EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Unemployment Insurance
	CORRESPONDENCE SYMBOL OUI
	DATE June 16, 2014

ADVISORY: **UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 13-14**

TO: STATE WORKFORCE AGENCIES

FROM: PORTIA WU /s/
Assistant Secretary

SUBJECT: Unemployment Insurance (UI) Supplemental Funding Opportunity for Program Integrity and Performance and System Improvements

1. **Purpose.** To notify State Workforce Agencies of the availability of Fiscal Year (FY) 2014 funds for activities that support the prevention and detection of UI improper benefit payments, improve state performance, and address outdated Information Technology (IT) system infrastructures.

2. **References.**
   - Executive Order (E.O.) 13520, *Reducing Improper Payments* (November 20, 2009);
   - Improper Payment Information Act of 2002 (IPIA), 31 U.S.C. 3321;
   - Improper Payment Elimination and Recovery Act of 2010 (IPERA), 31 U.S.C. 3301;
   - Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA), 31 U.S.C. 3321;
   - Unemployment Insurance Program Letter (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. 19-11, *National Effort to Reduce Improper Payments in the Unemployment Insurance (UI) Program*;
   - UIPL No. 26-11, *Unemployment Insurance (UI) Supplemental Funding Opportunity for Program Integrity and Performance and System Improvements*;
   - UIPL No. 28-11, *Unemployment Insurance (UI) State Integrity Task Forces and Strategic Plans*;
   - UIPL No. 18-12, *Unemployment Insurance (UI) Supplemental Funding Opportunity for Program Integrity and Performance and System Improvements*;
   - UIPL No. 24-13, *Unemployment Insurance (UI) Supplemental Funding Opportunity for Program Integrity and Performance and System Improvements*; and
   - Training and Employment Notice (TEN) No. 27-13, *Unemployment Compensation for Ex-Servicemembers (UCX) Military-State Data Exchange System (MSDES).*

RESCISSIONS None	EXPIRATION DATE Continuing

3. **Background.** On November 20, 2009, President Obama signed E.O. 13520, *Reducing Improper Payments*. It emphasized the need to eliminate waste, fraud, and abuse in federally administered programs while protecting access to these programs by their intended beneficiaries. Subsequently, the IPIA, as amended by IPERA and IPERIA, required federal agencies to review their programs and program activities, identify programs and areas that may be susceptible to significant overpayments, and develop and implement corrective action plans. Under the IPIA, an agency that reports an improper payment rate above 10 percent for a program it administers will be determined to be out of compliance and will trigger oversight by Congress, the Office of Management and Budget (OMB) and the Office of the Inspector General. The UI Benefit Accuracy Measurement (BAM) program, which provides the basis for assessing the accuracy of UI payments, estimated the UI national improper payment rate to be 9.32 percent for the 2013 reporting period (8.82 percent net overpayment rate plus a 0.50 percent underpayment rate). This translates to approximately $6.23 billion in improper payments nationally. With passage of IPERIA, the UI program will no longer be able to net out recoveries. This will have the impact of increasing the improper payment rate in 2014. We also note that the work search error rate is trending higher as more states pass more rigorous work search laws.

   On June 10, 2011, the Employment and Training Administration (ETA) issued UIPL No. 19-11, *National Effort to Reduce Improper Payments in the UI Program*, to notify state stakeholders that UI integrity is a top priority and to request that they each provide a strategic plan to aggressively target UI overpayment prevention and detection in their states. UIPL No. 19-11 also requested that all states participate in a federal-state collaboration of cross-functional task forces to reduce UI improper payments by implementing new strategies aimed at addressing the root causes of overpayments to significantly reduce the UI improper payment rate.

   To support states' efforts in implementing elements of their strategic plans, ETA announced supplemental funding opportunities with incentives to accelerate state actions to reduce improper payments for FY 2011 (UIPL No. 26-11), for FY 2012 (UIPL No. 18-12), and FY 2013 (UIPL No. 24-13). As a condition of eligibility, those funding opportunities required states to implement Core Integrity Strategies to qualify for additional Incentive or Focus Area funding. The funding range available for states in each of these opportunities was based on the estimated availability of above-base funding that was not needed to fund workloads experienced by the states.

   One Core Strategy that ETA funded in each of the last three supplemental funding opportunities was the implementation of the State Information Data Exchange System (SIDES) and SIDES E-Response. SIDES is a web-based system that allows electronic transmission of UI information requests from state workforce agencies to employers and/or Third Party Administrators (TPAs), as well as transmission of responses containing the requested information back to the agencies. For employers with a limited number of UI claims throughout the year, the SIDES E-Response Web site provides an easy and efficient portal for electronically posting responses to information requests from state agencies. SIDES E-Response is available in participating states to any employer or TPA with Internet access. The National Association of State Workforce Agencies (NASWA) manages the day-

to-day operations and maintenance of SIDES, which is funded through subscription fees from participating states. States receiving supplemental funds for the payment of SIDES subscription costs may pay these fees directly to NASWA or obligate funds to the State of Maryland, the lead state of the SIDES consortium, for payment to NASWA on their behalf.

