EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Unemployment Insurance CORRESPONDENCE SYMBOL OUI/DPM DATE June 29, 2012

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 24-12

TO: STATE WORKFORCE AGENCIES

FROM: JANE OATES
Assistant Secretary Jane Oates

SUBJECT: Additional Planning Guidance for the Fiscal Year (FY) 2013 Unemployment Insurance (UI) State Quality Service Plan (SQSP)

1. Purpose. To initiate the process, provide supplemental instructions, and define additional requirements for the FY 2013 SQSP.

2. References.

- Section 303(a)(1) of the Social Security Act;
- 20 CFR Parts 640, 650, 652, and 660;
- Unemployment Insurance Program Letter (UIPL) No. 14-05, *Changes to UI Performs,* and its Changes 1, 2, and 3;
- UIPL No. 22-05, *Unemployment Insurance Data Validation (UI DV) Program Software and Policy Guidance,* and its Changes 1 and 2;
- UIPL No. 3-07, *Use of National Directory of New Hires (NDNH) in Unemployment Insurance (UI) Benefit Accuracy Measurement (BAM) Audits,* and its Change 1;
- UIPL No. 12-08, *Establishing an Acceptable Level of Performance (ALP) for the Unemployment Insurance (UI) Reemployment Rate Measure*;
- UIPL No. 3-10, *Revisions to Employment and Training (ET) Handbook 336, 18th Edition: Unemployment Insurance (UI) State Quality Service Plan (SQSP) Planning and Reporting Guidelines*;
- UIPL 22-10, *Selecting and Monitoring At-Risk States for Continuous Improvement and Compliance with First Payment timeliness and First Level Appeals Promptness*;
- UIPL No. 03-11, *Implementation of the Effective Audit Measure*;
- UIPL No. 19-11, *National Effort to Reduce Improper Payments in the Unemployment Insurance (UI) Program*;
- UIPL No. 21-11, *Additional Planning Guidance for the Fiscal Year (FY) 2012 Unemployment Insurance (UI) State Quality Service Plan (SQSP)*;
- UIPL No. 34-11, *Performance Measure for Unemployment Insurance (UI) Integrity;*
- ET Handbook 395, 5th Edition (November 2009) (http://wdr.doleta.gov/directives/attach/ETHandbook_395_Ch5.pdf); and

RESCISSIONS None	EXPIRATION DATE September 30, 2013

- ET Handbook No. 336, 18th Edition, Change 2 (December 2009) (http://wdr.doleta.gov/directives/attach/UIPL/UIPL3-10.pdf).

3. **Background.** The SQSP represents an approach to the UI performance management and planning process that allows for an exchange of information between Federal and state partners to enhance the UI program's ability to reflect their joint commitment to performance excellence and client-centered services. The Social Security Act authorizes the Secretary of Labor to provide funds to administer the UI program and governs the expenditure of those funds. Therefore, the SQSP operationally serves as the grant document through which states receive Federal UI Administrative Funding.

As part of UI Performs, the comprehensive performance management system for the UI program, the SQSP is the principal vehicle that state UI programs use to plan, record, and manage improvement efforts as they strive for excellence in service. ET Handbook No. 336, 18th Edition, contains general instructions for the SQSP. That Handbook is designed as a permanent instruction for the annual planning and budget process and provides states with planning guidelines and instructions for reporting UI financial and staff year information. Annually, we issue additional planning guidance that supplements the Handbook and provides direction and instructions specific to the upcoming FY.

States must participate in the annual UI Performs SQSP process whether or not they opt to include the UI program as part of their Strategic Unified State Plan submitted under Section 501 of the Workforce Investment Act (WIA) of 1998.

4. **National Direction.** The SQSP process addresses current state service delivery performance. It also aligns state procedures with national policies and priorities for accurately and timely paying benefits, and providing reemployment assistance.

Each year, after consulting with our stakeholders, we establish national priorities for the UI program. For FY 2013, our top priority continues to be the prevention, detection, and recovery of improper payments. Additionally, we will continue to work to improve program performance nationally; to emphasize better service delivery for the UI program by improving reemployment services to UI recipients; and to improve the process for detecting misclassified workers.

We provide the following national priorities for FY 2013 to help states develop their SQSP, including the establishment of state-level priorities for the UI program. Each state is expected to submit an updated UI Program Integrity Action Plan to address its UI improper payments. (See Attachment C)

Improved Prevention, Detection, and Recovery of UI Improper Payments

President Barack Obama issued Executive Order 13520 on November 20, 2009, which articulates the Administration's focus on reducing improper payments government-wide. The UI program is one of the top four Federal programs with a high dollar amount of improper payments and is, therefore, considered a "high priority" program. In addition, the UI program as a whole is considered out of compliance with the Improper Payment Elimination and Recovery Act

(IPERA) of 2010 because the improper payment rate exceeds 10 percent. This is a critical issue given the impact that improper payments have on state unemployment funds. Integrity efforts not only help preserve these unemployment funds and control UI tax rates, but they also maintain the public trust that the program is protected and operated as intended. As such, there will be an intensified effort for the Employment and Training Administration (ETA) and the states to work collaboratively to aggressively reduce improper payments.

