

<b>Employment and Training Administration Advisory System U.S. Department of Labor Washington, D.C. 20210</b>	<b>CLASSIFICATION</b> UI
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	<b>DATE</b> January 19, 2005

**ADVISORY:** FIELD MEMORANDUM NO. 5-05

**TO:** REGIONAL ADMINISTRATORS  
/s/

**FROM:** JACK H. RAPPORT  
Administrator  
Office of Field Operations

**SUBJECT:** Regional Role in Managing State Grants for the  
Unemployment Insurance (UI) Program

1. Purpose. To provide guidance to regional office staff about their responsibilities for a risk-based approach to grants management including UI program reviews and sample reviews for performance measurement.
2. References. Employment and Training Order No. 1-03, "Improving Administration of Grants within the Employment and Training Administration"; Memorandum from Jack Rapport and John Beverly to All Regional Staff, Subject: "Release of GEMS 2.0", dated October 27, 2003; Memorandum for Regional Administrators from Jack Rapport, Subject: "General Guidance on GEMS Usage for FY 05," dated November 15, 2004; Benefits Operations and Review Guide (draft) distributed at Federal Project Officer (FPO) Conferences in 2004; ET Handbook No. 336, 17<sup>th</sup> Edition, "Unemployment Insurance State Quality Service Plan (SQSP) Planning and Reporting Guidelines"; ET Handbook No. 376, "Guidelines for Internal Security in UI Operations"; Field Memorandum No. 36-98, "Appeals Review Guide."
3. Regional Role. National and regional office staff together are responsible for Federal oversight of the UI program including managing UI grants to states to improve performance and services to claimants and employers. Different parts of the program require different kinds of oversight and participation by Federal staff. For benefits, tax and appeals, Federal staff monitor performance through program reviews and sample reviews for quality and accuracy. For the Resource Justification Model (RJM), legislation, and data validation, Federal staff provide technical assistance to state staff with data analysis and help them develop strategies for improvement.

<b>RESCISSIONS</b> None	<b>EXPIRATION DATE</b> January 31, 2006
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Regional office staff are responsible for conducting reviews of specific aspects of program operations, such as Benefit Payment Control and Internal Security, and monitor Benefit Timeliness and Quality (BTQ), Tax Performance System (TPS), and Benefit Accuracy Measurement (BAM) sample reviews. National Office staff have primary Federal responsibility for the annual Lower Authority Appeals sample review and are responsible for developing and issuing program guidelines, handbooks, and regulations, and assisting the regional offices with strategies for improvement.

Starting in Fiscal Year (FY) 2005, all regions will use GEMS to manage these projects associated with the UI grant:

- UI State Administration Benefits,
- UI State Administration Tax,
- UI State Administration Integrity,
- UI State Administration Appeals,
- UI State Administration Reemployment,
- Disaster Unemployment Assistance (DUA),
- Temporary Extended Unemployment Compensation (TEUC),
- Alternative Trade Adjustment Assistance (ATAA), and
- Trade Readjustment Allowances (TRA).

The number of projects may vary because the regional office need not establish a project if there is no activity in the areas, for example in DUA or TEUC. On the other hand, the region must establish a separate DUA project for each active disaster. The projects represent major systems for which Federal Project Officers (FPOs) are responsible, but there are other overarching activities that affect more than one project. Because all UI Grant activities are to be managed through GEMS, FPOs should record overarching activities, e.g., RJM and legislation, in the Integrity Project.<sup>1</sup> Federal oversight of the ATAA program and associated GEMS activities can be accomplished by UI staff or non-UI staff at the discretion of each region. Attachment A is a crosswalk between the projects and UI Tax and Benefit functional areas. These projects are included in the universe of projects for which regional administrators have monitoring responsibility, reflecting more accurately the work associated with oversight of state UI programs.

4. Performance Management. The primary method for performance management in UI has been performance measurement for quality, timeliness and accuracy, and/or an on-site program review in the state with preparation of a report of findings. Federal staff conduct the program reviews and monitor sample reviews. The risk analysis function in GEMS provides the basis for a new risk-based approach to performance management that addresses resource concerns in the National Office and regional offices.
  - a. Program Review. On-site program reviews have generally consisted of three to four days on-site at the state and three to five days for planning and report

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<sup>1</sup> Monitoring and technical assistance efforts related to special awards, such as telephone claims or Internet employer applications should be included with the project that the award benefits. For example, monitoring activities related to an Internet Employer Tax and Wage Reporting awards should be recorded in the Tax Project.