4. **Structure of Funding Opportunity.** ETA is reducing the number of prescribed strategies and providing flexible implementation deadlines for FY 2014 projects, with the goal of providing incentives for all states to take advantage of the supplemental funding opportunity.

For FY 2014, states must agree to implement the basic SIDES web-based systems to receive any funding through this solicitation. Section 5 of this UIPL describes the SIDES Implementation and Expansion Requirement.

In addition to SIDES, states must implement at least one additional strategy from the following options in order to receive funding through this solicitation:

- State-Defined Improper Payment Prevention Strategy;
- Strategy to Flag Continued Claims based on National Directory of New Hires (NDNH) Cross-Match Hits;
- Unemployment Compensation for Ex-servicemembers (UCX) Automation; and/or
- Enhanced SIDES Monetary and Potential Employer Charges Data Exchanges.

Section 6 of this UIPL describes in more detail the options listed above that meet the Additional Strategy requirement.

States that meet the requirements established in Section 5 and Section 6, will have the opportunity to request additional funds. Section 7 of this UIPL discusses the Optional Strategies identified by ETA for targeted funding in FY 2014.

Section 8 discusses UI IT Automation or Performance Improvement Projects for "At Risk" States that ETA may competitively award with any residual funds available following the award of the required and optional strategies outlined in Sections 5, 6, and 7 and the Consortium projects outlined in Section 9.

Section 9 discusses Consortium funding opportunities for UI modernization or integrity projects.

As explained in Sections 5 and 6, states are eligible for SIDES and Additional Strategy Funding of up to $850,000 to $1,250,000 per state. In addition, states that meet the requirements established in Sections 5 and 6 may request optional funding described in Section 7 up to the maximum amounts of $750,000 to $1,250,000 per state.

States must provide a timeline for completion with milestones and goals for each strategy it commits to implement. States should propose realistic timelines, milestones, and goals for the completion of all strategies. By accepting these funds, a state agrees to meet the commitment(s) made in its application. State progress in achieving the timelines and

completing the deliverables established in the grant's statement of work will be monitored on a quarterly basis using the reporting format discussed in Section 10 of this UIPL. A state's failure to meet these performance requirements could result in questioned costs that would need to be repaid.

5. **SIDES Implementation and Expansion Requirement.** All states must agree to implement or expand SIDES Web Services and SIDES E-Response to receive any funding through this solicitation.

- States that <u>have not</u> previously received supplemental funds to implement SIDES must, for purposes of this supplemental budget request (SBR), commit to fully implement both SIDES Web Services and SIDES E-Response to improve the timeliness and quality of separation information needed to adjudicate non-monetary determinations. **States may request up to $500,000 for this activity and should propose realistic timelines and goals to implement SIDES Web Services and SIDES E-Response as soon as feasible, but with implementation no later than March 31, 2016.**

- States that <u>have not</u> previously received supplemental funds to implement SIDES may, for purposes of this SBR, also request funds to cover SIDES subscription fees for two years. **Please contact Mr. Subri Raman (raman.subri@dol.gov), Chief, Division of Performance Management, in the National Office to determine your state's annual subscription fee, as SIDES rates vary by state based on usage. States requesting SIDES subscription fees must indicate whether grant funds should be obligated to the lead state (Maryland) for payment to NASWA.**

- States that were previously funded to implement SIDES may satisfy this requirement by attesting that SIDES implementation is complete or underway, providing the completion date/target, and committing to expand the program to a minimum threshold of employer participation in SIDES E-Response. Specifically, states must commit to using SIDES to transmit requests to individual employers not using Third Party Administrators (TPAs) for information on separations and receive employer responses for at least 35 percent of all UI initial claims (new initial and additional claims as reported in the ETA 5159). ETA expects that states receiving FY 2014 supplemental funds will make a substantial effort to achieve the 35 percent SIDES expansion target, but recognizes that states cannot control employer actions.

  To achieve this expansion target, states will develop and implement an aggressive employer outreach plan. **States may request up to $100,000 for the implementation of this outreach plan, and propose realistic timelines and goals for its implementation as soon as feasible, but no later than March 31, 2016.** States that have completed this activity must attest that the strategy is complete and provide the completion date (i.e. the month when the 35 percent threshold of all UI initial claims criterion was met).

- States that were previously funded to implement SIDES may request funds for SIDES subscription fees for one additional year. **Please contact Mr. Subri Raman (raman.subri@dol.gov), Chief, Division of Performance Management, in the**

National Office to determine your state's annual subscription fee, as SIDES rates vary by state based on usage. States requesting SIDES subscription fees must indicate whether grant funds should be obligated to the lead state (Maryland) for payment to NASWA.

SUMMARY OF SIDES REQUIREMENT FUNDS AVAILABLE FOR EACH STATE

SIDES IMPLEMENTATION AND EXPANSION REQUIRMENT	MAXIMUM FUNDS AVAILABLE
• Implementation	$500,000
• Expansion	$100,000
• Subscription Fees	*

* The annual state subscription fee for SIDES varies by state. Please contact Mr. Subri Raman (raman.subri@dol.gov), Chief, Division of Performance Management, in the National Office to determine the annual fee.