To update their Program Integrity Action Plan, states must analyze their Benefit Accuracy Measurement (BAM) data to identify the top root causes for improper payments and develop strategies that will be effective in reducing or recovering improper payments. We will provide significant technical assistance to states to support their integrity activities. In addition, we will work with states to expand participation in the Treasury Offset Program for the recovery of overpayments, to implement the State Information Data Exchange System for obtaining timely and complete separation information, and to more effectively use the National Directory of New Hires (NDNH) and other overpayment prevention tools for Benefit Payment Control (BPC). The format for the Program Integrity Action Plan and instructions are included in Attachment C.

Improving Program Performance Nationally

ETA has embarked on a multi-pronged strategy designed to significantly bolster program accountability and facilitate performance improvement nationally. Strategies to meet this objective include:

- Providing high-emphasis technical assistance to support performance improvements for "At-Risk" states (states with sustained and extremely poor performance);
- Continuing to use the UI performance management system, UI Performs, which includes core measures and Secretary's Standards to monitor state performance; and
- Reviewing and improving the annual SQSP process, including helping states to develop more effective corrective action plans (CAPs) that truly help states meet or exceed performance targets.

As states develop their SQSPs, they should consider including strategies that will significantly enhance program accountability and performance improvement and seek technical assistance through ETA's regional offices (ROs).

Reemployment of UI Claimants

ETA will focus significant technical assistance resources to support states' service delivery to UI claimants in FY 2013. The goal is to ensure that UI claimants have access to the full continuum of workforce services through One-Stop Career Centers, both virtual and in-person, and through Rapid Response activities. We will work more intensively with states that have Reemployment and Eligibility Assessment grants to identify and share "best practices" and develop a more uniform national assessment program. We are also collaborating with state and local delivery workforce system partners to improve the integration of UI and workforce programs with the goal of improving employment outcomes for UI claimants.

As states develop their SQSPs, they should consider including innovative and robust reemployment strategies that are jointly developed in collaboration with the workforce system partners, including the WIA Adult and Dislocated Worker programs and Wagner-Peyser funded employment services program. We recommend that UI program staff collaborate with these partners to ensure the strategies reflect the agreement(s) made and are documented in each of the partners' strategic plans.

Addressing Worker Misclassification

The President's FY 2013 budget request includes a multi-agency initiative to dramatically strengthen and coordinate Federal and state efforts to address employer misclassification of workers. The goal is to: improve Federal and state agency capacity to identify potential violators through improved information sharing and targeted audits in high-risk industry sectors; provide outreach to employers to educate them about worker classification and, therefore, prevent misclassification; increase statutory enforcement; and enable the collection of payroll taxes previously lost due to misclassification. As this Federal collaboration unfolds, we will make states aware of new opportunities and strategies that may be available to address this problem.

The President's budget request also includes $10 million for an initiative to increase state capacity to address misclassification within the UI program. This initiative would provide for competitive grants for states to increase their data sharing activities with the Internal Revenue Service and other Federal and state agencies to: implement targeted audit strategies; establish a cross-state agency task force to target egregious employer schemes to avoid taxation through misclassification; and develop education and outreach programs. ETA will provide states with additional guidance for this initiative when the FY 2013 budget is enacted.

States may deploy a wide array of other strategies in addition to these Federal strategies. We encourage states to move forward to develop and implement state-driven strategies to address misclassification of workers and to include those strategies in the state's SQSP. We will identify state "best practices" in this area and share them broadly.

5. Strategic Goals and Outcome Measures. The five-year Department Strategic Plan forms the basis for the Federal emphasis for FY 2013. Required by Congress under the Government Performance and Results Act of 1993 (GPRA), the Strategic Plan is an integral part of the budget process and requires a commitment from all Department programs to attain expressed goals and outcomes. Achieving these outcomes requires the combined efforts of the Federal and state partners.

The UI program and outcome goals, shown below, support the Department of Labor's (Department's) strategic vision of *"**Good Jobs for Everyone**"*.

This year we are focusing significant technical assistance resources to support states' service delivery to UI claimants. The focus is to ensure that UI claimants have access to the full continuum of services beginning with their claim for UI benefits by providing access to the full range of workforce services delivered through One-Stop Career Centers and Rapid Response activities. States are expected to describe in the SQSP Narrative the steps they will take to better connect the UI claimant with the workforce system.

FY 2013 GPRA Goals and Targets

In recognition of ETA priorities, attention is focused on the following GPRA goals for FY 2013, with targets that the system as a whole is expected to meet. States should continue to strive to reach or exceed these GPRA goals and targets, which are published also in the Department's FY 2011 Annual Performance Report (http://www.dol.gov/dol/budget/2013/PDF/CBJ-2013-V1-01.pdf).

Strategic Goal 1: Prepare workers for good jobs and ensure fair compensation.
Outcome Goal 1.3.: Help workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs.

- *Facilitate the Reemployment of Claimant*
  - **Target:** 58.5 percent of UI claimants will be reemployed by the end of the first quarter after the quarter in which they received their first payment.

Strategic Goal 4: Secure health benefits and, for those working, provide income security.
Outcome Goal 4.2.: Ensure income support when work is impossible or unavailable.

- *Make Timely Benefit Payments*
  - **Target:** 87.0 percent of intrastate first payments for full weeks of unemployment will be made within 14/21 days from the week ending date of the first compensable week.

- *Detect Benefit Overpayments*
  - **Target:** Overpayments established will be at least 51.8 percent of the estimated detectable, recoverable overpayments.

