EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Unemployment Insurance
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ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 21-14

TO: STATE WORKFORCE AGENCIES

FROM: PORTIA WU
Assistant Secretary

SUBJECT: Additional Planning Guidance for the Fiscal Year (FY) 2015 Unemployment Insurance (UI) State Quality Service Plan (SQSP)

1. **Purpose.** To initiate the SQSP process, provide supplemental instructions, and define additional requirements for the FY 2015 SQSP.

2. **References.**

- Section 303(a)(1) of the Social Security Act (SSA);
- 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 No. 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. 34-11, *Performance Measure for Unemployment Insurance (UI) Integrity*, and its Change 1;
- UIPL No. 22-13, *Additional Planning Guidance for the Fiscal Year (FY) 2014 Unemployment Insurance (UI) State Quality Service Plan (SQSP)*;
- UIPL No. 09-13, *Integrity Performance Measures for Unemployment Insurance (UI)*;

RESCISSIONS None	EXPIRATION DATE December 31, 2015

- Employment and Training (ET) Handbook No. 336, 18th Edition, *Unemployment Insurance (UI) State Quality Service Plan (SQSP) Planning and Reporting Guidelines,* and its Change 3 (April 2014); and
- ET Handbook No. 395, 5th Edition, *State Operations Handbook for the Unemployment Insurance (UI) Benefit Accuracy Measurement (BAM) Program,* (November 2009) (http://wdr.doleta.gov/directives/attach/ETHandbook_395_Ch5.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 SSA 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, which is 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. States must participate in the 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.

   ET Handbook No. 336 contains general instructions for the SQSP. This Handbook is designed as a permanent instruction for the planning and budget process and provides states with planning guidelines and instructions for reporting UI financial and staff year information. Annually, the Employment and Training Administration (ETA) issues a UIPL with additional planning guidance that supplements the Handbook and provides direction and instructions specific to the upcoming FY. Change 3 of ET Handbook No. 336, issued in April 2014, includes changes to various instructions and guidance to the SQSP process.

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

   Each year, after consulting with our stakeholders, ETA establishes national priorities for the UI program. For FY 2015, ETA's top priority continues to be the prevention, detection, and recovery of improper payments. Additionally, ETA will continue to work to improve program performance nationally; emphasize better service delivery for the UI program by improving reemployment services to UI recipients; and improve the process for detecting misclassified workers.

   ETA provides the following national priorities for FY 2015 to help states develop their SQSP, including the establishment of state-level priorities for the UI program. Several of the priorities are ongoing from the previous year with one exception – a focus on building state capacity to administer the UI program effectively.

Improving State Capacity to Administer and Operate the UI Program Effectively

In the aftermath of the Great Recession, states are emerging with new challenges in administering the UI program such as pent-up demand to make program improvements and/or to implement new technology solutions; the need to downsize as workload diminishes; backlogs that may still be in place due to high workloads; loss of key subject matter expertise due to retirements; many new staff who are still in learning mode; and declining performance. As states begin to look strategically at next steps in restoring program accountability and integrity, we strongly encourage them to use the SQSP process of developing plans to incorporate administrative capacity building strategies such as:

- Conducting business process analysis to identify opportunities for improving program operations, and implementing recommendations from the analysis to improve performance;

- Using Supplemental Budget Request opportunities to implement strategies most likely to enhance state capacity;

- Reviewing staff training strategies to support succession planning and ongoing staff development for new staff; and

- Taking advantage of technical assistance opportunities offered by the U.S. Department of Labor (Department), and the Information Technology Support Center, the UI Integrity Center of Excellence; and making use of the peer to peer information and tools available through the UI Community of Practice.

The Department is eager to work with states to make the SQSP process a meaningful management tool that becomes a strategic road map for states to improve program administration and ensure quality service delivery.