6. **Additional Strategy Requirement.** In addition to the SIDES Implementation and Expansion requirement, a state must implement at least one additional strategy from the four options described in this section to receive funding through this solicitation. States may, however, request funding to implement up to all four additional strategies if they have not previously done so. **States may request up to a total of $750,000 for this section. Please note that funding in this section may not be used for staffing of routine program operations.**

   • **Improper Payment Prevention Strategy.** States may elect to implement an integrity strategy designed to prevent improper payments before they occur. States electing to implement a prevention strategy must project the impact of the strategy on the state's improper payment rate. States that have previously implemented an improper payment prevention strategy may propose the implementation of a separate prevention strategy or the enhancement of an existing prevention strategy to meet this requirement. These strategies will be subject to approval by the Department.

   • **Flagging Continued Claims Based on NDNH Cross-Match Hits.** States may elect to implement an enhanced NDNH process to flag the next continued claim when an NDNH cross-match "hit" is detected, and require the claimant to speak to a state claims representative when attempting to file his or her next continued claim. In addition to programming to identify hits and flag continued claims, funding for this strategy may also be used to conduct more frequent NDNH cross-matches to enable faster detection and prevention of future improper payments. Please refer to this summary www.dol.gov/dol/maps/pdf/20111212NewJersey.pdf for a description of a similar strategy implemented in New Jersey. States that have an existing enhanced NDNH cross-match strategy, or have one in development must implement at least one of the other three strategies described in this section to meet the additional strategy requirement.

   • **UCX Automation.** States may elect to implement the Military-State Data Exchange System (MSDES), as described in TEN No. 27-13, to improve, streamline, and automate

UCX claims filing and billing. The MSDES makes UCX claim filing and billing significantly more efficient by allowing the various branches of the military and the states to electronically communicate with each other instead of relying on a paper-based system.

Funding for this UCX automation strategy may be used for the following purposes:

- To cover costs for Interstate Connection (ICON) Network programming necessary to implement MSDES;
- Programming to provide additional information in the Type 2 Request Record sent to the Federal Claims Control Center (FCCC), which must include: changing the Branch of Service field from optional to required, populating the Maximum Benefit Amount and Weekly Benefit Amount information in the Type 2 Record, and adding dependent allowance;
- Programming to ensure that states can send and receive all six UCX record types via ICON;
- Programming to update the UCX message codes to display new message types for error handling in the state system;
- Developing the appropriate interfaces with the state benefits systems to generate the quarterly billing statement electronically in a standardized (.csv) file format; and
- Testing state systems to verify display and processing functionality.

States that have already implemented MSDES must implement at least one of the other three strategies described in this section to meet the additional strategy requirement. In addition to MSDES, states are requested to review and consider other ICON-related projects, including the ICON certification as described in Section 7, Optional Strategies.

- **SIDES Monetary and Potential Employer Charges Data Exchanges.** States may elect to implement SIDES Monetary and Potential Employer Charges Data Exchanges. This feature of SIDES allows a state to notify employers when claims are filed, shows the wages the employer paid that were used to establish a claim, identifies the claimants' potential weekly and total benefits, and calculates the potential charges to the employer. States with existing SIDES Monetary and Potential Employer Charges Data Exchanges, or states with one in development, must implement at least one of the other three strategies described in this section to meet the additional strategy requirement.

SUMMARY OF ADDITIONAL STRATEGY REQUIREMENT FUNDS AVAILABLE FOR EACH STATE

ADDITIONAL STRATEGY REQUIREMENT	MAXIMUM FUNDS AVAILABLE
Improper Payment Prevention Strategy	$750,000
Enhanced NDNH Cross-Match	
UCX Automation	
SIDES Monetary and Potential Employer Charges Data Exchanges	

7. **Optional Strategies.** States that meet the requirements established in Section 5 and Section 6 of this UIPL may request additional funds to implement optional strategies, which are discussed in more detail below and in Attachment C. States may request funding for merit staffing and/or securing contract support, and other integrity and performance improvement strategies.

- **Merit staffing and/or securing contract support through September 30, 2016.** States may request funding for merit staffing and/or contract support for their Benefit Payment Control (BPC) activities in order to increase prevention, detection, and recovery of improper payments. States must attest that they will maintain current levels of merit staff and resources (maintenance of effort) and that the additional merit staff will be used to improve productivity in their BPC operations.

  Contract staff may perform only work that is not inherently governmental; inherently governmental functions must be performed only by state merit staff. For example, contract staff may be used to contact claimants when there is an NDNH hit indicating the claimant may have returned to work in order to provide instructions about claimant requirements to report for additional fact finding. Contract staff may not provide any advice to claimants beyond the approved instructions.