- *Establish Tax Accounts Promptly*
  - **Target:** 87.5 percent of status determinations for new employers will be made within 90 days of the end of the first quarter in which liability occurred.

6. SQSP Planning Requirements and Guidance. ET Handbook No. 336, 18th Edition, Change 2, and this UIPL provide guidelines for the completion and submission of the SQSP and should be used when preparing the FY 2013 State Plans.

The Department's strategic approach to UI Performs is to focus efforts on improving the performance of states where performance is below minimum criteria, while promoting overall excellence. CAPs are expected whenever a state's performance does not meet established criteria for the SQSP measurement period (or performance year) and remains uncorrected before the preparation of the SQSP. The measurement period for the FY 2013 SQSP is April 1, 2011 – March 31, 2012, unless otherwise indicated.

CAPs and Narratives addressing performance deficiencies are the components of the state's formal plan and schedule for improving performance. To that end, a thorough analysis to identify the cause of performance shortfalls should be performed before the development of the state's plan. The formats for CAPs and Narratives are in the SQSP Handbook.

Multi-year CAPs continue to be an option for states so that efforts which must extend beyond a FY due to their size, scope, or complexity, can be realistically portrayed. Out-year portions of such multi-year plans do not need to provide quarterly targets or milestones (as required for the SQSP year) but should provide enough information to explain anticipated progress and results.

"At-Risk" Process

ETA's goal is to ensure that states are implementing "methods of administration . . . reasonably calculated to ensure full payment of unemployment compensation when due," in accordance with section 303(a)(1), SSA. To that end, ETA has identified persistently low performing states as "At-Risk" requiring high emphasis for technical assistance and monitoring. This collaborative process is expected to identify impediments to achieving performance standards; action steps designed to improve performance; and technical assistance strategies. The action strategies and technical assistance activities will become part of the state's SQSP CAP for those measures that have caused the state to be considered "At-Risk."

States selected because of consistently significant low performance for the first payment and appeals timeliness measures will be notified by ETA.

SQSP Assurances

By signing the SQSP Signature Page, a state certifies that it will comply with the assurance listed in ET Handbook No. 336, 18th Edition, Change 2 (OMB No. 1205-0132), and that the state will institute plans or measures to comply with the requirements.

States will continue to provide information for Assurances H, "Assurance of Contingency Planning" and J, "Assurance of Automated Information Systems Security." In the State Plan Narrative Outline, Section H, "Assurances," states are expected to provide the dates that their Information Technology (IT) Contingency Plan, System Security Plan, and Risk Assessment were implemented, tested, and reviewed/updated.

States are expected to:

- Review and/or update, and test the IT Contingency Plan annually;

- Review and/or update the System Security Plan annually; and

- Conduct a Risk Assessment once every three (3) years.

If a state does not have IT Contingency Plan, System Security Plan, and Risk Assessment procedures in place or if these documents are incomplete, then the state is expected to address the actions it plans to take in the SQSP Narrative. These plans and procedures must meet the minimum controls listed in the Chapter I, Section VII-H and Section VII-J of the ET Handbook No. 336, 18th Edition, Change 2.

7. **SQSP Program Performance and Criteria.** CAPs are expected for:

- Performance below the acceptable levels of performance (ALPs) for Core Measures;

- Performance below the criteria for the Secretary's Standards established in regulation at 20 CFR Parts 640 and 650;

- The Detection of Overpayments Measure is the percentage of detectable/recoverable overpayments established for recovery. States reporting an overpayment detection rate below 50 percent are expected to address the deficiency in a CAP. Also, because states generally cannot cost-effectively detect and establish more than 80-90 percent of estimated overpayments, an upper limit of 95 percent has been established for monitoring purposes. States reporting ratios over 95 percent are expected to explain in the Narrative section the reasons for the higher-than-expected ratios. If an overpayment rate above 95 percent is the result of improper administration of BAM or BPC activities or misreporting of data on the ETA 227 (Overpayment Detection and Recovery Activities) report, the state is expected to submit a CAP (for BAM/Overpayment Detection or BPC/Overpayment Detection). The CAP should be designed to produce valid data for the Overpayment Detection Measure. The performance period for the BPC component is the three-year period ending March 31, 2012; the performance period for the BAM component is the three-year period ending September 30, 2011; and

- State BAM operations that, based on the BAM Administrative Determination, are not compliant with the NDNH matching requirements in ET Handbook No. 395, 5th Edition, Chapter VI, UIPL 3-07 and UIPL 3-07, Change 1, effective for BAM paid claims sample cases beginning with batch 200801.

States are expected to address all other performance deficiencies in the SQSP Narrative. These include:

- Failure to conduct required program reviews;

- Deficiencies identified during required program reviews;

- Failure to meet reporting requirements; and

- Invalid recording of the Issue Detection Date (IDD) and Determination Date (DD). The validity of the UI Performs nonmonetary determination timeliness measure depends on the accuracy of the state's IDD and DD data. IDD and DD data are considered accurate if dates were correct in at least 95 percent of the nonmonetary determinations evaluated in the quarterly quality samples (obtained from the ETA 9056 report). Since the accuracy of IDD and DD data is based on sample results, sampling variation will be taken into account in setting the percentage below which a state's data will be considered inaccurate. States with invalid IDD or DD data are expected to address the steps they will take to record the IDD and DD correctly.

