EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION
	CORRESPONDENCE SYMBOL OUI/DPM
	DATE June 23, 2011

ADVISORY: **UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 21-11**

TO: STATE WORKFORCE AGENCIES

FROM: JANE OATES /s/
Assistant Secretary

SUBJECT: Additional Planning Guidance for the Fiscal Year (FY) 2012 Unemployment Insurance (UI) State Quality Service Plan (SQSP)

1. Purpose. To initiate the process, provide supplemental instructions, and define additional requirements for the FY 2012 SQSP.

2. References. Section 303(a)(1) of the Social Security Act; 20 CFR Parts 640, 650, 652, and 660; Workforce Investment Act Final Rule; Unemployment Insurance Program Letter (UIPL) No. 19-11; UIPL No. 3-10; UIPL No. 12-08; UIPL No. 3-07; UIPL No. 3-07, Change 1; UIPL No. 22-05; UIPL No. 22-05, Changes 1 and 2; UIPL No. 14-05; UIPL No. 14-05, Changes 1, 2, and 3; UIPL No. 03-11; and ET Handbook No. 336, 18th Edition, Change 2 (December 2009).

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 ability of the program 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. Additionally, it is the grant document through which states receive federal UI administrative funding. ET Handbook No. 336, 18th Edition, contains general instructions for the SQSP. The Handbook is designed as a permanent instruction for the annual planning and budget process and provides states with planning guidelines and instructions for reporting UI financial and staff year information. Annually, additional planning guidance is issued that supplements the Handbook and provides direction and instructions specific to the upcoming FY.

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

RESCISSIONS	EXPIRATION DATE
None	June 23, 2012

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

Each year, after consulting with its stakeholders, the Department of Labor (Department) establishes national priorities for the UI program. For FY 2012, the Department's top priority is the prevention, detection, and recovery of improper payments. Additionally, the Department will continue to work to improve program performance nationally; to emphasize better service delivery for the UI program by improving reemployment services to UI recipients; and to improve the process for detecting misclassified workers.

The following national priorities are provided for FY 2012 to assist states in the development of their SQSP, including the establishment of state-level priorities for the UI program. States are required to submit the UI Program Integrity Action Plan to address their state's UI improper payments and are strongly encouraged to address the other national priorities in their SQSPs.

Improved Prevention, Detection, and Recovery of UI Improper Payments

President Barack Obama issued Executive Order 13520 on November 20, 2009, which articulates the Administration's focus on reducing improper payments government-wide. The UI program is one of the top four federal programs with a high dollar amount of improper payments and is, therefore, considered a "high priority" program. In addition, the UI program as a whole is considered out of compliance pursuant to the Improper Payment Elimination and Recovery Act (IPERA) of 2010 due to having an improper payment rate exceeding 10 percent. This is a critical issue given the impact that improper payments have on the UI trust funds. Integrity efforts not only help to preserve the UI trust funds and control UI tax rates, but these efforts also maintain the public trust that the program is protected and operated as intended. As such, there will be an intensified effort for the Employment and Training Administration (ETA) and the states to work collaboratively to aggressively reduce improper payments.

As part of the submission of the FY 2012 SQSP, states are required to develop a Program Integrity Action Plan. States are to analyze their Benefit Accuracy Measurement (BAM) data to identify the top root causes for improper payments and develop strategies that will be effective in reducing or recovering improper payments. ETA will be providing significant technical assistance to states to support their integrity activities. 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 National Directory of New Hires and other overpayment prevention tools for Benefit Payment Control (BPC). The format for the Program Integrity Action Plan and instructions are included in Attachment C.

