EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION UI
	CORRESPONDENCE SYMBOL OUI - DUIO
	DATE June 10, 2010

ADVISORY: **UNEMPLOYMENT INSURANCE PROGRAM LETTER NO.** 25-10

TO: STATE WORKFORCE AGENCIES

FROM: JANE OATES
Assistant Secretary

SUBJECT: Unemployment Insurance (UI) Supplemental Funding Opportunity for Automated Integrity Related Systems

1. **Purpose.** To notify State Workforce Agencies (SWAs) of the availability of Fiscal Year (FY) 2010 funds for technology-based infrastructure investments that support integrity-related activities designed to prevent, detect, and collect UI overpayments.

2. **References.** ETA Handbook No. 336, 18th Edition, Change 2, Unemployment Insurance State Quality Service Plan Planning and Reporting Guidelines; and the Improper Payments Act of 2002.

3. **Background.** The FY 2010 UI appropriation provided funds for states to conduct in-person Reemployment and Eligibility Assessments for UI beneficiaries and directed that a portion of these funds be used for technology-based infrastructure investments that will help states in preventing, detecting, and collecting UI overpayments. The President issued Executive Order 13520 on November 20, 2009, entitled Reducing Improper Payments. It emphasizes the elimination of fraud, waste, and abuse in various entitlement programs while protecting access to such programs by their intended beneficiaries. The Employment and Training Administration remains committed to the development of integrity-related systems focused on the proper payment of UI benefits, and states have expressed a need for enhanced automation for integrity-related systems. The implementation of automated systems can result in significant savings of staff costs for integrity-related activities, increased dollar amounts of overpayments recovered, reduced staff time to establish and recover overpayments, and prevention of future overpayments.

4. **Use of FY 2010 Integrity-Related Funds.** Approximately $10 million is available to fund Supplemental Budget Requests (SBRs) for integrity-related activities. All funds are to be used for technology investments. These funds may not be used to add staff needed to process workloads and such requests will not be funded as a part of this SBR opportunity.

RESCISSIONS	EXPIRATION DATE
None	June 10, 2011

5. **Funding Priorities.** Use of these one-time funds should be geared toward systems that will provide future returns. Projects will be funded up to a maximum of $500,000. States may submit multiple projects.

   The Department's priorities for funding include:

   - Preventing/detecting earnings not reported by claimants while claiming benefits;
   - Reducing errors in processing separation determinations;
   - Establishing automated linkages to Workforce/One-Stop Career Center registration systems; and
   - Reducing the incidence of misclassified employees.

   Examples of acceptable projects are contained in Attachment A.

6. **SBR Scoring Criteria.** The scoring criteria for these proposals are explained in Attachment B along with the value of each of the scoring elements. States should provide the information identified in the guidelines for each element.

   Due to the limited availability of funds, additional factors will be considered in the evaluation of the projects. States will receive additional points for providing a percentage of matching funds toward the completion of the project. These points will be scaled based upon the percentage of the matching funds.

   The project will be evaluated for the projected cost-benefits and/or reductions in improper payments that will result from implementation. These savings should be computed over a five-year period.

   Finally, all cost estimates must be fully justified to explain the necessity of each item requested and costs must be directly related to the project.

7. **Application and Award of Supplemental Funds.** States may submit individual proposals for any or all of the purposes described above in one SBR package. By applying for these funds, states are assuring that the funded projects will be completed with no additional Federal funding. States should prioritize their proposals if submitting multiple requests. Each proposal will be considered a separate section of the state's SBR, and each will be evaluated individually. When the same expenditures are requested in two different proposals, which would be duplicated if both were funded, the state must provide a brief description in both proposals clearly describing the duplication to ensure the same costs are not funded twice.

   These one-time funds will be made available through the SBR process. They must be obligated by states by September 30, 2012, and liquidated within 90 days of that date. Upon written request, the Grant Officer may extend the liquidation period. An obligation of the funds by September 30, 2012, to an outside contractor (not to a state agency) allows for work supported by these funds to continue beyond the cited

dates, but only if an extension of the liquidation period is approved by the Grant Officer.