Attachment A lists the performance criteria for the Core Measures, Secretary's Standards and other program requirements where CAPs and/or Narratives may be required if annual performance is not acceptable. Attachment B lists the final state-specific ALPs for the UI Reemployment measure.

8. <u>Additional SQSP Program Performance and Criteria</u>.

UI Program Integrity

IPERA requires agencies to ensure that their managers and accountable officers (including the agency head), programs, and, where applicable, states and localities, are held accountable for reducing improper payments. For FY 2013, State Workforce Agencies are once again required to report their planned activities to prevent, detect, reduce, and recover improper UI payments as part of their SQSP submission. The UI Program Integrity Action Plan and instructions are included in Attachment C.

Tax Performance System

To ensure that UI tax operations are also in compliance with Federal reporting and oversight requirements, failure to conduct one or more Tax Performance System (TPS) sample reviews will be subject to a CAP. Additionally, a tax function that is not sampled will be included in the number of total failing functions as measured by Tax Quality Part A (no more than 3 tax functions may fail TPS review), and Part B (a tax function cannot fail for three consecutive years). Exceptions include universes that are too small to support a sample ("S"), an Experience Rate sample that was not scheduled for review during the performance year ("E"), or the granting of a temporary waiver by the regional office (RO) ("W"). Program Review Findings Charts should be noted accordingly.

Data Validation (DV)

The deadline for submitting DV results is June 11, 2012. DV items that failed to pass validation or that were not submitted are expected to be addressed in the state's FY 2013 SQSP. Non-submitted items include failures to certify that Module 3 of the DV Benefits and Tax Handbooks are up-to-date during the April 1 – June 11 certification window.

- If a state had DV items due for validation year (VY) 2012 and submitted all the items, but did not pass all items, it may address those that did not pass in the SQSP Narrative, explaining the cause of the failure and the actions the state will take to correct the failure during FY 2013.

- Any DV items due for VY 2012, but not submitted by the June 11, 2012, deadline, must be addressed in a CAP for FY 2013.

- If a state has a combination of non-submitted and submitted-but-failing items in VY 2012, the state must do a DV CAP encompassing both the non-submitted and the submitted-but-failing items. In this case, the submitted-but-failing items may not be addressed in the Narrative.

ROs will verify that states are properly implementing the DV program by assessing the accuracy of states' DV results during a DV monitoring activity. States will be monitored on a three-year cycle. After a state participates in the monitoring activity, the items that passed DV, but failed as a result of the monitoring activity will be addressed in the SQSP process according to the following schedule:

- DV items due to be monitored by June 2012, will not be included in the FY 2013 SQSP.
- DV items due to be monitored by June 2013, will be included in the FY 2014 SQSP.
- DV items due to be monitored by June 2012, will <u>also</u> be included in the FY 2014 SQSP.
- DV items due to be monitored by June 2014, will be included in the FY 2015 SQSP.

Based on the plan described, the DV Monitoring schedule and the SQSP schedule should align beginning with the FY 2015 SQSP.

<u>*Effective Audit Measure*</u>

The Effective Audit Measure, as noted last year in UIPL No. 21-11, is a new UI Performs Core Measure. It is a blended measure of the following four factors: 1) *Percent of Contributory Employers Audited Annually*, 2) *Percent of Total Wage Change From Audit*, 3) *Percent of Total Wages Audited*, and, 4) *Average Number of Misclassifications Detected Per Audit*. Each of the four factors has a minimum standard score that states must attain to pass the Effective Audit Measure as well as an overall combined score that must be met. The measure also requires states to direct additional emphasis to the factor(s) that they deem important to their state. An additional two points must be earned among any of the four factors to attain the overall passing score of at least 7.0. Beginning with the FY 2015 SQSP, states that do not meet this measure will be expected to complete a CAP based calendar year (CY) 2013 data.

A CAP is not expected with the FY 2013 SQSP submission; however, if a state that did not attain a passing score for the Effective Audit Measure for the CY 2011 computed measure period, it is expected to describe its plan to attain a passing score in the SQSP Narrative. The state should address the specific factor(s) that are the cause of the failure, and describe the strategies that will be employed to achieve a passing score by the CY 2013 computed measure period.

UI Integrity Measure- Benefit Year Earnings (BYE)

We established the UI Integrity Measure to address the leading cause of UI improper payments – claimants who return to work, fail to report earnings, and who continue to claim and collect UI benefits. Performance will be measured by the state's BYE overpayment rate, estimated by the BAM survey, rather than the amount overpaid to control for year-to-year changes in benefit outlays. A state will meet the ALP if: 1) its BYE overpayment rate decreases during the performance period by the percentage decrease specified for the period; or 2) its BYE overpayment rate decreases during the performance period and the rate is below the national BYE overpayment rate by the target percentage decrease. States failing to meet the ALP will be expected to develop a CAP as part of the SQSP. Performance for CY 2012 will be addressed in the FY 2014 SQSP. A CAP is not expected with the FY 2013 SQSP submission.

Newly Proposed Measures

These proposed measures were published in the Federal Register on February 13, 2012 (77 Fed. Reg. 7604), to solicit public comments. Comments received by the March 14, 2012, deadline have been posted for public view on the Federal eRulemaking Portal: http://www.regulations.gov, identified by Docket ID Number EAT-2012-0001. The final definitions and performance criteria for these measures will be announced in an advisory.