Improving Prevention, Detection, and Recovery of UI Improper Payments

The President issued Executive Order 13520 on November 23, 2009, which articulates the Administration's focus on reducing improper payments government-wide. Under the criteria established by the Office of Management and Budget (OMB), the UI program is considered a "high priority" program. For the FY 2013 reporting period, UI was one of the top five Federal programs based on the dollar amount of improper payments. In addition, the Department's Office of Inspector General has determined that the UI program is out of compliance with the Improper Payment Elimination and Recovery Act (IPERA) of 2010 because the 2011, 2012 and 2013 improper payment rates do not meet IPERA reduction targets and/or the criterion in IPERA that requires Federal agencies to report an improper payment rate of less than 10 percent. The Department established the improper payment reduction targets for the UI program with OMB approval. This is a critical issue given the impact that improper payments have on state UI trust 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 a continued, intensified effort for ETA and the states to work collaboratively to aggressively reduce improper payments.

Improving Program Performance Nationally

ETA has embarked on a multi-pronged strategy designed to significantly bolster program accountability and facilitate performance improvement nationally. For FY 2015, ETA will continue the following strategies to meet this objective:

- Provide high-emphasis technical assistance to support performance improvements for "At-Risk" states (states with sustained poor performance);

- Continue to use the UI performance management system, UI Performs, which includes core measures and Secretary's Standards to monitor state performance; and

- Review and improve the SQSP process, including helping states to develop more effective corrective action plans (CAPs) to help 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

Reemployment of UI claimants remains a top priority for the entire workforce system, including UI. The UI program is one of the required programs in the one-stop delivery system under the WIA and must work collaboratively with workforce system programs to fully connect UI claimants to the full range of reemployment services delivered through American Job Centers, online, and through rapid response. Through initiatives such as Reemployment and Eligibility Assessments and ETA's more recent work with five pilot states implementing strategies to achieve improved UI connectivity with the public workforce system and improved reemployment service delivery strategies, states are encouraged to continue to make progress in this area. ETA will focus significant technical assistance resources this year to leverage the work of the five pilot states and to support the next wave of states to implement enhanced reemployment strategies for UI claimants. ETA will also continue to work with states that have Reemployment and Eligibility Assessment grants to identify and share "best practices" and develop a more uniform national assessment program. ETA is particularly interested in strategies that use data to better target reemployment services and more quickly and precisely connect UI beneficiaries to job opportunities and/or services that will speed their return to employment.

As states develop their SQSPs, they should consider including innovative and robust reemployment strategies that are jointly developed in collaboration with workforce system partners, including the WIA Adult and Dislocated Worker programs and the Wagner-Peyser funded Employment Service program. These strategies may include:

- Developing intake processes that produce a more complete profile on UI claimants so that they can be targeted more efficiently with reemployment services and job referrals;

- Connecting UI claimants as quickly as possible to the public labor exchange systems so that they can start receiving job referrals immediately; and

- Using ongoing risk assessment to determine whether UI claimants are having a difficult time finding a job and require additional services.

ETA recommends that UI program staff collaborate with these partners to ensure the strategies reflect the agreement(s) made and are documented in each partner's strategic plan.

Addressing Worker Misclassification

The President's FY 2015 budget request includes a multi-agency initiative to dramatically strengthen and coordinate Federal and state efforts to address employer misclassification of workers. The goals are 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 proper worker classification and, thereby, prevent misclassification;

- Increase statutory enforcement; and

- Enable the collection of payroll taxes previously lost due to misclassification.

As this Federal-state collaboration unfolds, ETA will make states aware of new opportunities and strategies that may be available to address this problem.

The President's FY 2015 budget request also includes $10 million for an initiative to increase state capacity to address misclassification within the UI program. This request builds on the $10 million appropriated for worker misclassification in FY 2014. This initiative would provide 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. States should monitor their performance under the Effective Audit Measure to determine whether they are effectively detecting and preventing worker misclassification. ETA will provide states with additional guidance for this initiative when the FY 2015 budget is enacted.

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

Federal Emphasis

The Government Performance and Results Act of 1993 (GPRA) requires a commitment from all Department programs to attain expressed goals and objectives. Achieving these objectives requires the combined efforts of the Federal and state partners.

In recognition of the national priorities, attention continues to be focused on the following GPRA goals for FY 2015, 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.

GPRA Strategic Goal 4: Secure retirement, health, and other employee benefits and, for those working, provide income security.
GPRA Strategic Objective 4.1: Provide income support when work is impossible or unavailable and facilitate return to work.

- *Make Timely Benefit Payments*
  - **Target:** 87.5 percent of intrastate first payments for full weeks of unemployment compensation 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 55.3 percent of the estimated detectable, recoverable overpayments.