When projects have been approved, a letter of award will be issued to the state listing the proposal(s) that is being funded in the SBR. It will include both the funding level for each approved proposal and the total funding level for the state's entire SBR. States must submit forms SF 424 (OMB No. 4040-0004) and SF 424A (OMB No. 4040-0006) covering all approved projects in the SBR after receipt of the letter of award.

8. **Project Management.** During the performance period, if the state wishes to move funds among categories within its SBR, a new SF 424A must be submitted to the Regional Office for review if the amount to be moved is equal to or exceeds 20 percent of any category on the SF 424A for the initial awarded amount for the project. The state must also submit a letter for any proposed modification of the grant, signed by the state's signatory authority. The grant number should be included in the letter. This information will be submitted to the National Office to be forwarded to the Grant Officer with a request for modification of the SBR reflecting the requested changes. States may not elect to abandon an approved (single) project and move funds to a different project. If a project is not undertaken by the state, funds for that project must be returned to the Department.

9. **Action Requested.** SWA Administrators are requested to:

   (a) Review the funding opportunities and determine the activities for which the state would like to request funding to improve operations,

   (b) Establish any necessary coordination between the UI program staff and Information Technology 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 SBRs including Attachment C by e-mail to OWS.SBR@dol.gov by the close of business on July 12, 2010, with an electronic copy to the appropriate Regional Office. The subject line of the email should include the name of the state and the title Integrity-Related SBR 2010.

10. **Inquiries.** Inquiries should be directed to the appropriate Regional Office.

11. **Attachments.**

Attachment A: Examples of Technology Based Projects to Prevent, Detect, or Collect Overpayments

Attachment B: 2010 Supplemental Budget Request Format for

Activities in Support of Technology Based Overpayment Prevention, Detection, and Collection Infrastructure Investments

Attachment C: Unemployment Insurance Integrity-Related Supplemental Budget Request Cover Sheet

Attachment A

Examples of Technology-Based Projects to Prevent, Detect, or Collect Overpayments

State Information Data Exchange System (SIDES) and SIDES Employer Website (SEW):

- The Unemployment Insurance State Information Data Exchange System (SIDES) and the SIDES Employer Website (SEW) provide a secure electronic-based system for communication of job separation information between the UI agencies and employers. SIDES is expected to improve the quality and timeliness of initial eligibility determinations which are the second largest cause of improper payments.

Data Matching with Other Federal and State Agencies:

- National Directory of New Hires:

  - Used to help detect overpayments caused by individuals who return to work and fail to report earnings or fail to report correct amount of earnings

- Social Security Administration Data Matching:

  - Verifies individuals' Social Security Number (SSN)
  - Verifies Social Security benefit information
  - Confirms name, date of birth and gender

- State Department of Motor Vehicle Data Matching:

  - Used to verify individuals' proof of identity and residence

- Data Matching with State Prisons, Vital Statistics, State Payroll Records, Workers' Compensation:

  - Provides information on the legitimacy of the claims, earnings, compensation, other issues which affect UI eligibility

Establishing Automated Linkages to Workforce/One-Stop Career Center Registration Systems:

Examples of acceptable information technology expenditures would include:

- Developing or enhancing systems to notify UI staff of job referrals
- Developing or enhancing systems to notify UI staff of refusals by UI claimants of job offers or job referrals.

Detecting and/or Reducing the Incidence of Misclassified Employees:

Examples of acceptable information technology expenditures would include:

- Costs associated with developing systems to share information with other government agencies to identify potential employer misclassification incidents.
- Costs to modify systems to provide automated outreach and education on worker misclassification.
- Costs to modify or improve state audit programs to automatically select employer audits on worker misclassifications.

Internal Data Matching Systems:

- The acquisition/development /implementation of systems to be utilized for forensic audits and automated oversight. These systems can detect fraud and abuse using automated data mining capabilities to identify such activities as multiple claims filed from the same telephone number or Internet address, and/or to identify three or more changes of personal information to a UI claim record that may indicate fraud or other potentially fraudulent activities.

Other Technology Based Overpayment Prevention, Detection, and Collection Activities Relatied to USDOL Funding Priorities:

- States should provide a complete description of the proposed project.

Improvements to Existing Technology-Based Systems to Enhance their Efficiency and/or Effectiveness:

- States should provide a complete description of the current system identifying how it is used to prevent, detect or collect overpayments, identify changes that are proposed and explain how they will improve the system, such as making it more cost effective, expedient, and/or user friendly. Describe other improvements that are expected to occur.