- *Improper Payments Measure*

  The Improper Payments Measure is a newly proposed UI Performs Core Measure. It would be a combined percentage of UI benefits overpaid and underpaid, estimated from the results of the BAM survey of paid UI claims in the State UI, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Servicemembers programs.

  Section 3(a)(3)(F) of IPERA establishes "an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under section 2(c) of the Improper Payments Information Act of 2002 (IPIA)." Section 2(e) of IPERA amends Section 2 of IPIA and defines an improper payment as "any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments)." In accordance with IPERA requirements, the Department is proposing an ALP of less than 10 percent, first applicable to CY 2012 performance.

  States failing to meet the ALP in CY 2012 will be expected to address the issue in their Integrity Action Plan as part of the FY 2014 SQSP. States failing to meet the ALP in CY 2013 will be expected to develop a CAP as part of the FY 2015 SQSP.

- *UI Overpayment Recovery Measure*

  The proposed recovery rate is "the amount of improper overpayments recovered divided by the amount of improper overpayments identified." To establish the ALP for the proposed measure, the Department conducted an analysis of the UI recovery data and proposed to establish recovery targets of 64 percent in FY 2012 and 72 percent in FY 2013. The Department will compute future recovery targets based on the most recent recovery and other performance data available.

The first measurement period will be January 1, 2012, to December 31, 2012. States failing to meet the ALP in CY 2012 will address the issue in their Integrity Action Plan as part of the FY 2014 SQSP. States failing to meet the ALP in CY 2013 will be expected to develop a CAP as part of the FY 2015 SQSP.

9. Funding Period. Appropriations language proposed by the Department provides for obligation of FY 2013 UI allocations by states through December 31, 2013, with 90 additional days to liquidate the obligations and complete the expenditure of funds. Under our proposed appropriation, states may obligate FY 2013 UI funds through September 30, 2015, if such obligations are for automation acquisitions or competitive grants awarded to states for improved operations, reemployment and eligibility assessments and improper payments, or activities to address misclassification of workers. Therefore, if Congress adopts the proposed appropriations language, the end of the FY 2013 obligation period will be December 31, 2013; for all funds except automation acquisitions, improved operations, reemployment and eligibility assessments, and improper payments or misclassification activities, which have an obligation deadline of September 30, 2015.

10. Data Availability. ROs will provide states with reports showing their performance against the Core Measures, Secretary's Standards and other information relevant to the SQSP (e.g., reporting deficiencies).

11. Deadline for State SQSP Submittal. Each RO will set a deadline for states to submit their SQSPs for FY 2013.

12. Electronic Submission of the SQSP. States must submit the SQSP electronically and should contact their RO SQSP Coordinator before submittal to coordinate specific details. Standard forms required as part of the budget reporting process (Chapter II of ET Handbook No. 336, 18th Edition, Change 2) are available in PDF format and may be downloaded from the Office of Management and Budget web site at:
http://apply07.grants.gov/apply/FormLinks?family=15. States may submit the SQSP signature page electronically if state law permits. States that do not submit an electronic signature page must submit the signature page via fax, scan or mail by the deadline set by the RO.

13. Action Requested. State Administrators are requested to:

- Make this information available to appropriate staff;

- Prepare their SQSPs in accordance with instructions in this UIPL and the planning and reporting instructions contained in ET Handbook No. 336, 18th Edition, Change 2;

- Coordinate specifics, as appropriate, with the RO for electronic submission of the plan; and

- Submit the FY 2013 SQSP by the dates specified to the appropriate RO.

14. **Inquiries.** Questions should be directed to the appropriate RO.

15. **Attachments.**

A. Measures/Programs to be Addressed in the Fiscal Year (FY) 2013 State Quality Service Plan (SQSP)
B. Unemployment Insurance (UI) Reemployment Final Acceptable Levels of Performance (ALPs) Results
C. Unemployment Insurance (UI) Program Integrity Action Plan

Attachment A

Measures/Programs to be Addressed in the Fiscal Year (FY) 2013 State Quality Service Plan (SQSP)

Core Measures	Measurement Period	Criteria	CAP	Narrative
First Payment Promptness	Apr 1, 2011 – Mar 31, 2012	87%	√	
Nonmonetary Determination Time Lapse	Apr 1, 2011 – Mar 31, 2012	80% (combined score)	√	
Nonmonetary Determination Quality - Nonseparations	Apr 1, 2011 – Mar 31, 2012	75%	√	
Nonmonetary Determination Quality - Separations	Apr 1, 2011 – Mar 31, 2012	75%	√	
Detection of Overpayments	BPC: Apr 1, 2009 – Mar 31, 2012; BAM: Oct. 1, 2008 – Sept. 30, 2011	<50%	√	
		>95%		√
	If the rate is a result of improper administration of BAM and/or BPC	>95%	√	
Average Age of Pending Lower Authority Appeals	Apr 1, 2011 – Mar 31, 2012	30 days	√	
Average Age of Pending Higher Authority Appeals	Apr 1, 2011 – Mar 31, 2012	40 days	√	
Lower Authority Appeals Quality	Apr 1, 2011 – Mar 31, 2012	80%	√	
New Employer Status Determinations Time Lapse	Apr 1, 2011 – Mar 31, 2012	70%	√	
Effective Audit Measure*	Jan 1, 2011 – Dec 31, 2011	Score >=7; and exceed all 4 factors	**No CAP until FY 2015**	√
Tax Quality (Part A: No more than 3 tax functions failing Tax Performance System (TPS) in a year)	Jan 1, 2011– Dec 31, 2011	←	√	
Tax Quality (Part B: The same tax function cannot fail for 3 consecutive years)	Jan 1, 2011 – Dec 31, 2011	←	√	
TPS Sample Reviews**	Apr 1, 2011 – Mar 31, 2012		√	
Facilitate Reemployment	**1st Payments:** October 1, 2010 to September 30, 2011 **Reemployment:** January 1, 2011 to December 31, 2011	Varies by State See Attached Table	√	
UI Integrity Measure – Benefit Year Earnings (BYE)	Jan 1, 2012 – Dec 31, 2012	Varies by State	**No CAP until FY 2014**	

