

TRAINING AND EMPLOYMENT NOTICE	NO. 8-14
	DATE September 2, 2014

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE LIAISONS
UNEMPLOYMENT INSURANCE DIRECTORS

FROM: PORTIA WU 
Assistant Secretary

SUBJECT: Reengineering Unemployment Insurance (UI) Benefits Program Accountability Processes

1. **Purpose.** To advise state workforce agencies of the Employment and Training Administration's (ETA) efforts to: 1) reengineer UI benefits program accountability processes in response to the UI system's needs within the context of available capacity and resources and 2) to advise states of ETA's intent to engage states to gain their input in the reengineering process.

2. **References.**

- Section 303(a)(1) of the Social Security Act (SSA);
- 20 CFR Parts 602-617, 625, 640, and 650;
- 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. 33-11, *Identification of "Improper Payment High Priority States" for Unemployment Insurance (UI)*;
- UIPL No. 17-14, *Revised Employment and Training (ET) Handbook No. 336, 18th Edition: "Unemployment Insurance (UI) State Quality Service Plan (SQSP) Planning and Reporting Guidelines"*;
- ET Handbook No. 301, 5th Edition, *UI Performs: Benefits Timeliness and Quality Nonmonetary Determinations Quality Review*, Pages IV-1 through IV-7;
- ET Handbook No. 382, 3rd Edition, *Handbook for Measuring Unemployment Insurance Lower Authority Appeals Quality*, Page 9;
- ET Handbook No. 396, *Unemployment Insurance Benefit Accuracy Measurement Monitoring Handbook*, Chapter V; and
- ET Handbook No. 407, *Tax Performance System Handbook*.

3. **Background.** The UI system, which for this notice also includes Disaster Unemployment Assistance (DUA) and Trade Readjustment Allowances (TRA), has a robust set of accountability and performance measurement processes designed to ensure program integrity and quality. As these processes have evolved, the UI system has undergone a number of changes at both the Federal and state levels. Administrative resources are more constrained; significant staff turnover has occurred; and experienced staff members are retiring, leaving a gap in depth and breadth of program knowledge. In addition, the UI program emerged from the Great Recession with many states experiencing significant challenges in achieving performance standards and meeting integrity measures. Technology has also changed certain methods of administration for the program and provides opportunities to carry out accountability processes differently. This confluence of circumstances has led ETA to review and assess whether it has the right mix of program accountability processes that best ensure the quality and integrity of the UI program, as well as the most effective management at the Federal and state levels.

As a result, ETA has determined that change in the current benefit accountability processes is needed and has developed a new framework that captures its proposed approach to reengineering a new mix of benefit accountability processes. To implement the new proposed framework, ETA has developed a governance structure to support the work, including an Executive Committee, a Steering Committee, and a number of workgroups. For this change in benefit accountability processes to be successful, overall state input and engagement is critical, including state participation on a number of the workgroups. More detailed information on the new framework and proposed state engagement and participation are discussed below.

4. **Goals and Guiding Principles.**

To guide its work on this reengineering effort, ETA developed the following goals and guiding principles.

Goals:

1. Develop processes that ensure program integrity, recognizing the many system challenges as UI workloads and capacity fluctuate at both the Federal and state levels;
2. Maximize the use of specific program expertise within the UI system;
3. Eliminate duplication where feasible;
4. Identify processes that support looking at UI system operations comprehensively and not just by individual function or program;
5. Enhance support to states in identifying and resolving operational challenges that lead to poor performance;
6. Support automation and modernization efforts related to the new accountability processes to the greatest extent possible; and
7. Support improvements in ETA and state staff capacity and skills in administering the UI program.

Guiding Principles:

1. Focus on the range of accountability processes to include timeliness, quality, program integrity, operational improvements and efficiencies; customer access and service; and processes that ensure payment of benefits “when due” in accordance with Federal law;
2. Develop capacity to implement systemic operational reviews to help states solve issues that lead to poor performance and use the Tax Performance System (TPS) Program Review of self-assessment as a model;
3. Develop the capacity to deploy federal/state expert teams to support operational reviews and technical assistance for states that are most “at risk”;
4. Reduce the frequency and streamline the current peer review processes and develop more formalized training components for peer reviews;
5. Align new processes with the new State Quality Service Plan (SQSP) process and schedule; and
6. Facilitate state engagement to develop and implement new benefit accountability processes, which will be critical to the success of the initiative.

5. Proposed UI Benefits Accountability Framework.

ETA has developed a new reengineered framework for UI benefit accountability processes using the goals and guiding principles discussed above with a particular focus on ensuring that the changes will be manageable within the current resources available to both ETA and states. Because there are new components of the benefit accountability processes being proposed for inclusion in the new operational review processes, there will necessarily be a need to make reductions in some of the existing review processes.

