| 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. 17-15

**TO:**         STATE WORKFORCE AGENCIES

**FROM:**      PORTIA WU /s/
           Assistant Secretary

**SUBJECT:**   Additional Planning Guidance for the Fiscal Year (FY) 2016 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 2016 SQSP.

2. **References.**
   - Section 303(a)(1) of the Social Security Act (SSA);
   - Government Performance and Results Act of 1993 (GPRA), Pub. L. 103-62, as amended by Pub. L. 111-352: GPRA Modernization Act of 2010;
   - Improper Payments Elimination and Recovery Act of 2010 (IPERA), Pub. L. 111-204 (31 U.S.C. 3301 note and 3321 note);
   - Workforce Innovation and Opportunity Act (WIOA), Pub. L. 105-220, Title I;
   - Section 103 of the Workforce Innovation and Opportunity Act (Pub. L. 113-128, July 22, 2014);
   - 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. 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;

| RESCISSIONS | EXPIRATION DATE |
| None | December 31, 2016 |

- UIPL No. 09-13, *Integrity Performance Measures for Unemployment Insurance (UI),* and its Change 1;
- UIPL No. 17-14, *Revised Employment and Training (ET) Handbook No. 336, 18th Edition: "Unemployment Insurance (UI) State Quality Service Plan (SQSP) Planning and Reporting Guidelines";*
- UIPL No. 13-15, *Fiscal Year (FY) 2015 Unemployment Insurance (UI) Reemployment Services and Eligibility Assessment (RESEA) Grants;*
- Workforce Innovation and Opportunity Act; Notice of Proposed Rulemaking; Proposed Rules, 80 Fed. Reg. 20687-21150 (April 16, 2015);
- Training and Employment Notice (TEN) No. 08-14, *Reengineering Unemployment Insurance (UI) Benefits Program Accountability Processes;*
- TEN No. 29-14, Announcing the release of the *Workforce Innovation and Opportunity Act (WIOA) Notices of Proposed Rulemaking* (NPRMs) on <u>Federal</u> <u>Register</u> Public Inspection;
- ET Handbook No. 336, *Unemployment Insurance (UI) State Quality Service Plan (SQSP) Planning and Reporting Guidelines,* 18th Edition, Change 3 (April 2014);
- ET Handbook No. 395, *State Operations Handbook for the Unemployment Insurance (UI) Benefit Accuracy Measurement (BAM) Program,* 5th Edition (November 2009) (http://wdr.doleta.gov/directives/attach/ETHandbook_395_Ch5.pdf); and
- ET Handbook No. 401, 4th Edition, *UI Reports Handbook No. 401.*

3. **Background.** The SQSP is the state's UI performance management and service plan. It 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. 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. 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 is the part of the process by which states receive Federal UI administrative grants.

ET Handbook No. 336 contains general instructions for the SQSP (See UIPL No. 3-10). 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. The Employment and Training Administration (ETA) issues this annual SQSP UIPL with additional planning guidance that supplements the Handbook and provides direction and instructions specific to the upcoming FY.

4. **National Priorities.** In addition to focusing on state performance and integrity, the SQSP process also focuses on aligning state UI administration and operations with national policies and priorities for paying benefits accurately and timely, and providing reemployment services.

Each year, after consulting with our stakeholders, ETA establishes national priorities for the UI program. For FY 2016, ETA's top priorities include a continued focus on the prevention,

detection, and recovery of improper payments; improved program performance; implementation of WIOA provisions that relate to the UI program; robust and innovative reemployment service delivery strategies for UI claimants to speed their return to work; and strategies to improve detection of misclassified workers.

ETA provides the following national priorities for FY 2016 to help states develop their SQSP, including the establishment of state-level priorities for the UI program.

*Improving State Capacity to Administer and Operate the UI Program Effectively*

As the UI program approaches its 80th anniversary, it continues to be a critical safety net for American workers who are unemployed and are able to work, available to work, and actively seeking work. States are continuing to struggle with administrative and operational challenges, including those that were a result of the Great Recession. An example of those challenges include new program leadership in many states; a greater demand to make program improvements and/or to implement new technology solutions; the need to reduce staffing levels as workload diminishes; loss of key subject matter expertise due to retirements; many new staff who are still learning the program; and struggles to improve program performance. As states continue to develop and implement new strategies to improve program accountability and integrity, we strongly encourage states to develop their SQSPs to incorporate administrative capacity-building strategies such as:

- Conducting a 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 by using information technology to improve staff productivity, implement new tools and strategies to reduce improper payments, and improve program performance;

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

- Using technical assistance opportunities offered by the U.S. Department of Labor (Department), the Information Technology Support Center (ITSC), and the UI Integrity Center of Excellence, as well as the peer-to-peer communication platform and other information sharing tools available through the UI Community of Practice (CoP).