* States will be expected to submit a CAP for the Effective Audit Measure with the FY 2015 SQSP if their performance for the 2013 calendar year does not meet the ALP. A description of the Measure is in UIPL 3-11. For the FY 2013 SQSP, states are to address the Effective Audit Measure in the SQSP Narrative.

** To ensure compliance with Federal oversight and reporting requirements, a CAP will also be expected if a state does not conduct one or more of the 13 TPS sample reviews during the performance period. Tax functions that could not be sampled because the sample universe was invalid/corrupt (the sample contained less than 53 valid cases) will be counted as a failure. A CAP is not expected if a state identifies a universe that is too small to support a valid sample, or the Experience Rate sample, which is examined once every four years, is not expected. States can also request a temporary waiver from the Regional Office under certain circumstances. For example, a waiver may be granted if IT modernization efforts have temporarily affected a TPS universe.

Measures/Programs to be Addressed in the Fiscal Year (FY) 2013
State Quality Service Plan (SQSP) (con't)

Secretary's Standards in Regulation	**Measurement Period**	**Criteria**	**CAP**	**Narrative**
First Payment Promptness (IntraState 14/21 Days)	Apr 1, 2011 – Mar 31, 2012	87%	√	√
First Payment Promptness (IntraState 35 Days)	Apr 1, 2011 – Mar 31, 2012	93%	√	
First Payment Promptness (InterState 14/21 Days)	Apr 1, 2011 – Mar 31, 2012	70%	√	
First Payment Promptness (InterState 35 Days)	Apr 1, 2011 – Mar 31, 2012	78%	√	
Lower Authority Appeals (30 Days)	Apr 1, 2011 – Mar 31, 2012	60%	√	
Lower Authority Appeals (45 Days)	Apr 1, 2011 – Mar 31, 2012	80%	√	
Programs	**Measurement Period**		**CAP**	**Narrative**
Data Validation ▪ Results not submitted by June 10, 2011	Apr 1, 2011 – Mar 31, 2012		√	
▪ Failing/incomplete submission by June 10, 2011	Apr 1, 2011 – Mar 31, 2012			√
Compliance with National Directory of New Hires matching requirements for BAM	Status as of March 31, 2012		√	
Incorrect recording of the Issue Detection Date and/or Determination Date	Apr 1, 2011 – Mar 31, 2012			√

Attachment B

Unemployment Insurance (UI) Reemployment
Final Acceptable Levels of Performance (ALPs) Results

Reemployment During 4 Quarters Ending 012/31/2011 Relative to ALP						
State	CY TUR (%)	% Nonexempt	ALP	Reemployment CY2011	Difference	Est., Missing Reports
AK	7.6	65.1%	60 %	60.2%	0.2%	
AL	9.0	69.0%	58 %	60.5%	2.5%	
AR	8.0	90.9%	53 %	65.8%	12.8%	
AZ	9.5	87.7%	51 %	55.8%	4.8%	
CA	11.7	86.5%	48 %	71.5%	23.5%	
CO	8.3	81.6%	53 %	49.9%	-3.1%	
CT	8.8	91.5%	51 %	58.3%	7.3%	
DC	10.2	98.2%	48 %	49.7%	1.7%	
DE	7.3	73.2%	57 %	60.3%	3.3%	
FL	10.5	95.6%	48 %	48.1%	0.1%	
GA	9.8	73.6%	54 %	53.1%	-0.9%	
HI	6.7	55.6%	64 %	62.7%	-1.3%	
IA	5.9	43.6%	69 %	67.2%	-1.8%	
ID	8.7	57.6%	61 %	83.7%	22.7%	
IL	9.8	75.2%	54 %	54.1%	0.1%	
IN	9.0	62.7%	58 %	61.5%	3.5%	
KS	6.7	68.1%	61 %	59.5%	-1.5%	
KY	9.5	52.8%	59 %	70.1%	11.1%	
LA	7.4	90.8%	53 %	57.4%	4.4%	
MA*	7.4	90.1%	53 %	58.4%	5.4%	***
MD	7.0	86.8%	56 %	55.4%	-0.6%	
ME	7.5	95.9%	53 %	59.2%	6.2%	