writing. Although regional office staff have not been required to conduct on-site program reviews in all UI program areas, certain UI program reviews have been required according to a periodic schedule. At a 2004 UI Grants Management meeting, regional and National Office staff agreed that UI program reviews should be conducted when states are determined to be at-risk, rather than on a periodic schedule. This risk-based approach applies to all measured UI activities beginning in FY 2005. This approach cannot be applied, however, to program areas that lack a measure to determine whether or not the area is at risk. For example, there is no measure for determining the adequacy of a state's Internal Security Program without conducting a review; therefore, regions will continue to schedule periodic program reviews for Internal Security. The appeals area on the other hand has quality, timeliness, and case aging measures that contribute to an assessment of risk. Appeals program reviews, therefore, need only be conducted in states that are determined to be at-risk based on an analysis that includes the outcomes from these measures.

- b. Episodic Programs. Regional office program reviews may be required of certain newly-implemented federally-funded benefit programs, such as TEUC, and will continue to be required for episodic programs, such as DUA, to ensure that implementation and/or operational problems are identified and corrected. Attachment B presents a schedule of risk-based program reviews and periodic program reviews.
- c. Monitoring Sample Reviews for Quality. Scheduling for the annual Lower Authority Appeals Quality sample review and TPS sample reviews will continue on the current review cycles. Regional office staff will continue to be invited to participate in the annual Lower Authority Appeals Quality sample review that is conducted over a two-week period each year in the national Office; participation is strongly encouraged. Additionally, we are examining the potential for using a similar centralized collaborative effort between the National and regional offices and the states to assess nonmonetary determination quality, and will report the results of that examination in a separate advisory.
- d. Monitoring BAM. Beginning with CY 2005, regional offices may alternate the review of BAM Denied Claims Accuracy (DCA) with BAM Paid Claims Accuracy (PCA) every other year for each state, except those with DCA or PCA programs determined to be at-risk because of anomalous data. As demonstrated in the sample schedule below, this change will reduce the number of cases reviewed annually by half – to 20 cases each year – for states where the BAM program is performing well.

**Sample Schedule**

State	Year	DCA	PCA
Columbiana	2005	20 cases	None
Columbiana	2006	None	20 cases; and additional cases for anomaly review

State	Year	DCA	PCA
New River	2005	20 cases	Anomaly review
New River	2006	None	20 cases

Because the review of denied claims is relatively new, regional offices must review at least 20 denied claims in every state during calendar year (CY) 2005. Paid claims need only be reviewed during CY 2005 if operational problems are known to exist or the state is at-risk because it is reporting anomalous data. If possible, FPOs should conduct at least one on-site BAM review in each state each year. In order to obtain representative sampling throughout the year in each state, FPOs are requested to sample at least 10 cases in each of two non-consecutive quarters or five in each quarter. Additional guidance will be provided to aid the FPOs in analyzing anomalous data.

5. GEMS and Determining Risk. GEMS is a Web-based application developed to assist FPOs with core grant management activities that are consistent throughout the Employment & Training Administration (ETA). GEMS can be found on the EIMS menu of applications where it is available for use by FPOs and for viewing by all ETA employees or at [www.eta-reports.doleta.gov/gems](http://www.eta-reports.doleta.gov/gems) if accessed from outside of the DOL network. The most recent version, GEMS 3.0, improves the capability of the system to create and maintain electronic case files for all grants and makes adjustments to modules to better accommodate all grant types, including UI grants. UI FPOs can create customized work plans for each GEMS project, conduct risk analyses and desk reviews, and record activity related to monitoring visits. Importantly, FPOs are able to populate GEMS by copying corrective action plans (CAPs) and SQSP narratives that states submit electronically and by adding the results from monitoring and program reviews. An instructional guide for using GEMS to manage the five state administration projects is being developed.

Regional offices will use the “Risk Rating Guide for Unemployment Insurance Projects” when determining whether a state is at-risk on the basis of performance. A draft version of this Guide is attached (Attachment C) for review and comment by regional office staff. The risk assessment will consider: 1) a state’s performance with respect to a Core Measure falling below the established criteria, 2) Management Information Measures data that indicate substantial performance problems, and 3) other information or data, including anecdotal information, that point to a problem, e.g., OIG audit results or letters of complaint.

When a project is identified as at-risk, an on-site review is required unless it is determined that there would be minimal benefit. For example, where the state concurs with our findings and corrective actions are being taken and are on schedule, little would be gained by an additional review. Federal staff are developing a “Benefit Operations Review Guide” that regional office staff may use to conduct a review of benefit operations and program areas (e.g., appeals, benefit payment control, interstate activities, and eligibility review program). This Guide will be shared with the regional office staff to obtain their input before it is published.