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

*Improving Prevention, Detection, and Recovery of UI Improper Payments*

Despite the aggressive efforts states have made to improve program integrity over the last five years, the UI program remains out of compliance with the Improper Payment Elimination and Recovery Act (IPERA) of 2010 because during 2012, 2013 and 2014, improper payment rates did not meet IPERA reduction targets or the criterion in IPERA that requires Federal agencies to report an improper payment rate of less than 10 percent. This is a critical issue given the adverse 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.

The Department will continue to work with states to actively improve prevention, detection, and recovery of improper payments. The Department is expecting states to continue to implement national integrity strategies that focus on the largest national root causes including:

- Payments to individuals who continue to claim benefits after they have returned to work (Benefit Year Earnings);

- Failure of employers or their third party administrators to provide timely and adequate information on the reason for an individual's separation from employment (Separation); and

- Failure of claimants to comply with the state's work search requirements (Work Search).

Additionally, states should continuously assess whether there are other strategies that will improve their capacity to address the root causes of the state's improper payments and include those strategies in the Integrity Action Plan, (IAP) which is a key component of the SQSP submission.

*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 2016, ETA will continue the following strategies to meet this objective:

- Continue to provide intensive technical assistance to support performance improvements for 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

- Implement improvements to the SQSP process as part of a broader effort to reengineer UI benefit accountability processes for the program as a whole.

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).

*Workforce Innovation and Opportunity Act (WIOA)*

The enactment of WIOA on July 22, 2014, has a number of impacts for the UI program including, but not limited to:  provisions related to the requirements for mandatory one-stop partners, of which UI is one; the type of UI career services that must be provided in one-stop centers; and new language in amendments to the Wagner-Peyser Act that speak to the types of employment services that should be available to UI claimants.  WIOA seeks to modernize the workforce system to provide comprehensive, integrated and streamlined services, which requires linking and aligning the different one-stop partners.

As a mandatory one-stop partner, the UI program continues to be a vital program within the workforce system and UI claimants continue to be critical customers for the system.  As such, UI state agencies play an important role in the implementation of WIOA and must work collaboratively with workforce system programs to fully connect UI claimants to the full range of reemployment services delivered through the American Job Centers (AJCs), on-line systems, and through the states' rapid response programs.  States are strongly encouraged as they develop their SQSPs to address implementation of the WIOA provisions as it relates to the operations of the UI program.

*Reemployment of UI Claimants*

Reemployment of UI claimants remains a top priority for the entire workforce system, including UI and, as stated above, is reinforced with the enactment of WIOA.  In FY 2015, ETA made important changes to the UI Reemployment and Eligibility Assessment (UI REA) program, now called the Reemployment Services and Eligibility Assessment (RESEA) program.  Funding for this program may now be used for the delivery of reemployment services.  In addition, there is a new grant focus on targeting claimants that are most likely to exhaust their benefits and recipients of Unemployment Compensation for Ex-Servicemembers (UCX).  The goal is to provide more intensive reemployment services to these populations, given they are more likely to have more barriers to reemployment.  For more information on the RESEA program, please see UIPL No. 13-15.

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, but not limited to, the WIOA Adult and Dislocated Worker programs, the Wagner-Peyser funded Employment Service program, and the Trade Adjustment Assistance program.  These strategies may include:

- Developing intake processes that produce a more complete profile on UI claimants so that AJCs may serve them by more efficiently targeting reemployment services and job referrals;

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

- Integrating information technology systems to support improved reemployment service delivery; and

- Using ongoing risk assessments to determine whether UI claimants are having a difficult time finding a job and need 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 FY 2015 appropriation once again provided targeted resources to support state efforts to improve detection of worker misclassification in the UI program. These funds allow the Department to 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 (See UIPL No. 03-11) to determine whether they are effectively detecting and preventing worker misclassification. ETA will provide states with additional guidance for this initiative.

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 continue to identify state "best practices" in this area and share them broadly. The CoP provides the states the ability to review and select best practices from other states that they can implement to address the issue of worker misclassification.

**Government Performance and Results Act UI Performance Measures (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 2016, 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. See link below for the GPRA goals for FY 2016:
http://www.oui.doleta.gov/unemploy/docs/GPRA_Summary_Report.asp.