MI	10.3	64.2%	55 %	79.6%	24.6%	
MN*	6.4	55.3%	64 %	71.0%	7.0%	***
MO	8.6	85.5%	53 %	61.5%	8.5%	
MS	10.7	99.6%	48 %	60.2%	12.2%	
MT	6.9	37.3%	67 %	69.7%	2.7%	
NC	10.5	73.9%	52 %	59.9%	7.9%	
ND	3.5	28.1%	72 %	78.1%	6.1%	
NE	4.5	66.1%	64 %	61.9%	-2.1%	
NH	5.4	81.4%	57 %	57.8%	0.8%	
NJ	9.3	82.0%	51 %	55.9%	4.9%	
NM	7.4	91.7%	53 %	35.4%	-17.6%	
NV	13.6	74.0%	46 %	53.4%	7.4%	
NY	8.2	81.2%	53 %	55.1%	2.1%	
OH	8.6	86.6%	53 %	59.5%	6.5%	
OK	6.2	89.2%	56 %	52.1%	-3.9%	
OR	9.5	70.3%	54 %	63.2%	9.2%	
PA	7.9	48.0%	65 %	65.1%	0.1%	
PR	15.7	79.0%	46 %	42.5%	-3.5%	
RI*	11.3	70.6%	51 %	55.2%	4.2%	***
SC	10.3	90.4%	48 %	55.6%	7.6%	
SD	4.7	61.4%	64 %	69.7%	5.7%	
TN	9.2	67.7%	57 %	58.6%	1.6%	
TX	7.9	92.6%	53 %	56.8%	3.8%	
UT	6.7	85.1%	56 %	61.0%	5.0%	
VA	6.3	90.3%	55 %	55.5%	0.5%	
VI					0.0%	
VT	5.6	51.7%	66 %	67.9%	1.9%	
WA	9.2	78.1%	54 %	62.8%	8.8%	
WI	7.5	31.7%	65 %	68.2%	3.2%	

WV	8.0	58.5%	63 %	65.1%	2.1%
WY	6.0	65.8%	63 %	68.0%	5.0%

Note: States failing to attain ALP are highlighted.	**10**

Total Unemployment Rates (TUR) are for CY 2011
% nonexempt for year ending 9/30/2011.
% reemployed for year ending 12/31/2011.

One non-reported quarter estimated.
VI not shown; only 1 quarterly report received.

ALPs for Reemployment of UI Beneficiaries for the FY 2013 SQSP Based on FY2007-11 Regression							
CY 2011 TUR (%)	Percent of Claimants Not on Temporary Layoff; (% of Non-Exempt Claimants in FY 2011)						
	>90	>80 - 90	>70 - 80	>60 - 70	>50 - 60	≤50	Non-Ex Range
≤2	62%	64%	66%	69%	72%	75%	
>2 to 3	61%	62%	65%	68%	70%	73%	
>3 to 4	59%	60%	63%	66%	69%	72%	
>4 to 5	58%	59%	62%	64%	67%	70%	
>5 to 6	56%	57%	60%	63%	66%	69%	
>6 to 7	55%	56%	59%	61%	64%	67%	
>7 to 8	53%	54%	57%	60%	63%	65%	
>8 to 9	51%	53%	55%	58%	61%	64%	
>9 to 10	50%	51%	54%	57%	59%	62%	
>10 to 11	48%	49%	52%	55%	58%	61%	12.54%
>11 to 12	47%	48%	51%	53%	56%	59%	
>12 to 13	45%	46%	49%	52%	55%	58%	
>13	42%	43%	46%	49%	52%	54%	
2-11 Range					14.14%		

Attachment C

Unemployment Insurance (UI) Program Integrity Action Plan

State: (*Name of state*)	**Federal Fiscal Year:** (***SQSP Planning Year***)

Root Causes:
(*List top three of the root causes in the state.*)

Accountable Agency Official(s): (*List the person accountable for reducing UI improper payments*)

Summary: (*Provide a summary of the plan that the state has designed. The summary should include outreach efforts planned by the agency to inform all UI and workforce staff, and employers of the strategic plan to ensure everyone understands the importance of maintaining program integrity.)*

Strategies	Actions	Targets and Milestones	Resources
List the strategies that the state is taking to address UI improper payments.	List the specific action steps for each strategy that the state is taking.	This section should be divided into target and milestones. Specific milestones should be set for each of the actions. It is suggested that the milestones be set quarterly under each target.	Provide a description of the types of resources (e.g. human capital, technology and other tools) that have been designated to address the state's UI improper payments.

Unemployment Insurance (UI) Program Integrity Action Plan

Background

On July 22, 2010, the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (P.L. 111-204) was enacted. IPERA requires Federal agencies and entities receiving Federal funding to ensure that their managers and accountable officers (including the agency head), programs, and, where applicable, states and localities, are held accountable for reducing improper payments.

To implement IPERA, we are requiring State Workforce Agencies (SWAs) to report their planned activities to prevent, detect, reduce, and recover improper UI payments in a UI Program Integrity Action Plan. A recommended template for the plan has been developed and is included. The action plan should provide:

- Strategies and associated actions to reduce root causes, including the recovery of improper payments;
- Timeline, expected targets and measures; and
- Type and source of resources dedicated to accomplish the action plan.

To help the SWAs plan, we will provide each state with state-specific Benefit Accuracy Measurement (BAM) improper payment estimates, and data about the top root causes of overpayments.