- *Establish Tax Accounts Promptly*
  - **Target:** 89.0 percent of status determinations for new employers will be made within 90 days of the end of the first quarter in which liability occurred.

- *Facilitate the Reemployment of Claimants*
  - **Target:** No target has been set for FY 2015. In FY 2014, ETA established a workgroup to develop a strategy for implementing a common integrated reemployment measure that includes both UI and workforce system data. The workgroup has identified the Labor Exchange Reporting System (LERS) as an existing reporting mechanism capable of accomplishing this objective. Through LERS, states and territories report on participant characteristics, services received, and employment outcomes for participants enrolled in the Employment Service, including participants that access the services through electronic means only. A common integrated reemployment measure, the entered employment rate (EER), is reported on the ETA 9002C report within LERS. Because Column C on that report provides a breakout for Eligible Claimants, these data can be used to compute an EER for UI claimants. ETA will continue to analyze this data in FYs 2014 and 2015 in order to develop a methodology for establishing national GPRA measure and targets for implementation in FY 2016. Simultaneously, ETA will

publish a Federal Register notice announcing and seeking comments on the establishment of the EER as an official GPRA measure beginning in FY 2016.

5. **SQSP Planning Guidance and Requirements.** ET Handbook No. 336, 18th Edition, Change 3, and this UIPL provide guidelines for the completion and submission of the SQSP and should be used when preparing the SQSP for FY 2015.

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. To that end, CAPs and/or Narratives 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 2015 SQSP is April 1, 2013 – March 31, 2014, unless otherwise indicated.

CAPs and Narratives addressing performance deficiencies are the components of the state's formal plan and schedule for improving performance; therefore, the causes of performance shortfalls should be thoroughly analyzed before the development of the state's SQSP.

"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." ETA will notify states it selects to participate in the process.

States selected because of consistently significant low performance for the first payment and appeals timeliness measures will work collaboratively with ETA to achieve performance improvement. For a state to have the "At-Risk" designation removed, it must achieve six months of meeting the standard and be likely to continue sustained improvement.

SQSP Assurances

By signing the SQSP Signature Page, a state certifies that it will comply with the assurances listed in ET Handbook No. 336, 18th Edition, and that the state will institute plans or measures to comply with the requirements for each of the assurances.

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, 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 must:

- 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 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 to meet these requirements in a CAP. 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 3.

6. SQSP Reform.

To ensure a viable SQSP and improve its quality, ETA is moving the states to a biennial SQSP cycle beginning with the FY 2015 SQSP. This biennial SQSP process provides a 24-month window for states to adequately plan and implement performance improvement efforts. The new SQSP process provides for two types of submittals, i.e., a formal two-year plan and an off-year SQSP *Lite* submissions.

States will submit budget worksheets and various assurances annually since funds for UI operations are appropriated each year. These and other required documents related to the Federal UI administrative funding process are to be submitted with both the Biennial SQSP and the SQSP *Lite*.

SQSP Preparation and Submittal

SQSP Formal Submittal: The Biennial SQSP (the formal plan) consists of a complete SQSP package. It must contain a transmittal letter, the State Plan Narrative, CAPs, the IAP, budget worksheets/forms, assurances, organizational charts, a signature page, and other required administrative documents as requested. For the two-year planning cycle, states must submit quarterly targets and milestones for both years. A sample CAP format for the two-year planning cycle is attached.

States may also develop extended multi-year CAPs so that efforts which must extend beyond the two-year planning cycle 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 two-year SQSP planning cycle) but should provide enough information to explain anticipated progress and results.

SQSP *Lite* Submittal: The SQSP *Lite* submittal consists of items included in the state's request for Federal UI administrative funding, as well as *ad hoc* modifications to SQSPs. Since states and ETA's ROs will continue to review reported performance data, monitor program performance, and initiate corrective actions when warranted, the SQSP *Lite* submittal will require states to submit new CAPs and IAPs to describe, for example:

- Corrective actions the state will take based on findings made in RO performance reviews; and
- New performance deficiencies identified in RO reviews of state performance data during the most recent performance year.

States will be required to modify the State Plan Narrative, existing CAPs, and IAPs to include, for example:

- Missed milestones; and
- New strategies for performance improvement.

