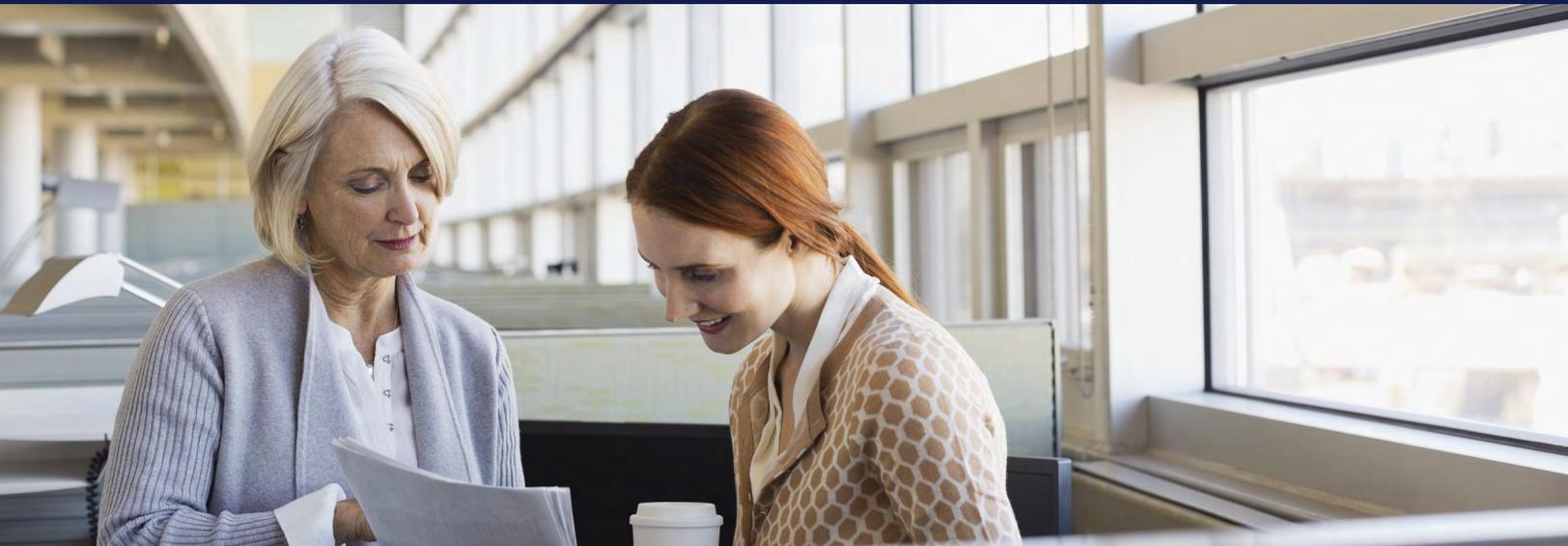
### Benefit wage audit

Also called a fraud audit, ADP performs this audit to determine if a person collecting unemployment benefits was overpaid by looking at wage/hour details for specified periods. ADP compares your employer-supplied information to the employee-provided information to determine if an overpayment occurred (i.e., employee was collecting salary, received vacation pay and was receiving unemployment compensation). Completing this audit may lead to receiving a credit to your unemployment tax account of any benefits paid in error.

### Tax rate audit

ADP will review each factor that contributes to your organization's final tax rate and will report any errors to the state unemployment agency. If applicable, ADP will seek a rate change.

### Voluntary contribution analysis

As a subset of the Tax Rate Audit, ADP will calculate the payment amount (contribution) needed to reduce your employer state unemployment insurance (SUI), providing your organization an analysis and recommendation. This audit is not available in all states (26 as of 2022).

## Advanced tax offerings available outside of core offering for an additional fee:

### Unemployment Tax Planning
- Mergers
- Acquisitions
- Divestitures
- Reorganizations

### Tax Registrations and Closures
- Unemployment
- Withholding
- Account closures
- Name changes
- Legal entity conversions

### Employment Tax Consulting
- Joint/common rating
- Negative Write-offs, Payroll variation elections
- Tax rate forecasts
- Tax rate impact studies
- General consulting

# Why Should I Purchase the ADP SmartCompliance Unemployment Claims Management Solution?

All ADP SmartCompliance solutions are designed to help simplify and unify your HCM compliance processes, improve your HCM compliance processes with technology, and shield your HCM compliance processes from disruption.