6. Action Required. Regional administrators should inform appropriate staff of these changes in oversight and monitoring policy and ensure that regional office staff are aware of and take appropriate action on the following:
  - a. Regional office Points of Contact (POCs) for GEMS must create the UI projects using names from the pull down menu provided in GEMS. The names appear in this Field Memorandum as GEMS Project Designations on Attachment A, “Crosswalk between GEMS Projects and UI Functions.”
  - b. Regional office FPOs must complete the annual risk assessment for the Performance Year ending March 31, 2005, for each of the five UI state administration projects, TRA, ATAA, and, if applicable, TEUC and DUA by June 30, 2005, and in June of each year thereafter.
  - c. Regional office staff must complete quarterly desk reviews for the prior quarter no later than 75 calendar days after the end of the calendar quarter.
  - d. For FY 2005, regional office FPOs should populate GEMS with CAPs and Narratives from the SQSPs by February 28, 2005. All subsequent plans should be entered as soon as possible after the SQSPs are accepted in the regional office, but not later than October 31<sup>st</sup>.
  - e. DUA grants should be scheduled for an initial risk assessment to be completed upon award. POCs/FPOs should use the nickname field to differentiate between the DUA projects by using the Federal Emergency Management Act number in the title.
  - f. UI FPOs are expected to meet all general requirements for GEMS usage.
  - g. Regional office staff should begin analyses of each state’s performance using the draft “Risk Rating Guide for Unemployment Insurance Projects” (Attachment C) and provide comments on the Guide to Greg Goodwin at [goodwin.greg@dol.gov](mailto:goodwin.greg@dol.gov) by February 28, 2005.
7. Inquiries. Inquiries should be directed to appropriate staff of the Division of Unemployment Insurance Operations (DUIO) and/or the Division of Performance Management (DPM) within the Office of Workforce Security.
8. Attachments:
  - A. Crosswalk
  - B. Unemployment Insurance Required Reviews
  - C. Part 1 Risk Rating Guide for Unemployment Insurance Projects
  - C. Part 2 UI Project Performance Grids (Sample)

## CROSSWALK<sup>1</sup>

Between GEMS Projects and UI functions

<b>GEMS Projects</b>	<b>GEMS Project Designations<sup>2</sup></b>	<b>UI Functions</b>
UI State Admin Benefits	UI Base Admin Benefits	CWC Measures Benefit Payment Timeliness Measures Nonmonetary Determination Measures
UI State Admin Tax	UI Base Admin Tax	All Tax Measures Cash Management Measures
UI State Admin Appeals	UI Base Admin Appeals	All Appeals Measures
UI State Admin Integrity	UI Base Admin Integrity	Report Delinquency BAM: <ul style="list-style-type: none"> <li>• Paid Claims Accuracy</li> <li>• Denied Claims Accuracy</li> </ul> Data Validation Internal Security and Risk Analysis Benefit Payment Control Detection of Overpayments Trust Fund Solvency Resource Justification Model Legislation
UI State Admin Reemployment	UI Base Admin Claimant Reemployment	Facilitate Reemployment Measure Worker Profiling and Reemployment Services (WPRS)
UI TEUC	UI TEUC	TEUC Activities
UI DUA	UI DUA	DUA Activities
UI TRA	UI Trade Benefits	TRA Activities
UI ATAA	UI Trade ATAA	ATAA Activities

<sup>1</sup> Monitoring and technical assistance efforts related to special awards, such as, telephone claims, or internet employer applications should be included with the project that the award benefits. For example, monitoring activities related to an Internet Employer Tax and Wage Reporting award should be recorded in the Tax Project.

<sup>2</sup> In a future version of GEMS *Base Admin* will be changed to *State Admin* to better describe the projects.