Improving Program Performance Nationally

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

- Partnering with the National Association of State Workforce Agencies in a federal/state collaborative effort to develop and implement action strategies and technical assistance to support states in improving UI program accountability and performance. This partnership focuses on helping states to better utilize data and use business process analysis and reengineering tools to improve administration and performance outcomes and to benchmark "best practices" for state UI benefit administration. A task group is currently validating the mechanism that will be used to gather state best practices;

- Providing high-emphasis technical assistance to support performance improvements for "at-risk" states (states with sustained and extremely poor performance);

- Continuing to utilize the UI performance management system, UI Performs, which includes core measures and Secretary's Standards; and

- Reviewing and improving the annual SQSP process, including assisting states with developing more effective corrective action plans that truly help states meet or exceed performance targets.

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

Reemployment of Unemployment Insurance Claimants

ETA will be focusing significant technical assistance resources to support states' service delivery to UI claimants in FY 2012. The goal is to ensure that UI claimants have access to the full continuum of workforce services through One-Stop Career Centers, both virtual and in-person, and through Rapid Response activities. ETA will be working more intensively with states that have Reemployment and Eligibility Assessment grants to identify and share "best practices" and to develop a more uniform national assessment program. ETA is also collaborating with state and local delivery partners to improve the integration of UI and workforce programs with the goal of improving employment outcomes for UI claimants.

As states develop their SQSPs, they should consider including innovative and robust reemployment strategies that are developed in collaboration with the workforce system partners in their state who are responsible for the WIA Adult and Dislocated Worker programs and Wagner-Peyser funded employment services. These collaborative reemployment strategies should be reflected in the partner agencies' strategic plans.

Addressing Worker Misclassification

The President's FY 2012 Budget includes a multi-agency initiative to dramatically strengthen and coordinate federal and state efforts to address employer misclassification of workers. The goal is to improve federal and state agency capacity to identify potential violators through improved information sharing and targeted audits in high-risk industry sectors; to provide outreach to employers to educate them regarding worker classification and, therefore, prevent misclassification; to increase statutory enforcement, where appropriate; and, to enable the collection of payroll taxes previously lost due to misclassification. As this federal collaboration unfolds, ETA will make states aware of new opportunities and strategies that may be available to address this problem.

The President's budget also includes $26,900,000 for two new initiatives to increase state capacity to address misclassification within the UI program. The first initiative provides for competitive grants for states to increase their data sharing activities with the Internal Revenue Service and other federal and state agencies; to implement targeted audit strategies; to establish a cross-state agency task force to target egregious employer schemes to avoid taxation through misclassification; and, to develop education and outreach programs. The second initiative would pilot a high performance award program designed as an incentive for states to improve misclassification efforts. ETA will provide states with additional guidance for these two initiatives when the FY 2012 budget is enacted.

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

5. <u>Strategic Goals and Outcome Measures</u>. The five-year Department Strategic Plan forms the basis for the federal emphasis for FY 2012. Required by Congress under the Government Performance and Results Act of 1993 (GPRA), the Strategic Plan is an integral part of the budget process and requires a commitment from all Department programs to attain expressed goals and outcomes. Achieving these outcomes requires the combined efforts of the federal and state partners.

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

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

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

FY 2012 GPRA Goals and Targets

In recognition of ETA priorities, attention is focused on the following GPRA goals for FY 2012, 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 in FY 2012:

- *Make Timely Benefit Payments*
  - **Target:** 85.7% of intrastate first payments for full weeks of unemployment will be made within 14/21 days from the week ending date of the first compensable week.

- *Facilitate the Reemployment of Claimant*
  - **Target:** 56.4% of UI claimants will be reemployed by the end of the first quarter after the quarter in which they received their first payment.

- *Detect Benefit Overpayments*
  - **Target:** Overpayments established will be at least 52.3% of the estimated detectable, recoverable overpayments.

- *Establish Tax Accounts Promptly*
  - **Target:** 86.9% of status determinations for new employers will be made within 90 days of the end of the first quarter in which liability occurred.