   **Strategic Goal 4: Secure retirement, health, and other employee benefits and, for those working, provide income security.**

**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 67.9 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 2016. The Department suspended the GPRA target for FY 2015 to develop a measure that integrates UI more closely with the larger workforce system. It will use one of the new employment rate measures established by WIOA ("the employment rate at the second quarter after exit"). The employment rate at the second quarter after exit for all UI claimants registered with the Wagner-Peyser system includes all participants, regardless of whether or not they came into the program employed. The data for the implementation of the WIOA measure will require new reporting by the states. The new reporting is due to start in July 2016, with first reports expected in November 2016. The new measure, the employment rate at the second quarter after exit, will be implemented with the FY 2017 SQSP cycle. Until the implementation of the new measure, the existing Facilitate Reemployment core measure based on ETA 9047 data will be used for SQSP purposes. The measure data on preliminary and final performance as opposed to the measure data on the ALPs will be provided by your Regional Offices during the SQSP cycle. On April 16, 2015, the Department published a Notice of Proposed Rulemaking jointly with the Department of Education covering the implementation of the new WIOA which outlines the changes in reemployment-related data and measures. 80 Fed. Reg. 20687-21150.

5. **SQSP Planning Guidance and Requirements.** ET Handbook No. 336, 18<sup>th</sup> Edition, Change 3, and this UIPL, provide guidelines for the completion and submission of the SQSP for FY 2016.

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, Corrective Action Plans (CAPs) and/or Narratives are expected whenever a state's performance does not meet established criteria for the SQSP measurement period (See Attachment) and remains uncorrected before the preparation of the SQSP. The

measurement period for the FY 2016 SQSP is April 1, 2014 – March 31, 2015, unless otherwise indicated. CAPs and Narratives addressing performance deficiencies are 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.

*The "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 greater technical assistance and monitoring from the regional and National offices. This collaborative process between ETA and these states 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 are to be included in the state's SQSP CAP for those measures that have caused the state to be designated "At-Risk."

States that have been selected as "At-Risk" in previous years because of consistently significant low performance for the first payment and appeals timeliness measures will continue to work collaboratively with ETA to achieve performance improvement. The "At-Risk" designation will continue until the state meets the standard for six consecutive months and is likely to continue to sustain this performance improvement. These states will also continue to receive enhanced technical assistance as needed.

*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 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 an 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, 18<sup>th</sup> Edition, Change 3.

6. **The SQSP Cycle.**

Beginning with the FY 2015 SQSP, ETA implemented a biennial SQSP planning cycle, as explained in UIPL No. 17-14. The biennial SQSP process provides a 24-month window for states to adequately plan and implement performance improvement efforts. The new process provides for two types of submittals: a formal two-year (biennial) plan, and an alternate year plan, the SQSP *Lite* submittal.

Budget worksheets and various assurances will continue to be submitted annually since funds for UI operations are appropriated each FY. 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*.

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, 18<sup>th</sup> Edition.

### *SQSP Preparation and Submittal*

SQSP Biennial Submittal: The Biennial SQSP 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 in ET Handbook No. 336, 18<sup>th</sup> Edition, Change 3.

States may also develop extended multi-year CAPs so that efforts that 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 modifications to SQSPs. It must contain at the least, a transmittal letter, budget worksheets, organizational chart, SQSP Signature Page, CAPs for new performance deficiencies, and required modifications to existing CAPs. Since states and 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 to describe, for example:

- Corrective actions the state will take based on findings made in regional office performance reviews; and

- New performance deficiencies identified in regional office reviews of state performance data during the most recent performance year.

Additionally, states will be informed by their RO if modifications are required to 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 began with the FY 2015 SQSP using a phased approach. Using the FY 2015 SQSP as a baseline, one half of the states in each region was assigned to Group 1 and was required to submit a two-year SQSP. Group 1 states 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 were assigned to Group 2 and were required to submit a one-year SQSP.

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 (Group 1) will continue to submit two-year plans in the year required, and states that submitted an FY 2015 one-year plan (Group 2) will submit two-year plans for FY 2016. 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 noting SQSP submittal requirements is as follows:

| Submittal Requirements | |
| --- | --- |
| **FY 2015** | **FY 2016** |
| **Group 1 States**<br><br>*Formal SQSP Submittal*<br><br>One half of the states submit complete SQSP package with two-year plans. | **Group 1 States**<br><br>*SQSP Lite Submittal*<br><br>Submit abbreviated SQSP package as described above. |
| **Group 2 States**<br><br>One half of states submit complete SQSP package with one-year plans. | **Group 2 States**<br><br>*Formal SQSP Submittal*<br><br>Submit complete SQSP package with two-year plans. |

7. **Impact of WIOA on the SQSP Process.**

   A key goal for the UI program is to ensure that claimants are able to successfully return to work.  As such, the SQSP must reflect coordination with other WIOA programs to ensure a coordinated effort and integrated service delivery.  The coordination must be described in the State Plan Narrative portion of the SQSP.