  States must develop a detailed budget for these projects and identify projected outcomes. Funds received under this SBR and obligated for state merit staff may not be expended after September 30, 2016. Total funding for merit staffing and/or contracting support activities will be provided based on state sizes as provided in Attachment B. Funding amounts available are as follows:

  - Large States: Up to $750,000
  - Medium States: Up to $500,000
  - Small States: Up to $250,000

- **Other Integrity and Performance Improvement Strategies.** States may request up to $500,000 in this section, to fund the implementation of other Integrity and Performance Improvement Strategies as described in Attachment C. Please note that states submitting

more than one Integrity and Performance Improvement Strategy proposal <u>must rank the proposals by priority, since ETA may not be able to fund all proposals.</u>

SUMMARY OF OPTIONAL STRATEGY FUNDING AVAILABLE FOR EACH STATE

OPTIONAL STRATEGIES	MAXIMUM FUNDS AVAILABLE
Merit Staffing and Contract Support	
• Large States	$750,000
• Medium States	$500,000
• Small States	$250,000
Other Integrity and Performance Improvement Strategies	$500,000

8. **<u>UI IT Automation or Performance Improvement Projects for "At Risk" States.</u>** As of this publication, ETA cannot precisely estimate the total amount of funding that will be available for FY 2014 SBRs. ETA may competitively award funding for <u>targeted</u> UI IT automation or performance improvement projects to improve specific performance measures that directly relate to a state's "At Risk" designation. Funding for these activities will only be provided if residual supplemental funding is available following the award of the required and optional strategies, and the consortium projects, outlined in Sections 5, 6, 7 and 9 of this UIPL. Please refer to UIPL No. 22-10, for an explanation of how states are designated "At Risk." Only states that have been formally designated "At Risk" for first payment and/or lower level appeals promptness, **at the time of the state's SBR submission**, are eligible to include with their application additional proposals for these targeted projects. States must follow the application instructions and formatting in Attachment A for completion of these proposals. **Please note that funding for this strategy may not be used for staffing of program operations.**

9. **<u>Consortium Projects.</u>** States that meet the requirements established in Section 5 and Section 6 of this UIPL may submit proposals for UI modernization projects or integrity projects as part of a consortium of states. A consortium planning to submit a proposal must comply with the requirements provided below and in Section 11 of this UIPL. A consortium of states may submit a proposal requesting funding for the following purposes:

- Expanding an existing consortium – an existing consortium of states that is currently developing common functional requirements may submit a proposal to add an individual state to the consortium for the joint development of a UI Benefits and/or Tax system. The consortium must commit to: having the new state participate in, and be a part of, creating the consortium's business requirements; revising the existing consortium agreement; and agreeing to amend the existing governance structure, operating model, and other decisions made by the consortium to accommodate the inclusion of the new state agency.

- Leveraging a state's modernized UI Benefits and/or Tax system that is both mature and stable, a consortium of states may submit a proposal for a fit-gap analysis to modify,

configure, implement, and host the modernized UI IT system of a participating state for multi-state purposes.

- In very limited circumstances, such as unanticipated costs for additional subject matter experts to assist with the project, ETA may provide additional funding for existing consortia that received IT modernization funding under an earlier SBR. The rationale for a request must be compelling and demonstrate that changes in circumstances or situations that were unforeseeable are the cause for the need for additional funding.

  The project planned by these consortia must specifically address the following requirements:

  a. Data outputs that meet UI Required Reporting requirements in ETA Handbook No. 401;

  b. UI Data Validation requirements as referenced in ETA Handbook No. 361;

  c. System interfaces with the ICON network applications;

  d. System interfaces with SIDES;

  e. Compliance with appropriate assurances as referenced in ETA Handbook No. 336, Chapter VII, including the requirements for Contingency Planning and Automated Information Systems Security;

  f. Compliance with the standard published by the Department on February 19, 2014, http://www.gpo.gov/fdsys/pkg/FR-2014-02-19/html/2014-03496.htm to designate in regulation data exchange standards for UI administration.

  g. If the project includes an integrated UI Tax system, it must provide for the continued reporting of wage records, monthly employment, and any other factors required under the Quarterly Census of Employment and Wages (QCEW) program.

All consortium proposals must identify a lead state agency, identify the states participating in the consortium, and explain the projected allocation of and fiscal responsibility for expenditures. Additionally, the proposals must include a copy of the signed agreement(s) by all participating states. A cover letter must be included and signed by the Administrator of the lead state agency and it must explain the roles of the participating state(s) in the project as described in the consortium agreement.

Any new consortium of states must jointly establish a Project Team to develop a planned approach for the project. The consortium must be administered by a Project Team consisting of the Project Lead from each of the participating states. One state must be selected as the lead state. Each state must provide project staff (program and technical) to work with the Project Team. The Project Team will work with the other state consortium staff and contractor staff, as necessary, to provide information that the contractor needs to develop and

plan an approach to implement the proposed project design. The Project Team must seek input from and provide feedback to other interested state staff and to National and Regional office staff. The Project Team will be responsible for providing input to and reviewing the Request for Proposal(s) (RFP) for any contract(s) and participating in or providing input on the vendor selection, helping to define appropriate activities for the contractor(s), and providing UI program and technical experts to support the project.