6. Program Performance. The Department's strategic approach to UI Performs is to focus efforts on raising the performance of states where performance is below minimum criteria, while promoting overall excellence. Corrective action plans (CAPs) are expected whenever a state's performance does not meet established criteria for the SQSP measurement period (or performance year) and remains uncorrected prior to the preparation of the SQSP. The measurement period for the FY 2012 SQSP is April 1, 2010 – March 31, 2011, unless otherwise indicated.

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

7. SQSP Performance Criteria. CAPs are expected for:

- Performance below the acceptable levels of performance (ALPs) for Core Measures. There is an exception for the 2012 SQSP for the First Payment Promptness Measure. If performance for this measure is less than 87% but not lower than the GPRA national target of 85.7% of intrastate first payments for full weeks of unemployment within 14/21 days from the week ending date of the first compensable week, then the performance for this measure may be addressed in the SQSP Narrative. If the performance is below 85.7%, a CAP is necessary to address the deficiency.

- Performance below the criteria for the Secretary's Standards established in regulation at 20 CFR Parts 640 and 650. There is an exception for the 2012 SQSP for the First Payment Promptness (IntraState 14/21 Days) standard. If performance for this standard is less than 87% but not lower than the GPRA national target of 85.7% of intrastate first payments for full weeks of unemployment within 14/21 days from the week ending date of the first compensable week, then the performance for this standard may be addressed in the SQSP Narrative. If the performance is below 85.7%, a CAP is necessary to address the deficiency.

- The Detection of Overpayments Measure is the percent of detectable/recoverable overpayments established for recovery. States reporting an overpayment detection rate below 50% are expected to address the deficiency in a CAP. Also, because states generally cannot cost-effectively detect and establish more than 80%-90% of estimated overpayments, an upper limit of 95% has been established for monitoring purposes. States reporting ratios over 95% are expected to explain in the Narrative section the reasons for the higher-than-expected ratios. If an overpayment rate above 95% is the result of improper administration of BAM or BPC activities or misreporting of data on the ETA 227 (Overpayment Detection and Recovery Activities) report, the state is expected to submit a CAP (for BAM/Overpayment Detection or BPC/Overpayment Detection). The CAP should be designed to produce valid data for the Overpayment Detection Measure. The performance period for the BPC component is the three-year period ending March 31, 2011; the performance period for the BAM component is the three-year period ending September 30, 2010.

- State BAM operations that, based on the BAM Administrative Determination, are not compliant with the National Directory of New Hires matching requirements in ET Handbook 395, 5th Edition, chapter VI, UIPL 3-07 and UIPL 3-07, Change 1, effective for BAM paid claims sample cases beginning with batch 200801.

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

- Failure to conduct required program reviews;

- Deficiencies identified during required program reviews;

- Failure to meet reporting requirements; and

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

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

8. **Additional SQSP Performance Criteria and Guidance.**

UI Program Integrity

The 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. Beginning with the FY 2012 SQSP, State Workforce Agencies are required to report their planned activities to prevent, detect, reduce, and recover improper UI payments as part of their SQSP submission. The UI Program Integrity Action Plan and instructions are included in Attachment C.

Data Validation (DV)

The deadline for submitting DV results is June 10, 2012. Failures, incomplete submissions and/or non-submitted materials for DV are expected to be addressed in the state's FY 2012 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 certification window.

- If a state had DV items due for validation year (VY) 2011 and submitted all the items, but did not pass all items, it may address those that did not pass in the SQSP Narrative, explaining the cause of the failure and the actions the state will take to correct the failure during FY 2012.
- Any DV items due for VY 2011, but not submitted by the June 10, 2011, deadline, must be addressed in a CAP for FY 2012.
- If a state has a combination of non-submitted and submitted-but-failing items in FY 2011, the state must do a DV CAP encompassing both the non-submitted and the submitted-but-failing items. In this case, the submitted-but-failing items may not be addressed in the Narrative.