**UNEMPLOYMENT INSURANCE  
REQUIRED REVIEWS**

<b>REQUIRED REVIEWS FOR UI PERFORMS</b>	<b>FREQUENCY</b>
<b><u>PROGRAM REVIEWS</u></b>	
<ul style="list-style-type: none"> <li>• Appeals               <ul style="list-style-type: none"> <li>○ Lower Authority</li> <li>○ Higher Authority</li> </ul> </li> </ul>	Risk-Based
<ul style="list-style-type: none"> <li>• Benefit Payment Control (BPC)</li> </ul>	Risk-Based
<ul style="list-style-type: none"> <li>• CWC</li> </ul>	Risk-Based
<ul style="list-style-type: none"> <li>• Data Validation</li> </ul>	To be determined
<ul style="list-style-type: none"> <li>• Disaster Unemployment Assistance (DUA)               <ul style="list-style-type: none"> <li>○ Readiness</li> <li>○ Specific Disaster (Implementation)</li> <li>○ Post Review</li> </ul> </li> </ul>	<p><b>READINESS REVIEW:</b> If no disaster within 2 years ensure readiness.  <b>IMPLEMENTATION:</b> within 2 weeks after a major disaster has been declared.  <b>POST REVIEW CLOSE-OUT:</b> within 60 days after disaster assistance period.</p>
<ul style="list-style-type: none"> <li>• Extended Benefits (EB)               <ul style="list-style-type: none"> <li>○ Readiness</li> <li>○ Implementation</li> <li>○ Post Review</li> </ul> </li> </ul>	<p><b>READINESS:</b> 30 days prior to triggering “ON”.  <b>IMPLEMENTATION:</b> 2 weeks after triggering “ON”.  <b>POST REVIEW:</b> 60 days after triggering “OFF”.</p>
<ul style="list-style-type: none"> <li>• Internal Security (IS)</li> </ul>	4 – Year Cycle
<ul style="list-style-type: none"> <li>• Interstate</li> </ul>	Risk-Based
<ul style="list-style-type: none"> <li>• TAA/TRA</li> </ul>	As appropriate
<ul style="list-style-type: none"> <li>• UCFE</li> </ul>	Risk-Based
<ul style="list-style-type: none"> <li>• UCX</li> </ul>	Risk-Based
<b><u>SAMPLE REVIEWS</u></b>	
<ul style="list-style-type: none"> <li>• Benefits Accuracy Measurement (BAM)               <ul style="list-style-type: none"> <li>○ Paid Claims</li> <li>○ Denied Claims</li> </ul> </li> </ul>	20 cases annually per state on alternating schedule or Risk-Based
<ul style="list-style-type: none"> <li>• Benefits, Timeliness, and Quality (BTQ) Nonmonetary Determinations</li> </ul>	Annual participation in one tripartite review for each state
<ul style="list-style-type: none"> <li>• Tax Performance System (TPS)               <ul style="list-style-type: none"> <li>○ Systems Reviews</li> <li>○ Acceptance Samples</li> <li>○ Integrity Review</li> </ul> </li> </ul>	4 – Year Cycle

Attachment C, Part 1  
Note for Reviewers: This rating guide is under development.

**GEMS**  
**Risk Rating Guide for**  
**Unemployment Insurance Projects**  
**(DRAFT)**

**Version 1.1**

# UI RISK RATING GUIDE

## Contents

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## Background

In some ways, risk rating is new to us in UI; we are now required to use GEMS to determine risk. In other ways, the concept is old hat; we've been doing risk analysis in UI in other contexts for years. In developing this guide, our goal was to maintain traditional UI concepts, while making the GEMS risk rating exercise useful to UI program managers and UI FPOs. We tried to treat the whole exercise as an opportunity to add value and assist us in our UI work and improve it, if possible.

A number of decisions had to be made before we could develop a risk rating guide. First, we had to decide what we were rating. GEMS provided us with a separate project for each UI funding stream; UI State Admin, DUA, Trade Benefits, NAFTA Benefits, and TEUC. However, depending on who creates the list, you can have up to 13 separate UI programs under UI State Admin alone, (e.g., nonmons, UCFE/X, Interstate, Tax, BPC, BAM, data validation appeals, etc.) Trying to assess risk for each of these and aggregating the results in a single risk rating produces mixed results. It provides a big picture, but doesn't provide the disaggregated detail needed at the FPO or front-line manager level.

To resolve this issue and keep it manageable, the UI GEMS committee agreed to split the UI State Admin project into five separate projects; Benefits, Tax, Appeals, Integrity and Claimant Reemployment. It was also decided to combine Trade Benefits, NAFTA Benefits and to add the recently implemented ATAA program as a separate project. These project plus DUA, and TEUC give us a total of nine GEMS projects, each requiring a separate risk rating. Having that hurdle behind us, we could begin thinking about how to assess risk for each of the projects.

## Risk Assessment Basics

Risk assessment or “risk rating” is a method of evaluating progress toward achievement of the criterion/goal. The evaluation is referred to as the grant/project “risk rating”. A project can be “risk rated” at anytime, but it must be “risk rated” initially/annually and quarterly. A risk rating is assigned only after conducting a thorough review of performance and all factors pertaining to performance.

In the UI Program, the following projects will be risk rated:

1. Benefits
2. Tax
3. Appeals
4. Integrity
5. Claimant Reemployment
6. TRA
7. TEUC
8. DUA
9. ATAA (possibly a non-UI project)

To risk rate a project, the FPO has to analyze the following:

Criterion/Goal Performance – criterion/goal vs. the project’s performance.