The project development and the implementation planning process may require the assistance of one or more contractors. One state must be willing to act as the lead contracting party for the consortium for a given contract. The lead state will be responsible for developing and awarding a contract with the support and participation of the other participating states.

Examples of the lead state agency responsibilities include:

- Coordinate all activities related to the project with the other participating states.
- Develop and provide to ETA a detailed project management plan no later than December 31, 2014.
- Develop an RFP, in consultation with participating states.
- Host the selected contractor on-site, provide staff for the Project Team, and respond to requests for information.
- Develop system(s), share products, and provide technical assistance, as appropriate, working together with other members of the consortium upon completion of the project.

Examples of the participating state responsibilities include:

- Assist with development of the RFP.
- Attend meetings/conferences with lead states and other participating states.
- Host contractor on-site and provide staff to respond to specific requests for information.
- Assist in developing/presenting deliverables for the project.
- Provide staffing for the Project Team.

10. **New SBR Reporting Requirement.** ETA developed a data collection request for quarterly state reporting on the implementation of SBR projects/activities that is pending approval from OMB through the Paperwork Reduction Act clearance process. This request includes reporting information on SBR project quarterly expenditures, the completion of specific project milestones, and additional data necessary to assist the ETA National and Regional offices in monitoring implementation. ETA will notify states upon OMB approval of the final data collection. ETA anticipates this data collection will be in place for states to report on projects funded through these SBRs in the first quarter of Federal FY 2015.

11. **Application and Award of Supplemental Funds.** To apply for supplemental funds, a state must submit an SBR package (see Attachment A) consisting of an individual application for the Required Strategies and any Optional Strategies for which the state seeks funding. Each project application will be evaluated separately. When the same expenditures

are requested in two different individual applications and would be duplicated if both were funded, the state must provide a brief explanation in both applications where the costs are duplicated to ensure that the same costs are not funded twice. States must use the application document provided in Attachment A to prepare an SBR package. States must also submit a single form SF-424 (OMB No. 4040-0004) http://apply07.grants.gov/apply/forms/sample/SF424_2_1-V2.1.pdf (OMB No. 4040-0006) http://apply07.grants.gov/apply/forms/sample/SF424A-V1.0.pdf covering all projects in the SBR. Applications that do not follow this prescribed format will be returned to the states for correction without review. States will be required to submit a revised SF-424 and SF-424A if the final award amount is different from the initial request.

For consortium projects, the lead state will be responsible for submitting a joint application (see discussion in Section 9) on behalf of the participating states. The proposal must clearly indicate total project costs including a breakdown of individual state costs.   States must indicate the minimum funds necessary to complete the proposed project(s). Depending on the availability of funding and number of proposals deemed eligible for funding, it may be necessary to negotiate project funding.

The one-time funds available for automation acquisitions and competitive grants for improved operations and improper payment activities **must be obligated by states by September 30, 2016**, and liquidated within 90 days of that date. Upon written request, the Grant Officer may extend the liquidation period. Funds obligated by a state by September 30, 2016, to an outside entity allows for work supported by these funds to continue for 90 days beyond that date. Any work beyond that date would require an approved liquidation extension beyond the 90-day period.   Funds obligated for state merit staff and for services related to automation acquisitions/projects such as subject matter experts, application developers, or project management oversight must be obligated by September 30, 2016, and liquidated within 90 days thereafter.

By applying for any of these funds for individual state projects, the state agrees that the proposed projects will be completed with no additional federal funding. For consortium projects, ETA may allocate additional funding to ensure successful completion of projects, on a case-by-case basis if funding is available. When projects have been approved, a Letter of Award will be issued to the state(s) listing the proposals that are being funded by the SBR. It will include the funding level for each proposal, the total funding level for the state's SBR, and the allocation among states for any consortium projects. Additionally, the state will also receive a grant award package that includes a Notice of Obligation.

12. **Project Modifications.** If, during the performance period, a state wishes to reallocate funds among categories/projects within its SBR, it must submit a new SF-424A (OMB No. 4040-0006) to the appropriate Regional Office for approval, with a copy to the National Office if the amount to be moved is equal to or exceeds 20 percent of any category of the initially awarded amount for the project. The state must also submit a request for modification of the grant signed by the state's signatory authority. This information will be submitted to the Grant Officer with a request for modification of the SBR grant to reflect the requested

changes. For consortium grants, this request must be provided to the National Office by the lead state.

By accepting these funds, each state agrees to meet the commitment(s) made in its application. States may not elect to abandon an approved (single) project and move funds to a different project. State progress in achieving the timelines and completing the deliverables established in the grant's statement of work will be monitored on a quarterly basis using the reporting format discussed in Section 10 of this UIPL. A state's failure to meet these performance requirements could result in questioned costs that would need to be repaid.