SQSP Reform Implementation

Implementation for the new SQSP planning cycle will occur in a phased approach. Using the FY 2015 SQSP as a baseline, one half of the states in each region will be assigned to Group 1 and will submit a complete SQSP package with two-year plans. Group 1 states will include those states designated as High Priority and/or "At-Risk" and additional states to equate to one half of the states from a given region. The remaining states will be assigned to Group 2 and will submit a complete SQSP package with one-year plans. Starting in FY 2016, all states will be placed on a two-year plan cycle – that is, states that submitted an FY 2015 two-year SQSP will continue to submit two-year plans, and states that submitted an FY 2015 one-year plan will submit two-year plans. This means all states will submit two-year plans going forward, but on alternating cycles. ROs will include submission requirements in their annual instructions to the states in their regions.

An implementation timeline is as follows:

Implementation Timeline	
FY 2015	**FY 2016**
Group 1 States *Formal SQSP Submittal* On half of the states submit complete SQSP package with two-year plans.	**Group 1 States** *SQSP Lite Submittal* Submit abbreviated SQSP package, including transmittal letter, budget worksheets/forms, Signature Page, assurances, CAP/IAP modifications, and new or modified organizational charts.

<table>
<tr>
<td><u>Group 2 States</u>

One half of states submit complete SQSP package with one-year plans</td>
<td>Also,
New CAPs and IAPs for:
On-site reviews that identifies a need for corrective action
New performance deficiencies identified during PY 2015 (Apr 1, 2014 – Mar 31, 2015, unless otherwise indicated)
Other identified deficiencies
Modifications to existing CAPs and IAPs for:
Missed milestones
New strategies for performance improvement efforts
<u>Group 2 States</u>

Formal SQSP Submittal

Submit complete SQSP package with two-year plans</td>
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Additional descriptions of the formal SQSP submittal, SQSP *Lite* submittal, SQSP cycle schedule, significant activities, and dates relating to the submittal and approval of the SQSP are outlined in ET Handbook No. 336, 18th Edition.

States will continue to prepare and transmit an SQSP in accordance with the instructions in ET Handbook No. 336. The primary change is that states will submit the formal SQSP once every two years. The SQSP *Lite* submittal, as described above, will occur on the off-year of the SQSP cycle. Regional and National Office staff and the state will routinely review performance data to monitor program performance. This assessment will potentially lead to corrective action for either the formal SQSP submittal or the SQSP *Lite* submittal. States will continue to provide ROs with the status of corrective action efforts, no less than quarterly.

7. **<u>SQSP Program Performance and Criteria for FY 2015</u>.**

<u>Core Measures</u>

Performance below the acceptable levels of performance (ALPs) is expected to be addressed in a CAP unless otherwise indicated. Additional instructions for Core Measures are as follows:

- *The Detection of Overpayments Measure.*

This 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 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 Benefit Payment Control (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, 2014; the performance period for the BAM component is the three-year period ending September 30, 2013.

- *UI Integrity Measure - Benefit Year Earnings (BYE)*

The UI Integrity Measure for BYE addresses 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. Per UIPL No. 34-11, the ALP for the calendar year (CY) 2013 performance period is a 50 percent reduction in the state's CY 2008 to CY 2010 baseline BYE rate. 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 for the UI Integrity Measure for BYE will be expected to develop a CAP as part of the FY 2015 SQSP. The CAP will address performance for CY 2013.

For the CY 2014 performance period, state ALPs have been set at a 25 percent reduction from the state's CY 2010 to CY 2012 baseline BYE rate. These performance targets were established in UIPL No. 34-11, Change 1.

- *Effective Audit Measure*

The Effective Audit Measure, as noted in UIPL No. 03-11, 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. States that do not meet this measure will be expected to complete a CAP based on CY 2013 data.

- *Improper Payments Measure*

The Improper Payments Measure is defined as 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 (UCFE), and Unemployment Compensation for Ex-Servicemembers (UCX) programs minus the amount of state UI, UCFE, and UCX program overpayments recovered (reported on the ETA 227 Overpayment Detection and Recovery Report). This net amount is expressed as a percentage of the amount of UI, UCFE, and UCX benefits paid.