Performance in Several Reporting Periods – “current” performance and prior performance.

Performance Related by Definition – the performance of individual components and their effects on aggregated performance, e.g., the effect of Interstate 14/21 Day payment timeliness (a component) on First Pay Promptness (the aggregate).

Performance Related by Systems and Functions – the interdependence of functions (e.g. the interdependence of the nonmon sep function and the first payment system), and the likely effects of functions on the performance of major systems (i.e. the likely effects of delayed nonmon seps on first pay promptness).

Legal, Organizational, Administrative, Operational and Economic Factors Influencing Performance– the effects of federal and state law, regulation, policy; state organizational and administrative features; economic circumstances, e.g., new statute defining “last employer,” implementation of call centers, increased staff turnover.

Each of these items is discussed in detail on the pages that follow. Completion of all items will result in an aggregate project risk rating that can be entered in GEMS and used to develop work plans, allocate travel resources, and assist grantees in improving performance.

## Key Concepts

One of the key risk rating concepts is that “past performance is no guarantee of future results;” so, a risk rating has to reflect *the project’s most likely future*, not just its past. To complete such an assessment, the FPO must use both “hard” and “soft” data.

Past performance is an example of “hard” data. To assess hard data, the FPO can use the Project Performance Grids (Attachment C, Part 2). The grids compare performance for significant periods and against the standards/goals. The grids also provide an automated risk rating based on year-to-date performance vs. the project’s criterion/goal.

“Soft” data includes factors such as economic conditions and organizational situations. To assess soft data, the FPO relies on his or her program experience and skills, and knowledge of the grantee/project.

All factors must to be considered when you risk rate the project. There are many, many such factors, and many ways to categorize them. Some additional factors we believe are important in assessing UI projects are:

- Legislative, Regulatory and Policy
- Administration, Organization and Management
- Automation & Information Technology (IT)
- Economic Conditions
- Fund Utilization
- Status of Relevant SBR-related Activities
- Status of Relevant Redesign-related Activities
- Reliability & Responsiveness to Federal Requirements
- Conformity or Compliance-related Developments

To develop a useful “risk rating”, we believe that all of these factors have to be considered, in addition to past performance. The FPO Risk Rating Guide details and categorizes these factors.

While the FPO Guide discusses past performance, the Project Performance Grids (Attachment C, Part 2) are the main tool for analyzing performance. To make it easier and provide some consistency, we put all the measures related to each project in a “project Grid”, then coded-in and high-lighted some comparisons, and computed an automated risk rating based on past performance vs. the performance criterion/goal.

The remainder of this guide goes into more detail about the above.

## Criterion/Acceptable Level of Performance

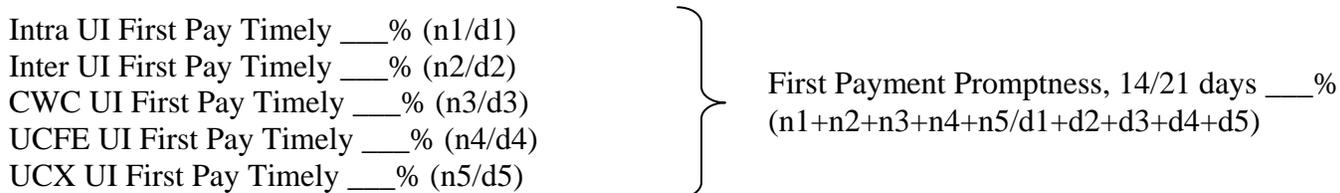
The criterion/Acceptable Level of Performance (ALP) is the basis against which grantee performance is assured and is risk rated. ALPs are established for Core Measures and criteria are established for the Secretary's Standards. Each of the five state administration projects has at least one ALP assigned.

ALPS/criteria for Core Measures and each project are arrayed on the Project Performance Grid along with project performance for the current quarter, current year-to-date performance, and past year's performance. To assess ALP/criterion performance, the FPO simply compares the ALP/criterion to the performance year-to-date performance. The national average (mean) performance is shown for management information measures to provide a gauge for FPOs when reviewing that data.

## Definitionally Related Performance

After analyzing performance for the performance period, consider how the measures relate to each other by definition. For example, we assumed that, by definition, “First Payment Promptness, 14/21 Days” is the aggregate of Intra, Inter, CWC, UCFE, and UCX First Payment Timely. (See ET Handbook No. 401, Unemployment Insurance Reports Handbook for a description of the First Payment Promptness measure.) If that’s the situation, then untimely interstate first payments will adversely affect the First Payment Promptness measure. If we understand it correctly, then a relationship exists, by definition, between “Inter UI First Pay Timely (14/21 Days)” and “First Payment Promptness (14/21 days)”.