13. **Action Requested.** We request State Administrators to:

   a) Review the funding opportunities and determine whether the state will apply for any funds under this solicitation;
   b) Coordinate with UI program and IT staff to develop a proposal(s) under this solicitation;
   c) Work with the appropriate Regional Office to develop an SBR that will best serve the needs of the state; and
   d) Submit the SBR application by e-mail to OUI.IntegritySBRs@dol.gov by the close of business on **Thursday, July 31, 2014**, with an electronic copy provided to the appropriate Regional Office. **The subject line of the e-mail should include the name of the state and the title "Integrity-Related SBR 2014**."

14. **Inquiries.** Questions should be directed to the appropriate Regional Office.

15. **Attachments.**

   Attachment A: 2014 Supplemental Budget Request (SBR) Application
   Attachment B: State Size Classifications
   Attachment C: Optional Strategy Examples

2014 Supplemental Budget Request (SBR) Application

<table>
<tr><td colspan="3" align="center">Unemployment Insurance
Supplemental Budget Request Abstract</td></tr>
<tr><td colspan="3">State Name:</td></tr>
<tr><td colspan="3">Total Funds Requested for All Projects:</td></tr>
<tr><td colspan="3">Name, Title, and Address of Grant Notification Contact <i>(Typically the State Workforce Agency Administrator)</i>
Name:
Title:
Address:</td></tr>
<tr><td colspan="3">Name, E-Mail Address and Phone Number of SBR Project or Fiscal Manager
Name:
E-Mail Address:
Telephone Number:</td></tr>
<tr><td colspan="3">Name, E-Mail Address and Phone Number of Benefit Payment Control Supervisor
Name:
E-Mail Address:
Telephone Number:</td></tr>
<tr><td colspan="3">Provide the following information for each project <i>(add additional rows as needed)</i>:</td></tr>
<tr><td>Individual Project Name</td><td>Total Cost of Project</td><td>Proposed Completion Date</td></tr>
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SBR Project Application *Complete a separate document for each activity for which the state seeks funding*			
Name of Project			
Amount of Funding Request for this Project			
State Contact			
Name: E-Mail Address: Telephone Number:			

Project Description			
Project Timeline			

Description of Costs			
Staff Costs for Agency and Contract Staff:			
Type of Position	**Total Hours**	**Cost Per Hour**	**Total**
Hardware, Software and Telecommunications Equipment:			
Item Description	**Cost Per Item**	**Quantity**	**Total**

Other Costs:		
Item	**Cost**	**Explanation**

Strategic Design:

Measurable Improvements Expected in UI Operations:

Instructions: In addition to the SBR Abstract, states must complete a separate document using the format above and instructions below for each activity for which the state is seeking funding. These documents are to be combined in a single SBR with a SF-424 and an SF-424A combining all projects. The lead state in a consortium must submit a separate application for a Consortium Project. Applications that do not follow this prescribed format will be returned to states for correction without review.

Name of Project:

Amount of Funding Request for this Project: Provide the total amount of funds requested in this individual project.

State Contact: Provide name, telephone number, and e-mail address of the individual who can answer any questions relating to the proposal.

Project Description: Provide a brief description of the activity/project for which the state is seeking funding and explain how the project will improve prevention, detection, or collection of overpayments; or improve performance in other UI activities.

Project Timeline (20 percent of total score): Provide a list of the dates and the milestones for this project. The timeline should include the completion of the work, the designation of specific tasks to appropriate parties, the issuance of a request for proposal, if appropriate, the projected start date, the proposed dates to begin and complete testing (if necessary), and the proposed date for full implementation of the project. These milestones and dates will be used to monitor the implementation of the project.

Description of Costs (20 percent of total score): Provide an explanation of all costs included in the project.

Staff Costs for Agency and Contract Staff: Use the table format above to request state or contract staff. The project must clearly explain which costs are for state staff and which costs are for contract staff.

Hardware, Software, and Telecommunications Equipment: Provide an itemized list of hardware, software, and telecommunications equipment including the cost per item and the number of each item requested. A description of each item must provide any information needed to identify the specific item and a description of the size and capacity of each item if applicable.

Other: Identify each item of cost not covered elsewhere and provide the expected cost per item. The need for each item must be explained.

Strategic Design (30 percent of total score): The strategic design should provide evidence of a thorough analysis of current operations and show that the design will meet the needs of the state. For example, the description could include an explanation of the overpayments that are currently not being addressed or the collections that are not accomplished because the proposed automated system is not operational. The state must explain how it has determined that the proposed system would be the most beneficial to its operation. This explanation might include a list of other overpayment systems that are operational such as the NDNH.

For example:

- Identify the data that will be received from the data matching, e.g., wages, start to work date, name, date of birth, address, etc.
- Estimate the amount of overpayments the system will prevent or detect in a year.
- Estimate the percentage of claimants that will be part of the data matching system.
- Describe the data system(s) that the state will use to match claimant records.
- Indicate how often the data match will be conducted.
- Describe the assurance(s) that the state has received from the owner(s) of the data, which will demonstrate a willingness to participate in the proposed data exchange.