In accordance with requirements in section 3(a)(3)(F), IPERA, the Department has established an ALP of less than 10 percent for the improper payment measure. That is, states must maintain a net improper payment rate of less than10 percent for covered programs. This new ALP was applicable to the 2013 IPIA performance period (BAM sampling weeks 201227 through 201326, which coincide with the period July 1, 2012, to June 29, 2013). States failing to meet the ALP for the 2013 IPIA performance period will be expected to develop a CAP as part of the FY 2015 SQSP.

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) requires agencies to include all identified improper payments in the reported estimate, regardless of whether the improper payment in question has been or is being recovered. The Department is in consultation with OMB regarding an alternative methodology for estimating the improper payment rate. This measure will be revised for the 2014 performance period pending OMB approval of the new methodology.

- *UI Overpayment Recovery Measure*

Pursuant to Section 3(a)(3)(F) of IPERA and UIPL No. 09-13, the 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 payment, overpayment detection, and recovery data and proposed to establish recovery targets of 55 percent for the 2013 IPIA reporting period, and 58 percent for the 2014 IPIA reporting period. The Department will compute future recovery targets based on the most recent recovery and other performance data available.

The performance period will be based on the ETA 227 and ETA 227 Emergency Unemployment Compensation (EUC) data for the IPIA period (July 1 to June 30 of the IPIA reporting year). Pursuant to the UI Reports Handbook (ET Handbook No. 401, 4th edition), the June quarter ETA 227 reports are due August 1st. The first measurement period was July 1, 2012 to June 30, 2013. States failing to meet the ALP for the 2013 IPIA performance period will be expected to develop a CAP as part of the FY 2015 SQSP.

Secretary's Standards

Performance below the criteria for the Secretary's Standards established in regulation at 20 CFR Parts 640 and 650 is expected to be addressed in a CAP.

UI Programs

- *NDNH*

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 No. 3-07 and UIPL No. 3-07, Change 1, must be addressed in a CAP for FY 2015.

- *BAM*

State BAM operations or operational components that, based on the BAM Administrative Determination, are not compliant with investigative and/or method and procedure requirements established in ET Handbook No. 395, 5th Edition, must be addressed in a CAP. This includes paid and denied claim population variances outside established control limits.

- *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 three 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 RO ("W"). Program Review Findings Charts should be noted accordingly.

- *Data Validation (DV)*

The deadline for submitting DV results was June 10, 2014. DV items that failed to pass validation or that were not submitted are expected to be addressed in the state's FY 2015 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 10, 2014 certification window.

Any DV items due for Validation Year 2014 that do not pass--not submitted or submitted with failing results--by the June 10, 2014, deadline, must be addressed in a CAP for FY

2015. This is a change from FY 2014, when a state that had submitted all items due could address failed ones in a narrative.

ROs will monitor states every three years, on cycles coinciding with the DV validation year. They will assess accuracy of the state's DV results considered passing or not due as of the time of the monitoring visit to verify that that the states are properly implementing the DV program. DV items submitted as passing but which a monitoring review determined to have failed will be addressed in the SQSP process according to the following schedule:

- The FY 2015 SQSP will include DV items failing after review in the VY 2013 and 2014 monitoring cycles (monitored by June 10, 2014); and
- The FY 2016 SQSP will include DV items failing after review in the VY 2015 monitoring cycle (monitored between June 11, 2014 and June 10, 2015).

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

- *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 2015, states are required to report their planned activities to prevent, detect, reduce, and recover improper UI payments in their Program Integrity Action Plan, which should be submitted as part of their annual SQSP submission.

To update their Program Integrity Action Plan, states must analyze their BAM data to identify the top root causes for improper payments and develop strategies that will be effective in reducing or recovering improper payments. The most recent state data are available at the Department's Web site at http://www.dol.gov/dol/maps/map-ipia.htm. ETA will continue to provide technical assistance to states to support their integrity activities through webinars, individual state technical assistance, and in partnership with the UI Integrity Center of Excellence. In addition, ETA 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 NDNH and other overpayment prevention tools for BPC.

The UI Program Integrity Action Plan and instructions are included as Attachment C.

Other UI Performance

States are expected to address the following performance deficiencies in the SQSP Narrative:

- 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 in the SQSP Narrative.