Figure 5: By Definition, First Payment Promptness is related to Other First Pay Measures



Definitional relationships are not considered in the Project Performance Grids, but FPO’s should consider these relationships when assessing risk. Some of the steps FPOs should take in risk rating based on definitional relationships might be:

Steps 1: Identify the performance measures that are related by definition.

Steps 2: Determine how the measures are related.

Steps 3: Test to determine the extent to which historical or statistical relationships are significant (e.g. historically, in State X, interstate has been only 2 to 6 percent of all first payments; and, therefore, based on its small contribution, interstate first pay’s affect on the project’s First Payment Promptness is likely to be insignificant. Or, statistically, in State X, interstate first pay timeliness has been substantially lower than timeliness for all other first pays; and, therefore, based on its dramatically lower performance, interstate first pays are likely to have a significant effect on the project’s First Payment Promptness).

Step 4: Incorporate the findings from Step 3 into the FPO’s risk rating of the project. Or, build an algorithm that would provide for weighting the value of the relevant component proportionally and, then, compute the risk of the aggregate measure.

Miscellaneous Notes on Definitionally Related Performance Measures: While this process is not automated in the Project Performance Grids, FPOs should understand which measures are related by definition and how performance is likely to be affected by the definitional relationships (based on the history and statistical relationships).

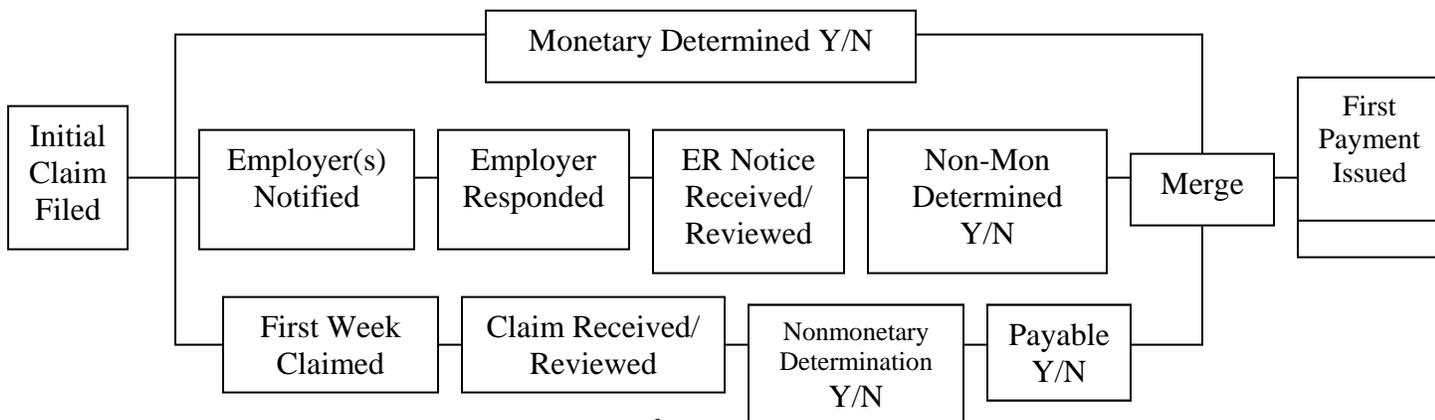
## Systems & Functions Related to Performance

After analyzing performance for the Performance Year to-date, the current quarter, past periods and by definition, consider the operations of the *major systems* that contribute to performance. We must consider how things work at the *system* level, if we want to do a good job of assessing future (or current) performance. To do this, we need some way to relate the project's *major systems* and *functions* to the project's *performance measures*. To think about and talk about this, we used this taxonomy: *function* → *major system* → *project* → *performance measures*.

But what are the *major systems*? For purposes of illustration, let's take the Benefit project. For the Benefit project, first pay promptness is an important *performance measure*. So, we said to ourselves, "we'll try to assess every *function* that makes a significant contribution to first pay promptness measure; then, for analysis purposes, all these *functions* form the *system* that produces first pays and contributes to timely or untimely first pay promptness." With this approach, some *functions* contributing to the "first pay system" (a *major system*) are the initial-claims taking *function*, the monetary determination *function*, the employer-notice *function* and the continued claim *function*; all of these *functions* support the first-pay *system* and contribute to first pay promptness performance. To assess risk, we need to have a good knowledge of the systems (and functions) supporting an area of performance and how they're operating to produce performance.

