

Justification for Non Substantive Change Request (OMB 1205-0132)

Quantifying States' Improper Unemployment Insurance Payments: Unemployment Insurance (UI) improper payments are measured by the Benefit Accuracy Measurement (BAM)¹ survey (OMB 1205-0245). For the most recent quarterly reporting period for the Improper Payments Information Act (IPIA), the Department failed to meet its target for the overall national improper payment rate compiled using states' BAM data. After the Department transmitted its IPIA report to Office of Management and Budget (OMB) in November, 2010, the annual UI overpayment rate increased further, from 10.6 percent for the period July 2009 to June 2010 to an estimated 11.5 percent of total benefits paid for Fiscal Year (FY) 2010.

The UI program is considered a "high priority" program under section 2(a)(i) of E.O. 13520 because it met the threshold established by OMB of at least \$750 million in improper payments as reported in the Department's most recent Annual Financial Report issued November 15, 2010.

E.O. 13520 – Reducing Improper Payments: On Nov. 20, 2009, President Obama signed Executive Order (E.O.) 13520 – Reducing Improper Payments. This order is intended to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal Government, while continuing to ensure that Federal programs serve and provide access to the intended beneficiaries. Federally-funded, State-administered programs that receive at least part of their funding from the Federal Government, but are administered, managed, and operated at the State or local level are subject to this E.O.

On March 22, 2010, OMB issued government wide guidance on the implementation of the E.O. As required by this guidance, the Department's Employment and Training Administration (ETA) implemented two supplemental measures -- the operational overpayment rate, which includes those fraud and non-fraud recoverable overpayments that state agencies are expected to identify and establish for recovery through their Benefit Payment Control (BPC) activities, and the Employment Service (ES) registration rate, which measures the percentage of UI claimants who were required to register with the state ES, but who were not actively registered as of the UI paid week selected for the BAM survey. Additionally, a public website to report on the improper program data and initiatives to improve program integrity was created. Below is the link for the UI improper payments information page.

http://www.unemploymentinsurance.doleta.gov/unemploy/improp_pay.asp

States' Corrective Action Plans Incorporated into ETA: ETA has several management initiatives underway to assist states and target the reduction and recovery of improper payments. ETA is also implementing new performance targets, enhanced

¹ The 50 states, the District of Columbia, and Puerto Rico participate in BAM. Using the BAM sample data, States can assess the primary root causes of improper payments and design their strategies and initiatives to focus on the reduction and recovery of improper payments.

reporting, and an increased focus on activities that address root causes of improper payments.

Non Substantive Change: UI Program Integrity Action Plan ETA seeks OMB approval for a non-substantive change to 1205-0132 by adding to Handbook 336 a section requiring states to include a corrective action plan to reduce and recover improper payments in their annual State Quality Service Plan (SQSP) submission. By May of each year, ETA issues an Unemployment Insurance Program Letter (UIPL) to provide the federal emphasis and other specific guidance to states regarding the SQSP process. This issuance provides states sufficient time to develop their state plans. For FY 2012, states must submit their plans to ETA by September 26, 2011.

Burden estimate: The added burden, based on discussions with several states, is conservatively estimated at a maximum of three hours per state per annual submission for this information, or $51 \times 3 = 153$ hours.

The Department will provide each state workforce agency with their state-specific root causes for their improper payments, based on BAM survey results. **The SQSP Handbook No. 336 is being revised to include an action plan for each state to complete.** The state action plan will include the following items:

- Strategies to reduce root causes, including recovery of these improper payments;
- Timeline, expected targets and measures;
- Type and source of resources dedicated to accomplish the action plan.

ETA will assess the action plans for viability and to determine appropriate technical assistance in the form of webinars to share best practices, onsite reviews, and supplemental budget requests targeted to address the reduction and recovery of improper payments. This non-substantive change to enhance the specificity of the current SQSP requirements will address OMB's implementation requirements of the Executive Order.