Tax Performance System

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

Effective Audit Measure

The Effective Audit Measure is a new UI Performs Core Measure. It is a blended measure of the following four factors: 1) *Percent of Contributory Employers Audited Annually*, 2) *Percent of Total Wage Change From Audit*, 3) *Percent of Total Wages Audited*, and 4) *Average Number of Misclassifications Detected Per Audit*. Each of the four factors has a minimum standard score that states must attain to pass the Effective Audit Measure as well as an overall combined score that must be met. The measure also requires states to direct additional emphasis to the factor(s) that they deem important to their state. An additional two points must be earned among any of the four factors to attain the overall passing score of at least 7.0. Beginning with the FY 2015 SQSP, states that do not meet this measure will be required to complete a CAP based on the 2013 calendar year data. A CAP is not required with the FY 2012 SQSP submission.

9. Planning Requirements and Guidance for FY 2012. ET Handbook 336, 18th Edition, Change 2 and this UIPL provide guidelines for the completion and submittal of the SQSP and should be used when preparing the FY 2012 state plans.

CAPs and Narrative addressing performance deficiencies are the components of the state's formal plan and schedule for improving performance. A thorough analysis to identify the cause of performance shortfalls should be performed prior to the development of the state's plan. UI programs and processes are interrelated; processes in one area may impact state processes in other areas. Actions to improve or correct a measure should not impact other program areas. The SQSP Handbook provides formats for the completion of the 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 benefits "when due" in accordance with federal law. To that end, ETA has identified persistently low performing states as "at-risk" and requiring high emphasis for technical assistance and monitoring. States selected because of consistently significant low performance for the first payment and appeals timeliness measures have been notified by ETA.

SQSP Assurances

By signing the SQSP Signature Page, a state certifies that it will comply with the assurance listed in ET Handbook 336, 18th Edition, Change 2, and that the state will institute plans or measures to comply with the requirements.

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

States are expected to:

- Review and/or update, and test the IT Contingency Plan annually;
- Review and/or update the System Security Plan annually; and
- Conduct a Risk Assessment once every three (3) years.

If a state does not have 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 in the SQSP Narrative. These plans and procedures must meet the minimum controls listed in the Chapter I, Section VII-H and Section VII-J of the ET Handbook No. 336, 18^{th} Edition, Change 2.

10. Funding Period. The proposed appropriation language provides for obligation of FY 2012 UI allocations by states through December 31, 2012, with 90 additional days to liquidate the obligations and complete the expenditure of funds. However, states may obligate FY 2012 UI funds through September 30, 2014, if such obligations are for automation acquisitions. Therefore, the end of the FY 2012 obligation period is December 31, 2012, for all funds except automation acquisitions, which have an obligation deadline of September 30, 2014.

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

12. Deadline for State SQSP Submittal. Each RO will set a deadline for states to submit their SQSPs for FY 2012.

13. Electronic Submission of the SQSP. States are required to submit the SQSP electronically and should contact their RO SQSP Coordinator prior to submittal to coordinate specific details. Standard forms required as part of the budget reporting process (Chapter II of ET Handbook No. 336, 18^{th} Edition, Change 2) are available in PDF format and may be downloaded from the Office of Management and Budget Web site at: **http://apply07.grants.gov/apply/FormLinks?family=15**. States may submit the SQSP signature page electronically if 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.

14. 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 2;
- Coordinate specifics, as appropriate, with the RO for electronic submission of the plan;

and

- Submit the FY 2012 SQSP by the dates specified to the appropriate RO.

15. <u>Inquiries</u>. Questions should be directed to the appropriate RO.

16. <u>Attachment(s)</u>.