   The enactment of the WIOA does not have any impact on the FY 2016 SQSP.  However, states will be working to develop their WIOA state plans during the course of FY 2016, with the first plan due March 2016.  WIOA provides the option for states to include program plans for mandatory one-stop partner and other programs to submit a Combined Plan.  Given that the UI program is a mandatory one-stop partner, states will have the option of submitting their SQSP as part of the WIOA Combined State Plan for FY 2016.  However, it should be noted that each state must participate in the UI Performs SQSP process, whether or not it decides to include the UI SQSP as part of its WIOA Combined State Plan.  ETA is currently working on UI-specific operating guidance related to WIOA as well as additional guidance on the WIOA state planning process generally.  ETA expects that states electing to include UI in a Combined Plan will be incorporating the SQSP in its entirety in to the Combine Plan.  ETA will provide technical assistance on WIOA state planning processes when the guidance is issued.

8. **SQSP Program Performance and Criteria for FY 2016.**

   **Core Measures**

   Performance below the ALPs for Core Measures 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, 2015; the performance period for the BAM component is the three-year period ending September 30, 2014.

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

  The UI Integrity Measure for BYE addresses a leading cause of UI improper payments – individuals who continue to claim benefits after returning to work.  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, Change 1, the ALP for the calendar year (CY) 2014 performance period is a 25 percent reduction in the state's CY 2010 to CY 2012 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 2016 SQSP.  The CAP will address performance for CY 2014.

- *Effective Audit Measure*

  The Effective Audit Measure, as noted in UIPL No. 03-11, 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 develop a CAP based on CY 2014 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 than 10 percent for covered programs. This ALP is applicable to the 2014 IPIA performance period (July 1, 2013, to June 30, 2014).  States failing to meet the ALP for the 2014 IPIA performance period will be expected to develop a CAP as part of the FY 2016 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 in consultation with Office of Management and Budget (OMB) has developed a new methodology for estimating the improper payment rate. This new methodology for the computation of the improper payment rate will become effective for the states with the FY 2017 SQSP cycle. Please refer to UIPL No. 9-13, Change 1, for a detailed discussion on 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." The ALP for the recovery rate measure is 58 percent for the 2014 IPIA performance 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. States failing to meet the ALP for the 2014 IPIA performance period will be expected to develop a CAP as part of the FY 2016 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

- *National Directory of New Hires (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 2016.

- *Benefit Accuracy Measurement (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 (TPS)*

  To ensure that UI tax operations are in compliance with Federal reporting and oversight requirements, failure to conduct one or more 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, 2015. DV items that fail to pass validation or that are due but not submitted are expected to be addressed in the state's FY 2016 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, 2015 certification window.

  Any DV items due for Validation Year (VY) 2015 that do not pass or are not submitted by the June 10, 2015, deadline, must be addressed in a CAP for FY 2016.

  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 review 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 must also be addressed in the SQSP. The FY 2016 SQSP CAP will include DV items failing after review in the VY 2015 monitoring cycle (monitored between June 11, 2014 and June 10, 2015). All subsequent SQSP cycles will address items changed from pass to fail in the previous year's monitoring review.

- *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. 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 and use 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 format and instructions for the UI Program Integrity Action Plan are in ET Handbook 336, 18th Edition, Appendix I.

**Other UI Performance**

States are expected to address the following performance deficiencies in the SQSP Narrative, unless otherwise indicated:

- 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.

The Attachment 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.

9. **Funding Period.** The Department's proposed FY 2016 appropriation language allows for obligation of UI allocations by states through December 31, 2016, with 90 additional days to liquidate the obligations and complete the expenditure of funds. Under this proposed language, states would be able obligate FY 2016 UI funds through September 30, 2018, 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, and states would be able to obligate FY 2016 UI funds through September 30, 2021, if such obligations are for automation acquisitions being carried out through a consortia of states. Therefore, if Congress adopts the proposed

FY 2016 appropriations language, the end of the obligation period for regular state UI administrative funds will be December 31, 2016, 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, 2018, or for automation acquisitions being carried through a consortia of states, which have an obligation deadline of September 30, 2021. The Department will notify state agencies if Congress adopts this language.

10. **Data Availability**. ROs will provide states with data showing their performance measured 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 2016.

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 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.

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 3;

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

   - Submit the FY 2016 SQSP to the appropriate RO by the deadline set by that RO.

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

15. **Attachment.** Measures/Programs to be addressed in the FY 2016 SQSP