Unemployment compliance is predicated on each state's specific regulations, laws and guidelines. There is no "one size fits all," which adds to the complexity of administering unemployment claims, especially if your organization is locate in multiple states. Unemployment integrity (UI) requires that the employer respond to 100% of unemployment claims, even if you're not disputing benefits be paid out. Failure to meet UI integrity standards can result in administrative and monetary penalties. Failure to respond in a timely fashion to requests for information can result in a loss of rights to fight an unemployment claim or charges.

" We use ADP SmartCompliance for our employment verification software as well as unemployment claims compliance. We believe using one platform for these services saved time and money. Previously, we had three separate software platforms our Generalists would have to log into in order to comply with the regulations of both agencies. "

Trust Radius verified user
Manager at HR/Financial Services Company
201-500 employees

In 2020, ADP and its partners helped clients avoid **$900+ million** in claim liability charges and recovered **$400+ million** in erroneous charges. *(2021 ADP internal data)*

To understand your potential cost savings when you use ADP SmartCompliance Unemployment Claims Management or other HCM compliance processes, visit our **interactive calculator**.

# About ADP SmartCompliance Solutions

HCM systems of record typically are not designed to handle all the tasks required to stay compliant with ever-changing federal and state regulations. Additional work needs to take place outside of your HCM systems, which can lead to information silos and disconnected workflows. This work is often manual and time-consuming, and it's hard to keep up with the pace of change in today's regulatory environment.

A manual, disconnected approach to managing HCM compliance can create a gap between your HCM system of record and interactions with multiple federal, state and local agencies. This gap opens you to data errors, increases the risk of penalties and interest, and places an ever-increasing burden on your staff who is responsible for ensuring the work gets done correctly and on a timely basis.

But you can close this gap by making the case to automate, optimize and integrate HCM compliance management into your systems, processes and business practices in a way that elevates performance while mitigating compliance risks.

**ADP SmartCompliance® Solutions integrate with your HCM platform from ADP, Infor, Oracle, SAP, Workday and many others to extend your HCM systems with a technology-enabled service platform that helps automate key HCM compliance processes including:**

- Unemployment claims
- Payroll tax filing and remittance
- End-to-end wage garnishment management
- Distribution of wages
- Paperless pay and employee financial wellness
- Affordable Care Act data management, reporting and compliance
- Employment verification
- Tax credits and business incentives

## HCM compliance solutions from ADP can help your organization to:

- Reduce the risk of data errors that can result in penalties and interest
- Avoid disconnected, manually intensive processes
- Identify and execute the best opportunities for bottom-line tax savings
- Collect information in a single, intuitive platform that offers complete visibility and proactive notifications
- Track critical tasks and monitor active and resolved agency notices, amendments and exceptions
- Engage with compliance specialist teams in real time or by using chat and other tools
- Employ structure and automation to improve operational efficiency
- Reduce data integrity issues with HCM vendor-approved integrations

Integrated workflows built into ADP SmartCompliance help save time, reduce steps and automatically flag inconsistencies. Artificial Intelligence (AI) and machine learning reduce or remove human intervention. With ADP SmartCompliance, you get integrated, cloud-based solutions that work easily with most leading payroll, HR and financial systems.

**To learn more about how your organization can benefit from ADP SmartCompliance Unemployment Claims Management, contact your ADP Representative.**
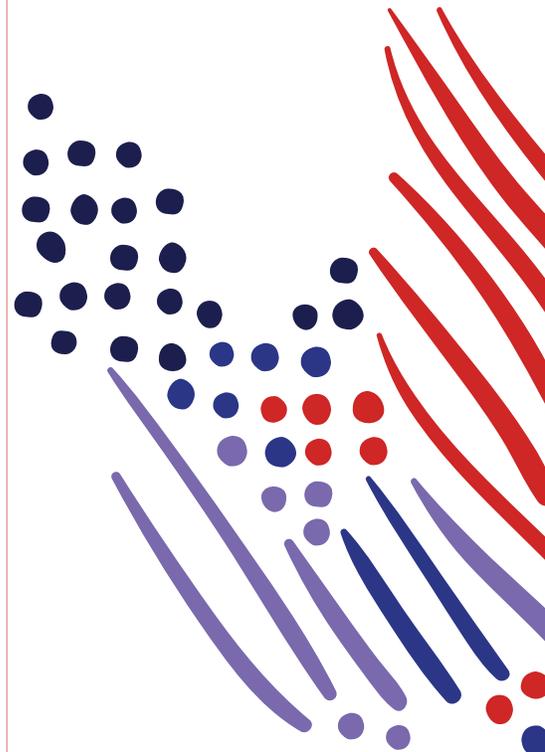
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for People™