A. Measures/Programs to be addressed in the FY 2012 SQSP.
B. Final State-specific ALPs for UI Reemployment.
C. UI Program Integrity Action Plan Template and Instructions

Attachment A

Measures/Programs to be Addressed in the FY 2012 SQSP

Core Measures	Measurement Period	Criteria	CAP	Narrative
First Payment Promptness*	Apr 1, 2010 – Mar 31, 2011	87%	√	√
Nonmonetary Determination Time Lapse	Apr 1, 2010 – Mar 31, 2011	80% (combined score)	√	
Nonmonetary Determination Quality - Nonseparations	Apr 1, 2010 – Mar 31, 2011	75%	√	
Nonmonetary Determination Quality - Separations	Apr 1, 2010 – Mar 31, 2011	75%	√	
Detection of Overpayments	BPC: Apr 1, 2008 – Mar 31, 2011; BAM: Oct. 1, 2007 – Sept. 30,2010	<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, 2010 – Mar 31, 2011	30 days	√	
Average Age of Pending Higher Authority Appeals	Apr 1, 2010 – Mar 31, 2011	40 days	√	
Lower Authority Appeals Quality	Apr 1, 2010 – Mar 31, 2011	80%	√	
New Employer Status Determinations Time Lapse	Apr 1, 2010 – Mar 31, 2011	70%	√	
Effective Audit Measure***	Jan 1,2010 – Dec 31, 2010	Score ≥7;and exceed all 4 factors	**No CAP until FY 2015**	
Tax Quality (Part A: No more than 3 tax functions failing TPS in a year)	Jan 1, 2010– Dec 31, 2010	←	√	
Tax Quality (Part B: The same tax function cannot fail for 3 consecutive years)	Jan 1, 2010 – Dec 31, 2010	←	√	
TPS Sample Reviews**	Apr 1, 2010 – Mar 31, 2011		√	
Facilitate Reemployment	**1st Payments:** October 1, 2009 to September 30, 2010 **Reemployment:** January 1, 2010 to December 31, 2010	Varies by State See Attached Table	√	

*Performance below 87%, but no lower than 85.7% may be addressed in the Narrative for the 2012 SQSP only. CAPs are required for performance below 85.7% for the 2012 SQSP.

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

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

Secretary's Standards in Regulation	Measurement Period	Criteria	CAP	Narrative
First Payment Promptness (IntraState 14/21 Days) *	Apr 1, 2010 – Mar 31, 2011	87%	√	√
First Payment Promptness (IntraState 35 Days)	Apr 1, 2010 – Mar 31, 2011	93%	√	
First Payment Promptness (InterState 14/21 Days)	Apr 1, 2010 – Mar 31, 2011	70%	√	
First Payment Promptness (InterState 35 Days)	Apr 1, 2010 – Mar 31, 2011	78%	√	
Lower Authority Appeals (30 Days)	Apr 1, 2010 – Mar 31, 2011	60%	√	
Lower Authority Appeals (45 Days)	Apr 1, 2010 – Mar 31, 2011	80%	√	
Programs	**Measurement Period**		**CAP**	**Narrative**
Data Validation ▪ Results not submitted by June 10, 2011	Apr 1, 2010 – Mar 31, 2011		√	
▪ Failing/incomplete submission by June 10, 2011	Apr 1, 2010 – Mar 31, 2011			√
Compliance with National Directory of New Hires matching requirements for BAM	Status as of March 31, 2011		√	
Incorrect recording of the Issue Detection Date and/or Determination Date	Apr 1, 2010 – Mar 31, 2011			√

*Performance below 87%, but no lower than 85.7% may be addressed in the Narrative for the 2012 SQSP only. CAPs are required for performance below 85.7% for the 2012 SQSP.