Program Integrity Action Plan Specifics

The plan must identify the SWA officer(s) accountable for reducing improper payments, summarize the SWAs' assessment of whether it has the internal controls, human capital, and information systems and other infrastructure needed to reduce improper payments to minimal cost-effective levels, and identify any statutory or regulatory barriers which may limit the agency's corrective actions in reducing improper payments. Additionally, the plan must discuss the root causes of improper payments and present the state's strategies to address these causes.

A. <u>Strategies to address Root Causes and Recovery of Improper Payments</u>. The SWA must use the BAM improper payment estimates we provide to describe their strategies to prevent, detect, and/or reduce each root cause. Additionally, the strategies must include actions to improve the recovery of these improper payments.

To determine the root causes for improper payments, each SWA needs to conduct an analysis of improper payments by reviewing:

- Cause and responsible party,
- Cause and prior actions by the agency, employer and claimant, and
- Cause and BAM error detection points.

Other analysis may include SWA staffing issues, technology tools used, etc.

i) Prevention. Prevention activities are by definition proactive. These are actions performed before payment issuance to assure that the payment is accurate when made. Examples of this type of activity include:

(1) Expanding the methods for communicating Benefit Rights and Responsibility Information (BRI), reviewing information layout and reading level, and testing claimant understanding;

(2) Training employers and claimants on separation information requirements;

(3) Implementing the State Information Data Exchange System (SIDES) designed to improve the quality and timeliness of separation information;

(4) Reviewing state law, rules and regulations, business processes, and goals that are concerned with employment service (ES) registration and aligning these elements to eliminate overpayments. Several business models exist which may help to eliminate ES Registration errors. Two of the most successful are outlined below:

(a) Claimant responsible for ES registration – SWA stops payment if the claimant is not registered within 14 days of the initial claim. Weeks claimed or additional claims automatically maintain registration as active.
(b) Agency responsible for ES registration – SWA collects enough information during the initial claims process to register the claimant for services. This information is transmitted to ES and the system shows an active registration;

(5) Using Systematic Alien Verification for Entitlement (SAVE) and Social Security Administration Crossmatching;

(6) Working with a consortium of states, improve the continued claims taking process (Interactive Voice Response (IVR) and Internet) design and flow logic to better detect changes in employment status between weekly certifications. To prevent benefit year earnings reporting errors, SWAs should ensure that the IVR or internet process clearly focuses first on employment status and then earnings in its series of questions asked -- for example, "Did you work during the week of mm/dd/yyyy?, How many hours did you work?, How much do you earn per hour?";

(7) Focusing on the claimant's return to work date and earnings verification. If a claimant does not report work or hours after the return to work date, create a call-in reporting requirement where the claimant has claimed a week after the return to work date and has not reported earnings;

(8) Staff evaluation and training (such as an Expanded Benefit Timeliness and Quality adjudication evaluation program and issue training); and

(9) Assuring standardized fact-finding questions are used and completed for each issue type.

ii) Detection. Detection activities occur after payment. These are actions that the state controls and usually involves crossmatch activities such as:

(1) National Directory of New Hire Crossmatching – check crossmatch time parameters and agency filters, and use mandatory call-ins if a week is claimed and no earnings are reported;

(2) Implement the recommended operating procedures for Crossmatching Activity: National and State Directories of New Hires as outlined in the Unemployment Insurance Program Letter (UIPL) No. 19-11, *National Effort to Reduce Improper Payments in the Unemployment Insurance (UI) Program*;

(3) Wage Record Crossmatching – check the index calculation to ensure that it reflects current earnings disregard standards, run the wage record crossmatch for nine consecutive weeks after the end of a quarter to distribute workload and detect issues as soon as information is available;

(4) Implementation of SIDES to improve the quality and timeliness of separation and benefit year earnings information and to receive employer reported information in electronic format so earnings comparisons can be completed by the computer instead of Benefit Payment Control (BPC) personnel;

(5) Use of data mining to detect such disqualifying issues as multiple claimants at single address or phone number; and

(6) Use of predictive analysis to identify claims at high risk for overpayments.

iii) Reduction. Reduction activities are those actions which reduce the amount overpaid or the number of weeks overpaid and involve activities such as:

(1) Redesign of BPC workflow to reduce administrative activities;

(2) Using call-in and/or automated "required to report" notices (mail, IVR, email, and Internet) to raise BPC earnings issues quickly;

(3) Use of weighting strategies to prioritize detection workload; and

(4) Automating certain overpayment establishment decisions, where the business process only requires earning adjustment notices.

iv) Recovery. SWAs must specify the actions they plan to take to recover overpayments and plans to improve the recovery of overpayments. (See UIPL No. 33-99, *Overpayment Recovery Technical Assistance Guide*, available at http://www.oui.doleta.gov/dmstree/uipl/uipl99/3399att/3399toc.htm). Examples of this would be:

(1) Redesign of the BPC overpayment recovery workflow process;

(2) Streamline administrative activities and/or automation of skip tracing and collection notices to claimants;

(3) Implementation of the Federal Tax Offset Program (TOP) with the Department of the Treasury; and

(4) Implementation of a State Income Tax Offset program.

B. Targets and Timeline. When designing strategies to address improper payments, agencies must set targets for future improper payment levels and a timeline when the proposed strategies will be completed and within which the expected targets will be reached. We encourage states to develop realistic multi-year initiatives.

C. Resource Allocation. The plan must include a description of the type of resources such as human capital, technology and other tools that will be used to prevent, detect, reduce and recover improper payments.