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.

8. **Funding Period.** The Department proposes appropriations language for obligation of FY 2015 UI allocations by states through December 31, 2015, with 90 additional days to liquidate the obligations and complete the expenditure of funds. Under this proposed appropriations language, states may obligate FY 2015 UI funds through September 30, 2017, 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 worker misclassification. Therefore, if Congress adopts the proposed appropriations language, the end of the FY 2015 obligation period for regular state UI administrative funds will be December 31, 2015, 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, 2017. The Department will notify state agencies if Congress adopts this language.

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

10. **Deadline for State SQSP Submittal.** Each RO will set a deadline for states to submit their SQSPs for FY 2015.

11. **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 3) are available in PDF format and may be downloaded from the OMB Web site at: http://apply07.grants.gov/apply/FormLinks?family=15. States may submit the SQSP signature page electronically if the 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.

12. **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, 18^{th} Edition, Change 3;
- Coordinate specifics, as appropriate, with the RO for electronic submission of the plan; and
- Submit the FY 2015 SQSP by the dates specified to the appropriate RO.

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

14. **Attachments.**

A. Measures/Programs to be addressed in the FY 2015 SQSP
B. Unemployment Insurance (UI) Program Integrity Action Plan
C. New Sample CAP format

Attachment A

Measures/Programs to be Addressed in the Fiscal Year (FY) 2015 State Quality Service Plan (SQSP)

Core Measures	Measurement Period	Criteria	CAP	Narrative
First Payment Promptness	Apr 1, 2013 – Mar 31, 2014	87%	√	
Nonmonetary Determination Time Lapse	Apr 1, 2013 – Mar 31, 2014	80% (combined score)	√	
Nonmonetary Determination Quality – Nonseparations	Apr 1, 2013 – Mar 31, 2014	75%	√	
Nonmonetary Determination Quality – Separations	Apr 1, 2013 – Mar 31, 2014	75%	√	
Detection of Overpayments	BPC: Apr 1, 2011 – Mar 31, 2014; BAM: Oct. 1, 2010 – Sept. 30,2013	<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, 2013 – Mar 31, 2014	30 days	√	
Average Age of Pending Higher Authority Appeals	Apr 1, 2013 – Mar 31, 2014	40 days	√	
Lower Authority Appeals Quality	Apr 1, 2013 – Mar 31, 2014	80%	√	
New Employer Status Determinations Time Lapse	Jan 1, 2013 – Dec 31, 2013	70%	√	
Tax Quality (Part A: No more than 3 tax functions failing Tax Performance System (TPS) in a year)	Jan 1, 2013– Dec 31, 2013	←	√	
Tax Quality (Part B: The same tax function cannot fail for 3 consecutive years)	Jan 1, 2013 – Dec 31, 2013	←	√	
Facilitate Reemployment	**1st Payments:** October 1, 2012 to September 30, 2013 **Reemployment:** January 1, 2013 to December 31, 2013	Varies by State	√	
UI Integrity Measure – Benefit Year Earnings (BYE)	BAM batches 201301 to 201352 (Dec. 30, 2012 – Dec 28, 2013)	50% reduction from State's CY 2008 - CY 2010 baseline BYE rate	√	
Effective Audit Measure	Jan 1, 2013 – Dec 31, 2013	Score ≥7;and exceed all 4 factors	√	
Improper Payments Measure	BAM: Batches 201227 to 201326 (July 1, 2012 to June 29, 2013) BPC: July 1, 2012 – June 30, 2013	< 10%	√	
UI Overpayment Recovery Measure	July 1, 2012 – June 30, 2013	55%	√	

Measures/Programs to be Addressed in the Fiscal Year (FY) 2015
State Quality Service Plan (SQSP) (cont'd)

Secretary's Standards in Regulation	Measurement Period	Criteria	CAP	Narrative
First Payment Promptness (IntraState 14/21 Days)	Apr 1, 2013 – Mar 31, 2014	87%	√	
First Payment Promptness (IntraState 35 Days)	Apr 1, 2013 – Mar 31, 2014	93%	√	
First Payment Promptness (InterState 14/21 Days)	Apr 1, 2013 – Mar 31, 2014	70%	√	
First Payment Promptness (InterState 35 Days)	Apr 1, 2013 – Mar 31, 2014	78%	√	
Lower Authority Appeals (30 Days)	Apr 1, 2013 – Mar 31, 2014	60%	√	
Lower Authority Appeals (45 Days)	Apr 1, 2013 – Mar 31, 2014	80%	√	