Measurable Improvements Expected in UI Operations (30 percent of total score): Identify the areas which will be improved or on-going costs reduced through implementation of the proposed project. All improvements and cost reductions must be quantified rather than generalized. For example, if it is anticipated that overpayments will be collected more quickly with the new system, the measurable improvements must identify the anticipated time savings per overpayment and the percentage of overpayments that will be affected by the project(s).

State Size Classifications *

Alabama	Medium
Alaska	Small
Arizona	Medium
Arkansas	Medium
California	Large
Colorado	Medium
Connecticut	Medium
Delaware	Small
District of Columbia	Small
Florida	Large
Georgia	Medium
Hawaii	Medium
Idaho	Medium
Illinois	Large
Indiana	Medium
Iowa	Medium
Kansas	Medium
Kentucky	Medium
Louisiana	Medium
Maine	Medium
Maryland	Medium
Massachusetts	Medium
Michigan	Large
Minnesota	Medium
Mississippi	Medium
Missouri	Medium
Montana	Small
Nebraska	Medium
Nevada	Medium
New Hampshire	Medium
New Jersey	Medium
New Mexico	Medium
New York	Large
North Carolina	Medium
North Dakota	Small
Ohio	Large
Oklahoma	Medium
Oregon	Medium
Pennsylvania	Large
Puerto Rico	Medium
Rhode Island	Small
South Carolina	Medium
South Dakota	Small
Tennessee	Medium
Texas	Large
Utah	Medium
Vermont	Small
Virgin Islands	Small
Virginia	Medium
Washington	Medium
West Virginia	Medium
Wisconsin	Medium
Wyoming	Small

* Based upon State Population for FY 2014 Funds

Optional Strategy (Section 7) Examples

The types of activities for which Focus Area funding may be requested are provided below. Please note that states submitting more than one proposal under Section 7 of this UIPL (Optional Strategies) should rank the proposals by priority since ETA may not fund all proposals.

Program Performance

- ICON Modernization including implementing Data Exchange Standardization requirements: States may request funding to fully modernize the ICON applications including implementing the Data Exchange Standardization requirements published by the Department.

  On February 19, 2014, the Department published a final rule http://www.gpo.gov/fdsys/pkg/FR-2014-02-19/html/2014-03496.htm to designate in regulation data exchange standards for UI administration, as required by amendments to Title IX of the Social Security Act made by the Middle Class Tax Relief and Job Creation Act of 2012. These regulations established eXtensible Markup Language (XML) as the data exchange standards for three categories of information: real-time applications on the ICON; the SIDES; and implementation of the standards identified for ICON and SIDES in major information technology (IT) modernization projects to upgrade UI Benefits and Tax systems by states.

- ICON Enhancements: States may request funding to improve the integrity of their data exchanges through the UI-ICON Hub and ensure that the data exchanges meet the record format and content guidelines established by the UI Interstate Benefits Subcommittee. The activities may include conducting an IV & V, programming to improve integrity of the data exchange or addressing issues identified from the IV & V, testing, and implementation.

- Combined Wage Claim (CWC) 02-12 Application: States may request funding to implement the guidance contained in UIPL No. 02-12 and UIPL No. 02-12, Change 1. The Trade Adjustment Assistance Extension Act (TAAEA) of 2011 and implementing guidance contained in UIPL No. 02-12 and UIPL No. 02-12, Change 1 necessitated a new communication process between the paying state and the transferring state involved in a CWC to ensure the paying state's determination of non-charging is promptly communicated to the transferring state and the employer's account is appropriately charged. The effective date of this requirement was October 21, 2013. In a collaborative effort involving personnel from the Department, NASWA, Xerox UI-ICON, and state volunteers, a workgroup was formed to develop an application (CWC 02-12) to address the TAAEA provision on non-charging. As of October 21, 2013, the CWC 02-12 application became fully operational. States are required to meet the provisions of TAAEA and use the CWC 02-12 application to communicate with each other.

- Reemployment Connections: States may request funds to establish linkages across state IT systems supporting both UI and workforce services (e.g. UI benefits system, state job bank,

and/or case management system) in order to more effectively link UI claimants to reemployment services – delivered either electronically or through American Job Centers. States are also encouraged to establish a UI feedback loop when claimants are referred to reemployment services to ensure the claimant maintains UI eligibility. States may consider adoption of two new reemployment information technology tools developed collaboratively by the ITSC and pilot states that support integrated registration for UI and workforce programs and creates a common front door for job seekers. The Integrated Workforce Registration and/or IWR tool and Workforce Integration Profile Page provide an interactive hub for reemployment service delivery and way to push available jobs to claimants throughout the service delivery life cycle. If states need more information about these tools, please contact Mr. Subri Raman (raman.subri@dol.gov), Chief, Division of Performance Management, in the National Office.

- UI Accessibility: States may request funding to help comply with statutory and regulatory obligations to ensure equal, effective and meaningful access to the UI program and its benefits, services, and information. In delivering UI services, states must ensure that information about UI initial claims filing, Benefits Rights Information (BRI), UI continued weekly/biweekly claims filing, fact-finding and adjudication/determinations, appeals hearings/decisions as well as referrals and linkages to reemployment services are accessible regardless of age, disability, race, national origin, or English language ability. SBR funding is available to make automated system enhancements and/or to provide tools and training to staff to accomplish accessibility compliance.