Attachment B

2010 Supplemental Budget Request (SBR) Format for Activities in Support of Technology Based Overpayment Prevention, Detection, and Collection Infrastructure Investments

Name of Project: The naming convention for each project is State Abbreviation-Project Name-Project Priority-UIPL Number. The state abbreviation is the two digit alphabetic code, the name of the project is the name assigned by the state, the priority of the proposal (if more than one is submitted) is the priority order designated by the state, and the UIPL number is the number located on page one of this UIPL.

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

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

Project Description: Provide a brief description of the project explaining how it will help the state to prevent, detect and/or collect overpayments.

Alignment with USDOL Priorities: Explain how this project aligns with one of the Department's funding priorities located in item number five (5) of this UIPL.

Project Timeline: Provide a list of the milestone dates for this project. The timeline should include development of the scope of work, the designation of specific tasks to appropriate parties, the issuance of a request for proposal, if appropriate, the projected start date for programming the new system, the projected dates to begin and to complete testing and the projected date for full implementation of the system.

The weight of this element is 20 percent of the total score.

Description of Costs: Provide an explanation of all costs included in the proposal. The need for each item should be explained in detail.

Staff Costs for Agency and Contract Staff: States must use the table format below to request state or contract staff. The project should clearly explain which costs are for state staff and which costs are for contractor staff.

Type of Position	Total Hours	Cost Per Hour	Total

Hardware, Software, and Telecommunication 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 should be

included with any information needed to identify the specific item and a description of the size and capacity of each item, if applicable.

Type of Position	Total Hours	Cost Per Hour	Total

Other: Identify each item and provide the expected cost per item.

Summary of All Costs Requested

Staff	
Item	
Other	
Total	

The weight of this element is 20 percent of the total score.

Strategic Design: The strategic design should provide evidence of a thorough analysis of current operations and should show how the design will meet the needs of the state. 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 should explain how it has determined that this system would be the most beneficial to its operation. This explanation might include a list of other overpayments systems that are operational such as the National Directory of New Hires.

For example, the state should:

- Identify the data that will be received from the data matching, e.g., 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 demonstrate a willingness to participate in the proposed data exchange.

The weight of this element is 30 percent of the total score.

Measurable Improvement Expected in UI Operations: Identify the areas in which overpayment prevention, detection or collection will be improved and improper payments reduced and/or on-going costs reduced through implementation of the proposed project. All improvements and cost reductions must be quantified. For example, if it is anticipated that overpayments will be collected more quickly with new

system, the measurable improvements should identify the anticipated time savings per claim and the percentage of overpayments that will be affected by the new system.

The expected return on investment should be explained over a five-year period. To determine this amount, states should estimate the saving through reductions in improper payments, enhanced collection of overpayments, reductions in staff processing costs or other savings that will occur with each calendar quarter after the date of implementation. The projected date of implementation should be used to determine the savings over the five-year time period, which will begin in January 2, 2011, and end December 31, 2016. If the project will be fully operational by January 1, 2012, the savings projections would cover a four-year time period. The costs in the proposal, excluding matching funds from the state, should be deducted from projected savings. The narrative should explain how savings were calculated.

The weigh of this element is 30 percent of the total score.

Additional Points for Cost Matching:

Additional points will be awarded based on any matching funds provided by the state for the project. The proposal must describe the matching funds using the cost breakout in the section Description of Costs above. The points will be scaled based on the percentage of matching costs that the state proposes to contribute as follows:

- 80% or greater — 5 points
- 60% to 79% — 4 points
- 40% to 59% — 3 points
- 20% to 39% — 2 points
- 05% to 19% — 1 point

Attachment C

Unemployment Insurance
Integrity-Related Supplemental Budget Request
Cover Sheet

State Name:
Total Funds Requested for All Projects:
Name, E-mail Address, of Grant Notification Contact (Usually the State Workforce Agency Administrator) Name: Title: Address:
Name, E-mail Address, and Telephone Number of the Benefit Payment Control Supervisor: Name: E-mail Address: Telephone Number:
Name, Total Project Cost, and Projected Implementation Date for Each Project: