

JUSTIFICATION PART A
SUPPORTING STATEMENT FOR REQUEST FOR OMB APPROVAL
UNDER THE PAPERWORK REDUCTION ACT

PART A. JUSTIFICATION.

This is a justification for the Department of Labor's request for approval to extend the program to assess the accuracy of data which States now submit to the Department monthly, quarterly or annually pursuant to the Department's authority in Section 303(a)(6) of the Social Security Act. This program is called the Unemployment Insurance Data Validation (UI DV) program. UI DV is operated pursuant to authority granted under OMB number 1205-0341; collection authority expires on May 31, 2008.

The UI DV system validates 1,275 report elements on 13 UI required reports, to ensure that these key data, used for performance reports and other performance management purposes, are reliable. Appendix A-1 contains the relevant sections of the Social Security Act on which the reporting and validation activity is based.

A-1. Reasons for Data Collection

Section 303(a)(6) of the Social Security Act specifies that the Secretary of Labor will not certify State unemployment compensation programs to receive administrative grants unless the State's law includes provision for: "...making of such reports...as the Secretary of Labor may from time to time require, and compliance with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports."

In the 1970s the Department discovered that the UI required reports data it was using to determine States' administrative budget allocations were often reported inaccurately. In response, it developed the Workload Validation (WV) program to assess the accuracy of eleven key workload items – counts of UI activities or status elements such as active employers—it uses to allocate funds for UI administration among States. Under the WV program, States were required to validate the 29 elements on four UI required reports used to derive the eleven workload items. This validation activity was conducted using the instructions in the UI Workload Validation Handbook No. 361 approved for use through 12/31/2000 (OMB Number 1205-0055).

The WV program validated the elements by (a) independently reconstructing the States' reported counts to ensure they are counting correctly ("quantity validation") and (b) examining samples of the observations underlying the reported counts against original source documents to assess whether the State is counting the right things ("quality validation."). Reported counts pass for quantity if the reported counts are within 2% of the reconstructed count; the quality limit is no more than 5% error.

The 29 elements validated through the WV program constitute slightly over 1% of the approximately 2,400 elements States report on 47 UI required reports (28 of these contain

activity data used for performance measurement). The Department uses only a few of the elements validated by WV in the measures that assess State performance for purposes of its operational improvement system (called UI Performs) or for the Government Performance and Results Act (GPRA). Starting in the 1980s and continuing through the 1990s, the General Accounting Office and the Department of Labor's Office of Inspector General (OIG) have criticized UI for not validating all elements it requires States to report. For example, in Performance Audit 03-93-034-03-315 (September 29, 1993) concerning the Consolidated Financial Statements, the OIG noted

...the current system is not adequate to ensure the accuracy of the annual performance measurement data sent to Congress and OMB in response to the CFO Act. We recommend that the Assistant Secretary for Employment and Training develop a mechanism similar to the workload validation method, however, with more emphasis on the data elements associated with each of the existing and OIG proposed performance measures and the period being validated from one month quantity and one quarter quality to cover the entire year.

In an April 8, 1997, memo John Getek, Assistant Inspector for Audit, reiterated the above finding and added that "UIS should review validation methods for all other data elements contained on the 28 Unemployment Insurance Required Reports."

The GPRA language requires agencies' plans to "describe the means to be used to verify and validate measured values" (Section 1115(a)(6) of GPRA). OMB Circular A-11 restates the Law's requirement at Section 220.12 in its instructions on preparing and submitting annual performance plans. In a report attached to their Results Act letter to OMB (June 9, 1998), the Speaker of the House and Chairmen of the major committees observe that "most agencies lack the reliable data sources and systems needed to develop, validate and verify performance information. *Data problems are probably the single most serious barrier to effective implementation of the Results Act.*" (Emphasis in original.)

In the early 1990s as part of a project to develop and test new measures for the timeliness and quality of benefit payment operations called the Performance Measurement Review (PMR), the Department asked the technical support contractor, Mathematica Policy Research (MPR), to develop a method for validating benefits data. MPR developed an approach based on WV concepts but more amenable to automation. It includes nearly 1200 data elements on 12 benefits reports. The methodology was subsequently extended to include the data reported on the primary tax performance report, ETA 581, "Contribution Operations" (OMB Control No. 1205-0178, expires 10/31/2008).

Three States—Massachusetts, Minnesota and North Carolina—pilot tested the DV system between November 1997 and October 1998. Two states undertook validation of all benefit elements and tax elements covered in the DV handbook; the other validated all benefits elements but only part

of the tax report. In brief, the pilot test showed that validation was effective and efficient. It not only enabled all States to discover reports in error and to confirm when they were reporting correctly, but also identified reporting errors not detected through the previous validation method. The pilot States took steps to correct most errors in the course of conducting the validation. In the pilot test, states were required to program extract files of all transactions needed to conduct a validation, and also to write programs that processed the extract files to sum transactions reconstructing reported counts and draw samples that could be examined to assess how accurately the extracted transactions reflected UI reporting definitions. Between the end of the pilot and the beginning of mandatory implementation, the Department had its technical support contractor, MPR, develop standard software that all states used to perform validation operations and export the results.

During 2003, the Department began developing its own version of the standard DV software as a key step in simplifying the DV process, integrating it with other UI reporting operations, and putting it totally under the control of Departmental staff. The DOL software was released in spring of 2005. It runs on the Sun-Unix computers that all states currently use for UI reporting operations, and contains several features that will simplify validation procedures and shorten the process. For example, it automatically obtains the reported counts being validated from the UI database instead of requiring validators to enter those data, and allows validators to transmit validation results to the Department in the same way as required reports. After a year's use, the software was withdrawn to correct deficiencies and implement some enhancements. Version 1.1 was released to all states in November 2007.

Guided by the experience of the successful pilot test, the Department required states to implement UI DV. It set July 31, 2003 as the target for states to install the common DV software and develop the extracts of benefits and tax transactions the software processes; the states were to submit reports containing DV results by September 30, 2003. As of November 2007, reports had been received from 43 of the 50 states plus the District of Columbia, Virgin Islands and Puerto Rico that operate UI programs. States were unable to submit validation results while the software was unavailable, but were instructed to develop extract files to prepare for the release of version 1.1 of the software. It is expected that all but a few states will have completed their first validations by May 10, 2008.

Unemployment Insurance Program Letter (UIPL) 22-05, available on the DV Web site at <http://ows.doleta.gov/dv/>, summarizes the UI DV policy framework. Data Validation is administered on a "Validation Year" basis. The Validation Year (VY) coincides with the State Quality Service Plan (SQSP) performance year, which runs from April 1 through the following March 31. For example, a validation of any report for UI activity that occurs between April 1, 2007 and March 31, 2008 is part of VY 2008 and is to be submitted by May 10, 2008. The timing allows validation results to be part of the SQSP process (see A-2, below).

Like its predecessor, the DV program operates basically on a three-year cycle. All but three groups of transactions—called populations--that *pass* validation must be validated every third

year. The other three populations—which validate report cells from which GPRA indicators are formulated--however, must be validated annually; and populations that *fail* validation must be revalidated the next year. UI DV has also adopted the WV parameters for validity: if report counts are within $\pm 2\%$ of reconstructed (validation) counts, and the random samples show that no more than 5% of transactions in the extract file universe contain invalid data elements, the reported counts are considered valid. (The GPRA report counts are held to a $\pm \%$ standard instead of $\pm 2\%$.) The rules for passing validation are also contained in UIPL 22-05. About half of the initial validation results submitted have passed the Department's standard for validity. During the Validation Year 2008 nearly all populations will need to be validated: most passing validations were submitted in VY 2005, and the other populations are either GPRA (due every year), or were submitted but did not pass, or were not submitted at all.

Appendix A-2 gives an overview of the UI DV methodology and shows what its various steps are intended to achieve. Both Benefits and Tax portions of the Data Validation handbook are available on the ETA Office of Workforce Security web site at <http://ows.doleta.gov/dv/>.