Attachment B

UI Reemployment Preliminary Acceptable Levels of Performance (ALPs)

Reemployment During 4 Quarters Ending 12/31/2010					
State	CY TUR (%)	% Nonexempt	ALP	Reemployment CY2010	Difference
AK	8.0%	67.1%	57%	55.4%	-1.6%
AL	9.5%	69.6%	54%	57.1%	3.1%
AR	7.9%	90.4%	50%	62.8%	12.8%
AZ	10.0%	87.8%	49%	50.8%	1.8%
CA	12.4%	86.9%	44%	51.6%	7.6%
CO	8.9%	82.9%	50%	46.7%	-3.3%
CT	9.1%	91.7%	47%	55.8%	8.8%
DC	9.9%	98.3%	47%	46.5%	-0.5%
DE	8.5%	74.2%	53%	58.4%	5.4%
FL	11.5%	94.0%	44%	43.1%	-0.9%
GA	10.2%	75.1%	50%	52.8%	2.8%
HI	6.6%	54.8%	62%	61.2%	-0.8%
IA	6.1%	43.8%	65%	64.3%	-0.7%
ID	9.3%	58.3%	57%	77.2%	20.2%
IL	10.3%	72.0%	50%	54.2%	4.2%
IN	10.2%	62.6%	53%	57.9%	4.9%
KS	7.0%	73.3%	56%	54.7%	-1.3%
KY	10.5%	61.9%	53%	63.5%	10.5%
LA	7.5%	90.8%	50%	53.0%	3.0%
MA	8.5%	88.9%	50%	55.3%	5.3%
MD	7.5%	86.4%	52%	53.8%	1.8%
ME	7.9%	97.3%	50%	55.8%	5.8%
MI	12.5%	65.4%	50%	64.3%	14.3%
MN	7.3%	61.4%	57%	68.3%	11.3%*
MO	9.6%	87.2%	49%	56.9%	7.9%
MS	10.4%	99.7%	46%	55.7%	9.7%
MT	7.2%	38.0%	63%	66.7%	3.7%
NC	10.6%	79.4%	50%	49.2%	-0.8%
ND	3.9%	33.0%	69%	74.6%	5.6%
NE	4.7%	65.7%	62%	57.7%	-4.3%
NH	6.1%	88.0%	53%	50.4%	-2.6%
NJ	9.5%	81.9%	49%	53.4%	4.4%
NM	8.4%	91.0%	49%	35.5%	-13.5%
NV	14.9%	71.7%	44%	49.0%	5.0%
NY	8.6%	80.9%	50%	52.8%	2.8%
OH	10.1%	86.9%	47%	51.1%	4.1%
OK	7.1%	88.4%	52%	46.5%	-5.5%
OR	10.8%	69.6%	53%	60.6%	7.6%
PA	8.7%	48.0%	62%	65.5%	3.5%
PR	16.1%	88.6%	41%	27.8%	-13.2%
RI	11.6%	68.5%	51%	52.6%	1.6%
SC	11.2%	90.1%	44%	52.3%	8.3%
SD	4.8%	61.6%	62%	66.0%	4.0%
TN	9.7%	68.0%	54%	56.2%	2.2%
TX	8.2%	93.0%	49%	52.8%	3.8%

UT	7.7%	85.9%	52%	55.8%	3.8%
VA	6.9%	89.4%	53%	54.6%	1.6%
VI	8.1%	100.0%	49%	52.9%	3.9%
VT	6.2%	55.6%	62%	64.4%	2.4%
WA	9.6%	77.6%	51%	58.9%	7.9%
WI	8.3%	45.9%	62%	54.4%	-7.6%
WV	9.1%	57.2%	57%	63.7%	6.7%
WY	7.0%	68.7%	59%	65.2%	6.2%

Note: States failing to attain ALP are highlighted.

* Based on estimated data due to missing reports.

Total Unemployment Rates (TUR) are for CY 2010
% nonexempt for year ending 9/30/2010.
% reemployed for year ending 12/31/2010.