- UI Reporting Improvements, including Data Validation (DV):

  - States may request funding to improve the data quality of UI federal reports submitted to the Department. The proposal must clearly explain the deficiencies with the existing required report(s) submission that will be addressed by implementing this project.

  - States may request funding for IT support of DV efforts such as developing programs to create/revise the DV population datasets, modifying computer systems to add new fields needed for DV, ensuring that state computer programs are extracting the correct transactions for DV population datasets, correcting errors in data validation extract files, and ensuring that the corrections pass DV guidelines.

- Business Process Analysis (BPA) and/or Re-engineering: States may request funds to conduct an administrative and/or business process review to identify bottlenecks and the causes of poor performance in first payment timeliness and/or appeals timeliness, if supplemental funding has not been provided in the last two calendar years to conduct one. States that received supplemental funding for a program performance BPA in the last two calendar years may request funding to implement at least one recommendation that resulted from those BPAs.

  The review should be rigorous and thorough and should extend to those parts of UI program operations that ultimately affect first payment or appeals timeliness, such as how to manage

nonmonetary adjudications. The outcome of this review should be clear recommendations that may inform additional corrective action steps. Examples of the use of funds may include: (a) Purchase, installation, or training on a software package to that supports the administrative and/or business process review; and (b) Engaging a contractor for expert assistance or a subject matter expert to support business process analysis and re-engineering, and develop recommendations for use in an action plan.

- UI IT Contingency Plan: States may request funding to develop or update their UI IT Contingency Plan using the guidelines provided in National Institute of Standards and Technology (NIST) Special Publication (SP) 800-34. Upon completion of the plan, SWAs must have an IV&V conducted of their UI IT Contingency Plan based on guidelines provided in the NIST SP 800-34. States must submit a copy of the IV&V certification report on their contingency plan to their respective Regional Office.

- UI IT Security: States may request funding to address the UI IT security weaknesses that have been identified by recent IT security audits (performed within the last three years from the date of this UIPL) or by a SWA's UI IT security self-assessment that complies with the NIST IT security guidelines found in NIST SP 800-53, *Recommended Security Controls for Federal Information Systems* and NIST SP 800-53A, *Guide for Assessing the Security Controls in Federal Information Systems*.

- Modernized IT System Post-Implementation Validation: States that have modernized their UI IT System in the last two years, and have subsequently made enhancements to the UI system to meet original business requirements which were not successfully delivered by the vendor as part of the initial implementation, may request funding to conduct:

  o An IV & V to ensure: (a) data collected by the new system meets their data requirements and definitions; and (b) data collected by the new system meets federal reporting and data validation requirements. The IV & V should include a written report identifying data-related issues, deficiencies and limitations; and/or
  o User Acceptance Testing to validate that the enhancements made to the UI IT system now successfully meet the original business requirements. The proposals submitted should include a report from an IV & V previously conducted, or clearly describe the business requirements that were not met with the initial implementation of the new system.

Program Integrity

- Cross-Functional Integrity Task Force: States may request funding for a dedicated senior staff person devoted solely to leading the state's improper payment strategies and coordinating its Cross-Functional Integrity Task Force.

- Work Search: States may request funding for dedicated staff to perform work search audits and/or funding to implement an online work search record. For an example of an implementation of an online work search record, please refer to TEN No. 12-13.

- Internet Protocol (IP) Address Blocking: States may request funding to implement software for use in matching and blocking foreign IP addresses during incoming claim or weekly certification requests. Please refer to this summary for a description of a similar strategy implemented by the state of New York at: http://www.dol.gov/dol/maps/pdf/20120127NewYork.pdf .

- Treasury Offset Program (TOP) implementation:

  - States that have not previously done so may request funding to implement TOP for the recovery of fraudulent and certain non-fraudulent overpayments; or

  - States that have implemented, or previously received funding to implement, TOP may request funding to implement TOP for recovery of employer taxes.

- SIDES Determination & Decision Exchange: States may request funding to implement this format to help UI agencies, employers, and TPAs exchange more comprehensive information and speed up the process for issuing a proper decision on whether or not a claimant is entitled to benefits. A more timely data exchange will enable employers to protest/appeal a case more promptly.

- Business Process Analysis for Improper Payments: States may request funding to conduct a BPA of their benefit systems to identify areas where changes in business processes could lead to a reduction in the improper payment rate and overall improvement in program integrity, if one has not been performed in the last two calendar years. States that received supplemental funding for an integrity BPA in the last two calendar years may request funding to implement at least one recommendation that resulted from those BPAs.

- Data Analytics and Predictive Modeling: States may request funding to implement a data analytics and predictive modeling tool for use in the detection and prevention of fraudulent UI claims.

- Other Cross-Matches: States may request funding to implement cross-matching for the prevention of improper payments before they occur, including the implementation of incarceration cross-matching.

- Other UI IT Automation or Performance Improvements related to program integrity, including overpayment recovery activities.