There are five key areas of change that make up the proposed new framework:

- a) **Changes to the SQSP process.** UIPL No. 17-14 has implemented changes to the SQSP process by moving the SQSP process to a two-year biennial cycle. This will allow the states to be more focused on the plan in the year it is due and will offer more time for ETA’s Regional Offices to provide technical assistance to states as they develop the plans and pursue appropriate corrective actions. This change should also free up state staff time to actually work on corrective actions rather than focusing on the preparation of the annual submission.
- b) **Changes to the Frequency and Logistics of Federal/State Peer Reviews for Benefit Accuracy Measurement (BAM) and Benefits Timeliness and Quality (BTQ) for non-monetary determinations and appeals.** The framework also calls for changes in the frequency of BAM and BTQ peer review cycles and a different approach to organizing the peer reviews with a focus on a national rather than regional approach. The specifics of the new processes are still in development and states will be invited to participate on the workgroup focused on changing these reviews. The final proposal for changes to these processes will be shared with all states for comment and input before ETA issues guidance.

- c) **Development of new processes to support state and Federal operational reviews of UI program administration as it relates to benefits.** One of the most important features in the framework is a design that better supports states' improvements in their benefit operations and processes. Using the TPS model, the framework includes a new process for independent state self-assessments of operational practices for the various functional areas of benefit operations (e.g., intake, monetary and non-monetary determinations, appeals, Benefit Payment Control and other integrity-related activities, etc.). Similar to the TPS model, ETA proposes providing states with designated funding to support one full-time equivalent (FTE) staff member to serve as an independent reviewer to conduct the self-assessment. This approach will support state identification of operational issues that states need to address, inform ETA's technical assistance efforts both with all states and with individual states, and will enable a more robust and effective collection and dissemination of state best practices.

This component of the framework especially will require extensive state input. In addition to general input and feedback, state expertise is specifically needed in workgroups to support the development of a state self-assessment tool and to flesh out the entire self-assessment process.

- d) **Development of a new process for identifying states that are determined to be "At Risk" and in need of more intensive technical assistance.** Currently, ETA has two processes and designations that relate to states struggling with either performance and/or integrity issues. Those states struggling with performance issues are identified as "At Risk," and states struggling with integrity issues are designated as "High Priority." In both cases, states that have a history of poor performance are identified and provided more intensive monitoring and technical assistance. The new framework calls for a new single definition of "At Risk" states that combines the issues of poor performance related to timeliness and/or improper payments with information on states' operational issues that will be gleaned from the states' self-assessments described above, and ETA Regional Office monitoring. This new combined definition for "At Risk" and the criteria that will be used to support a state designation are under development and will be shared with states for comment prior to issuing the formal guidance. The objective for this designation will remain the same – to provide those states with the most with the most challenges related to program performance or administrative operational issues with intensive technical assistance to support improved performance.
- e) **Development of new methods to leverage the skills of both ETA and state staff to support technical assistance and performance improvement.** A final element of the new framework is to approach ETA's on-site reviews and technical assistance in a different manner. ETA's on-site monitoring reviews include a combination of both monitoring and technical assistance. To better support the technical assistance elements in on-site reviews of states that are designated as "At Risk," ETA is proposing new processes for deploying ETA staff with the appropriate subject matter expertise in "expert teams." ETA also proposes including state experts on these teams as needed to help provide greater depth of knowledge with regard to state benefit operations. To enable

state participation on these expert teams will require identifying a cadre of state Subject Matter Experts (SMEs) related to the different benefit operational areas to participate in site visits to share their expertise and recommendations on potential areas of improvement. Again, this is a part of the proposed framework that requires significant state input to get to a final approach.

6. **State Engagement and Participation.** ETA is committed to actively engaging states for their input throughout this reengineering process. ETA has reached out to the National Association of State Workforce Agencies (NASWA) to support state engagement in developing these new processes. Below are ways we envision engaging states throughout the process:
 - State participation on the workgroups to provide input on the development of the framework elements and the design of tools and products to support them;
 - Opportunities for all states to review and comment on final proposed elements of the newly developed UI benefits accountability processes;
 - Opportunities for the NASWA UI Committee members to comment on, and obtain feedback from NASWA members on, routine updates to the overall reengineering effort; and
 - Opportunities for all states to comment on Federal Register Notices, given that adoption of many of these new processes will require changes to reporting and/or information collections subject to the Paperwork Reduction Act.

7. **Implementation Timing.** The timing of implementation for the changes to the peer review processes is likely to vary and will be implemented as soon as practical. It is ETA's goal to implement the new state operational self-assessment process beginning in fiscal year 2016. Considerable work will be required to meet this goal; and thus, it may be necessary to reassess timing expectations as the work unfolds. ETA will provide states with a proposed timeline as soon as feasible.

8. **Next Steps.** ETA will sponsor a webinar to review the contents of this Training and Employment Notice and further discuss the overall UI benefits accountability processes reengineering effort. In addition, ETA is currently working with NASWA to identify state SMEs to participate in the workgroups.

9. **Action Requested.** State Administrators are requested to provide this information to their UI Directors and other appropriate staff.

10. **Inquiries.** Inquiries should be directed to Ms. Gay Gilbert, Administrator of the Office of Unemployment Insurance.