Attachment C

Unemployment Insurance Program Integrity Action Plan

State: (*Name of state*)	**Federal Fiscal Year: (*SQSP Planning Year*)**
Root Causes: **(*List top three of the root causes in the state.*)**	
Accountable Agency Official(s): (*List the person accountable for reducing UI improper payments*) **Summary: (*Provide a summary of the plan that the state has designed. The summary should include outreach efforts planned by the agency to inform all UI and workforce staff, and employers of the strategic plan to ensure everyone understands the importance of maintaining program integrity.)***	

Strategies	**Actions**	**Targets and Milestones**	**Resources**
List the strategies that the state is taking to address UI improper payments.	List the specific action steps for each strategy that the state is taking.	This section should be divided into target and milestones. Specific milestones should be set for each of the actions. It is suggested that the milestones be set quarterly under each target.	Provide a description of the type resource 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 the requirements of IPERA, the Department is requiring State Workforce Agencies (SWAs) to report their planned activities to prevent, detect, reduce, and recover improper UI payments as the Unemployment Insurance 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 recovery of these improper payments;
- Timeline, expected targets and measures; and
- Type and source of resources dedicated to accomplish the action plan.

To assist the SWAs in planning, the U.S. Department of Labor (Department) will provide each with state-specific Benefit Accuracy Measurement (BAM) improper payment estimates, and data regarding the top root causes of overpayments.

Program Integrity Action Plan Specifics

The plan must identify the SWA officer(s) accountable for reducing improper payments, summarize the SWA's assessment regarding 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 agencies' corrective actions in reducing improper payments. Additionally, the plan must discuss the root causes of improper payments and present the state's strategies to address these causes.

A. <u>Strategies to address Root Causes and Recovery of Improper Payments.</u> The SWA shall use the BAM improper payment estimates provided by the Department to develop and describe their strategies to prevent, detect, and/ or reduce each root cause. Additionally, the strategies will 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) <u>Prevention.</u> Prevention activities are by definition proactive. These are actions performed prior to 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) Implementation of the State Information Data Exchange System (SIDES) designed to improve the quality and timeliness of separation information;

(4) Review of state law, rules and regulations, business processes, and goals that are concerned with employment service (ES) registration and align 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 sufficient information during the initial claims process to register the claimant for services. This information is transmitted to Employment Services and the system shows an active registration;

(5) Use 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 (earnings to none) within and between weekly certifications to prevent payments when separations issues occur. 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 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 subsequent to payment. These are actions that the state controls and usually involves crossmatch activities such as:

(1) National Directory of New Hire Crossmatching – check crossmatch time parameters, agency filters, 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) 19-11, National Effort to Reduce Improper Payments in the Unemployment Insurance (UI) Program;

(3) Wage Benefit Crossmatching – check the pindex calculation to ensure that it reflects current earnings disregard standards, run the wage benefit crossmatch for 9 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 will specify the actions they plan to take to recover overpayments and plans to improve the recovery of overpayments. (See Unemployment Insurance Program Letter 33-99 "Overpayment Recovery Technical Assistance Guide" http://www.oui.doleta.gov/dmstree/uipl/uipl99/3399att/3399toc.htm). Examples of this would be:

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

(2) Reduction of administrative activities and/or automation of skip tracing and billing notices;

(3) Implementation of the federal Tax Offset Program (TOP) with the U.S. Department of the Treasury; and

(4) Implementation of a state Tax Offset Program.

B. Targets and Timeline. When compiling its strategies to address improper payments, agencies shall 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. States are encouraged to develop realistic multiyear initiatives.

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

D. High Impact States: ETA has collaborated with eleven states (CA, NY, NJ, NC, OH, MI, WI, FL, TX, IL, and PA) that have the greatest ability to impact and lower the UI improper payment rate to aggressively identify and implement strategies to bring down the UI improper payment rate and to provide leadership nationally to address this issue. A key centerpiece of the collaboration is that each state will form a cross-functional UI improper payment task force to both work on state specific strategies and to collaborate across states to share best practices. As part of this initiative, each of these eleven states is expected to develop and implement a state-specific strategic plan to bring down the state's improper payment rate as quickly as feasible. For the FY 2012 submission of the UI Program Integrity Action Plan, these states may attach their state-specific strategic plan to this document including any additional information requested on the template above.