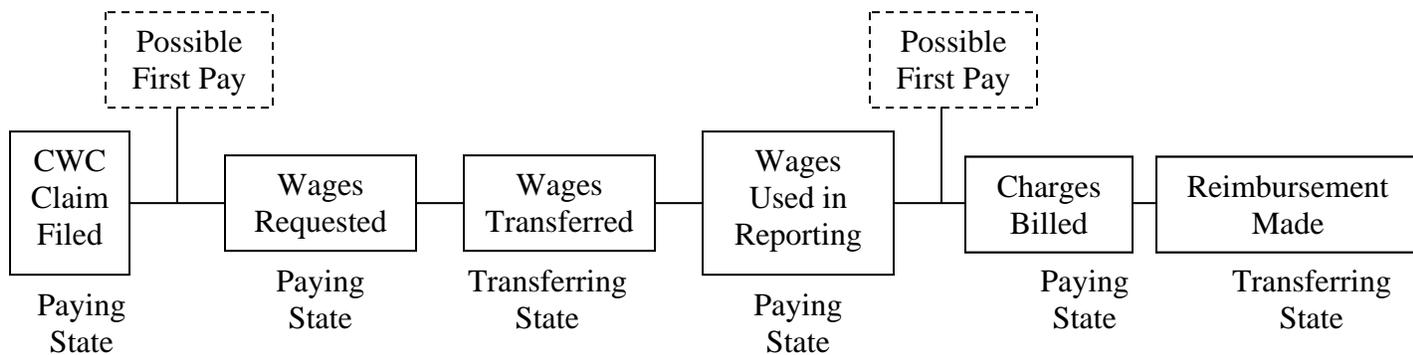
So, what's the use of thinking about operations in terms of systems and functions? It makes it easier to analyze, ask questions and assess risk. For example, the Benefit Project has 16 measures related to first pay performance. In addition, the initial claims taking, the monetary determination, the employer notice, and the continued claim *functions* all contribute to first pay promptness measures. When it comes to problem diagnosis, technical assistance, corrective actions, etc., knowledge of how these functions operate is essential. Analyzing the first pay system and its functions can help us assess and predict performance for several Benefit project components, e.g., intra, inter, CWC, UCFE, UCX and workshare.

Figure 6 A Major System (the first pay system) and its Related Functions.



In a second example, the system for CWC first pays is supported by the CWC Wage Request and CWC Wage Transfer functions. A relationship between the CWC Request (*function*), CWC Transfer (*function*) and CWC first pay promptness exists. The relationship is less direct than the relationship between nonmon sep. timeliness and first pay timeliness. Nevertheless, a relationship exists, and the *function* → *major system* → *project* → *performance measure* concepts make it easier to analyze and rate future performance.

Figure 7 A System (the CWC first pay system) and its Related Functions.



Steps to risk rating based on performance of related functions:

Step 1: Establish relationships among and between the various functions (e.g. nonmonetary determinations and first pay).

Step 2: Identify measurements related within the functions (e.g. Intrastate Separation Determination Timeliness and Intrastate UI First Payments Timeliness).

Step 3: Determine historical and statistically valid relationships among the measurements (e.g. in 65% of the cases, a decline in First Payment Promptness is preceded by a decline of 10% in interstate timeliness in each of two consecutive quarters).

Step 4: Incorporate the demonstrated functional relationships into the risk rating formulas.

Miscellaneous Notes on Functionally Related Performance: Defining a “system” is pretty tricky; the definition has to be flexible. Consider the benefit system as an example. Some functions may be closely related; others, less so. For example, wage credit information is included in the Tax project. Timely and accurate wage credit information contributes to timely monetary determination performance and, therefore, to first pay

promptness. Thus, that piece of the Tax project could be included in the first pay system. So, our working definition of a particular system has to be flexible to incorporate information we find to relevant, but fixed to allow us to freeze the system long enough to analyze it.

## Legal, Organizational, Operational, Economic, Administrative Factors Influencing Performance

Many, many factors influence a project's performance and, therefore, its "risk rating". We believe a thorough assessment and evaluation includes consideration of all factors. The experienced FPO will have a more sophisticated and intimate knowledge of UI, the project, the grantee and the "subliminal" factors, but the list below is a starting point and can provide new FPOs with some guidance and help assure that all FPOs look at the minimum factors when risk rating each project. Some factors are:

### LEGISLATIVE, REGULATORY & POLICY ISSUES

- Status of federal legislation, regulation and policy related to the project
- Status of state legislative, regulatory and policy framework related to the project

### OPERATING SYSTEMS, FUNCTIONS, PROCESSES

- Operations of major UI systems that support the project
- Operations of key functions contributing to the major systems
- Operations of manual processes supporting key functions, major systems

### PERSONNEL

- Staff with the skills to operate the project
- Turnover, staff losses, staff increases, retirements, reductions in force