A-2. Users, Purposes, and Consequences of Failure to Collect the Information

a. Users, Uses, and Purposes. Accurately reported data are essential for properly assessing State performance and for ensuring that States are treated equitably when administrative funds are distributed. The Department will use UI DV results to evaluate the accuracy of the data States report on selected UI required reports. This will enable it to assure its customers, partners and stakeholders of the accuracy of the performance measures that form the basis of the UI PERFORMS system, allow the Congress to determine the extent the UI system is accomplishing the goals set for the GPRA Strategic and Annual Performance plans and also to ensure that UI administrative funds are allocated properly to the 53 State UI programs.

The Department will use the UI DV information as a performance measure in the State Quality Service Plan (SQSP) process. SQSP is a permanent framework for the annual planning and budget process in each State UI agency. As part of the SQSP process, states that inaccurately submit data on validated reports—from which, among other things, key UI Performs or GPRA measures are based--will be required to take corrective action to ensure accurate reporting.

Because the performance measures are intended to guide and assist States in improving their performance and service to their ultimate customers (workers and employers), States also have an interest in ensuring that the measures are correct. The DV system includes detailed guidance to State programmers for correctly constructing various report elements. This not only ensures they will construct the DV extract files correctly, but also will simplify their tasks when new tax or benefit system software is installed.

b. Consequences of Failure to Collect Data. As noted in A-1 above, the Department has been criticized for failing to validate the data on which key measures are based and for failing to

increase the extent of the validation of the reports data it receives from States. The UI DV system allows the Department to respond positively to those criticisms.

A-3. Technology and Obstacles Affecting Reporting Burden

In compliance with the Government Paperwork Elimination Act, beginning on April 1, 2005, the UI DV program has had States submit UI DV findings via the system now used for electronic transmission of UI reports.

The Department has provided each State UI agency with an automated menu-driven system to input, store, and transmit reports data. The UI DV results are entered electronically as a report and stored in the UI Data Base.

The UI DV system is highly automated. The State-specific UI DV handbooks give States detailed specifications for developing data extract files, based on their own State management information systems. The States also enter or download these extract files to the automated system where a software module manipulates the input files for validation by producing validation displays, sorts, reconstruction counts, and duplicate detection tests, and drawing various samples. The software module extracts from the state's report database the report elements being validated so that validators do not need to enter those counts. The software also provides input interfaces where validators enter the findings of their reviews of quality samples. The results of completed validations are reported electronically to the Department using the overnight pick-up mechanism used to transmit other UI reports data.

The Department knows of no technical obstacles to implementing and operating UI DV.

A-4. Duplication

The proposed UI DV program does not duplicate any existing Department program. The Department believes that there is no satisfactory alternative to the UI DV methodology for this purpose.

A-5. Burden on Small Business or Other Small Entities

There will be no impact on small businesses or any entities other than State UI agencies.

A-6. Consequences of Less Frequent Data Collection

The Department requires that States conduct a complete validation every third year and a partial validation every year for those items determined to be reported inaccurately by a previous year's validation or that are used for GPRA indicators. Changes to State reports-generating software, such as a new state management information system or a change in Department reporting requirements, may also alter the normal 3-year validation cycle.

A-7. Special Circumstances Involved in Collection of UI DV Data

This request is consistent with 5 CFR 1320.5.

A-8. Preclearance Notice and Responses

In accordance with the Paperwork Reduction Act of 1995, the public was allowed 60 days to review and comment through a Federal Register notice published February 12, 2008 (Vol. 73, pp 8066-8067). No comments were received. Additionally, the Bureau of Labor Statistics (BLS) was again given an opportunity to provide comments and reaffirmed the present collection of information.

A-9. Payments to Respondents

This program does not involve payments *per se* to respondents. However, because UI DV is a mandated data collection, the Department provides funding to the participating States, who are technically listed as the "respondents" for purposes of the Paperwork Reduction Act. States undertake validation activities out of their UI administrative grant funds, the same as they did for workload validation.

A-10. Confidentiality

Confidentiality is not an issue with this program, which simply involves verifying the accuracy of aggregated data counts, submitted earlier on required reports. States submit no individual records with personal (e.g. Social Security Numbers) or business (e.g., Employer Account Number) identifiers.

A-11. Questions of a Sensitive Nature

The data collection includes no questions of a sensitive nature.

A-12. Respondents' Burden and Cost of Collecting Information

1. Annual Hour Burden: 29,150 hours

- Number of respondents: 53 State Employment Security Agencies
- *Burden for a full validation*: 900 hours
 - Based on estimates received from four states that have conducted validations; they assumed they were conducting repeat validations using the new validation software.
- *Annual Estimate Assumes*
 - States conduct a full validation in year 1;

- In year 2, they validate half of report cells (i.e., GPRA elements and some failures from full validation, based on initial validation results that show at least half of report items failed);
- In year 3, they validate one third of report cells in third year (i.e., the GPRA populations and some continued failures from validation in year 2);
- These assumptions may be conservative; degree of improvement from one validation to another is not known. Burden is expected to decline in the future as report validity improves due to fewer report cells to be revalidated and more random samples passing at the first stage.
- Calculation of Average Annual Burden
 - *Full validation* = $53 \times 900 = 47,700$ hours (Year 1)
 - *Half validation* = $53 \times 900 / 2 = 23,850$ (Year 2)
 - *Third validation* = $53 \times 900 / 3 = 15,900$ (Year 3)
 - *3-Year Average* = $(47,700 + 23,850 + 15,900) / 3 = \mathbf{29,150}$

2. Cost of Annual Hour Burden to Respondents: \$1,060,769

- Annual Burden = **29,150** hours
- Average Wage Rate for State UI agencies: \$36.39 (average salary used for UI budget formulation purposes for FY 2008 = \$62,263; average yearly work hours used is 1,710)
- ***Annual Cost = 29,150 hours * \$36.39 /hour = \$1,060,769***

3. Startup Burden to Respondents: N/A

- ***We assume that nearly all states will have implemented DV by 5/31/2008.***

A-13. Annual Cost to Respondents

The States should not incur any capital costs to be added to the staff costs reported in A-12. The Department provides States with the computer equipment necessary for retrieving, manipulating, storing, and reporting the validation results.

A-14. Federal Cost

Federal costs are the staff and contractor costs required to maintain and manage UI DV. These include the costs of providing technical assistance to states; monitoring the validation process in the states; maintaining the DV handbooks and the validation software to reflect changes in reporting; improving the functionality of the UI DV state software and programming the Federal software used to produce reports on DV results; and analyzing DV results and using those results to assess state reporting operations and making sure that states continue to improve reporting accuracy. These costs are expected to cost average approximately \$375,000 per year over the 2008-2011 period. Federal allocations of funds for State UI administration will also cover the costs in A-12.

Category	Estimated Costs
Staff:	
DOL ETA National Office GS-14 (0.8 SY)	\$100,975
DOL ETA National Office GS-13 (0.9 SY)	\$83,810
DOL ETA National Office GS-12 (0.3 SY)	\$24,493
DOL ETA Regional Office	\$55,873
Programming/ADP Support	\$50,000
Contractor Technical Validation Support	\$60,000
Total Costs	\$375,151

A-15. Reasons for Program Change and Change in Burden

There is no change. However, in the previous information collection request (ICR), burden hour costs were erroneously entered as a cost burden, despite the statement in #13 A of the Supporting Statements, above, that there is no cost burden. Therefore that amount, \$947,000, has been removed from ROCIS, and the cost burden for this ICR is now zero.

A-16. Publication Information

The Department intends to publish results of validations on its Data Validation Web site at <http://ows.doleta.gov/dv/>.

A-17. Reasons for Not Displaying Date OMB Approval Expires

The Department will display approval information in the ETA Handbook 361.

A-18. Exceptions to Certification

There are no exceptions to the certification statement in 83-I.