UI Programs, etc.	Measurement Period		CAP	Narrative
Data Validation ▪ Results not submitted by June 10, 2014	Apr 1, 2013 – Mar 31, 2014		√	
▪ Failing/incomplete submission by June 10, 2014	Apr 1, 2013 – Mar 31, 2014		√	
Compliance with NDNH matching requirements for BAM	Status as of March 31, 2014		√	
BAM operations not compliant with investigative and /or method and procedure requirements	Jan 1, 2013 – Dec 31, 2013		√	
Incorrect recording of the Issue Detection Date and/or Determination Date	Apr 1, 2013 – Mar 31, 2014			√
TPS Sample Reviews	Jan 1, 2013 – Dec 31, 2013		√	
UI Program Integrity			**To be addressed in the UI Integrity Action Plan**	

Attachment B

Unemployment Insurance (UI) Program Integrity Action Plan

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

Root Causes:
(***List the top three root causes of improper payments in the state for the most recent IPIA period, and percentage change for each cause compared to the prior year's IPIA rate.***

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. If a Plan is already in place, list continuing actions/activities first and then any new actions/activities.	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 type 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;
- Type and source of resources dedicated to accomplish the action plan; and
- Outcomes from the previous year's strategies to address root causes of improper payments.

To help the SWAs plan, the Employment and Training Administration (ETA) will provide each state with state-specific Benefit Accuracy Measurement (BAM) improper payment estimates, with data and the annual trend for the top root causes of overpayments. SWAs are strongly encouraged to implement new strategies to address root causes with negative trends in improper payments.

Program Integrity Action Plan Specifics

The plan must identify the SWA officer(s) accountable for reducing improper payments, summarize the SWA's 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. Strategies to address Root Causes and Recovery of Improper Payments. 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 of 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 the payment. These are actions that the state controls and usually involve 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://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=1788). 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. ETA encourages 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.

D. Outcomes from Last Year's Strategies. Agencies must include a brief summary discussion of the implementation outcomes from the previous year's integrity strategic plan, noting whether the strategy implementation was completed, indicating known results, and/or discussing delays or barriers that prevented completion of the strategy implementation.

Attachment C

CORRECTIVE ACTION PLAN

State: ________	Federal Fiscal Years: ________ *(ex. FY 2015 – FY 2016)*	MEASURE/PROGRAM AREA: ________ *(Use descriptors contained in Appendix III of the SQSP Handbook)*

Current Performance Level: ______
(as of 3/31 or most recent performance)

Projected Performance Levels:

(12/31/__) (3/31/__) (6/30/__) (9/31/__) (12/31/__) (3/31/__) (6/30/__) (9/30/__)

SUMMARY:

The Summary must provide:

A. The reason(s) for the deficiency;
B. A description of the actions/activities which will be undertaken to improve performance and;
C. If a plan was in place the previous fiscal year, an explanation of why the actions contained in that plan were not successful in improving performance, and an explanation of why the actions now specified will be more successful; and
D. A brief description of plans for monitoring and assessing accomplishment of planned actions and for controlling quality after achieving performance goals.

If the desired improvement will not be accomplished by the end of the current fiscal years (the two consecutive fiscal years for which the plan is in effect), also indicate the major actions remaining to be taken in subsequent fiscal years, and a projection as to when the performance goal will be achieved.

MILESTONES: (Number sequentially)	Completion Date*							
	12/31	03/31	06/30	09/30	12/31	03/31	06/30	09/30
Milestones should be established for each core element of the state's corrective action plan and be of sufficient number and frequency to facilitate state and regional plan oversight and assessment during the fiscal year(s). It is anticipated that one or more milestones for each quarter would permit such progress tracking and assessment during the fiscal year(s) through state and regional follow-up schedules. States also may wish to identify performance milestones that reflect the performance level they anticipate will result from completion of planned activities. {} If continued, check box								

* States should use a √ to indicate the quarter the milestone is expected to be completed.