### AUTOMATION, INFORMATION TECHNOLOGY (IT)

- IT systems, including specific software to support project operations
- Status of implementations, up-grades, new versions supporting project

### ORGANIZATION

- Status of organizational structure(s) within which the project operates
- Organizational issues which are unresolved and effecting the project

### KEY MANAGEMENT SYSTEMS

- Management information available to project management regarding all organizational units' operations of major systems, functions
- Timely, accurate reporting of federally required, project related performance rpts.  
(e.g. for Benefits project: ETA 539, 5159, 207, 538, 586, 9050, 9051, 9052, 9053, 9056)
- Timely, accurate reporting of federally required project-related financial rpts.

### ECONOMIC CONDITIONS

- Economic conditions in which the project has operated in the past
- Economic conditions anticipated for the coming period

### FUND UTILIZATION

- Fund utilization related to project (state administration, formula funds)

## RELIABILITY & RESPONSE TO FEDERAL REQUIREMENTS/REQUESTS

Responsiveness to SQSP-related planning, CAPs and review findings  
Outstanding CAPs, un-resolved review findings

## STATUS OF RELEVANT SBR-RELATED ACTIVITIES

## STATUS OF RELEVANT REDESIGN-RELATED ACTIVITIES

## CONFORMITY OR COMPLIANCE RELATED DEVELOPMENTS

Another factor that might be included is “Internal Controls”, e.g. response to related internal security reviews, risk analysis.

A more in-depth knowledge underlies all these factors. For example, when analyzing a “Redesign-Related Activity” (e.g. a telephone or internet claims systems, employer registration or tax/wage reporting system) to adequately assess risk, the FPO would consider projected timelines vs. actual progress, projected vs. actual expenditures, planned vs. actual purchases. The FPO would also be aware of and give consideration to the impact that various project stages have on grantee resources; for example, the “user testing” phase of a project may involve the shift of staff from operations to project testing, with a decline in project performance.

# Definitions

A. Secretary's Standards: In the UI Program, the term *standard* refers to federal regulations that implement provisions of federal law that require state laws to provide for methods of administration that will with the greatest promptness that is administratively feasible reasonably insure the full payment of unemployment benefits only to eligible claimants, and provide for a fair hearing for all individuals whose claims for unemployment compensation are denied.

B. Performance Measures: In UI, *performance measures* include promptness, quality, and accuracy: quality measures use the results of an expert review of a sample of cases using a survey instrument; timeliness measures use the average age of cases or the elapsed time between two dates in a process; and accuracy measures use findings from an audit of samples of paid and denied claims.

C. Performance Criteria, Acceptable Levels of Performance (ALPs) and Goals: Performance *criteria* establish minimum acceptable levels of performance as a floor against which grantee performance is measured. ALPs established for Core measures and criteria for the Secretary's Standards are examples. *Goals* assigned to GPRA measures are levels of performance to strive for that are higher than a minimum acceptable level.

D. Performance Year: The *performance year* for SQSP planning is the April 1 – March 31 period.

E. Fiscal Year: The October 1 – September 30 *fiscal year* is used for GPRA measures and for the regional administrators' performance appraisal.

F. Reports: Grantees submit performance data in *required reports* monthly, quarterly, or annually, throughout the year. ETA uses BRIO to produce *output reports* for use with GEMS.

G. Risk-Rating: *Risk-rating* is a judgment of a project's likelihood of meeting the performance criteria/goals. Risk rating involves a review and analysis of past performance, an analysis of current conditions and an assessment of future conditions (including probable future performance).

# UI Project Performance Grids (Sample)

Attachment C, Part 2

State:

Project Requested: Appeals

Performance Year: 2003

Performance Quarter: 4th

## Project Risk Rating

Computer Risk Rating

December 07, 2004

Core Risk	Core Measures / Regulatory Requirements	ALP / Criterion	Current Quarter %	Current Qtr. vs. ALP / Criterion	Year to Date %	Year to Date vs. ALP / Criterion	Current Qtr. vs. Prior Qtrs. % in current PY	Prior Year %	Year to Date vs. Prior Year %
	Average Age of Pending Lower Authority Appeals								
	Average Age of Pending Higher Authority Appeals								
1	Lower Authority Appeals Quality	80	90.0	10.0	88.8	8.8	1.7	86.9	1.9
3	Lower Authority Appeals Timeliness, 30 days	60	34.6	-25.4	41.2	-18.8	-9.2	53.4	-12.2
3	Lower Authority Appeals Timeliness, 46 days	80	53.5	-26.5	55.6	-24.4	-3.0	67.4	-11.8

Notes: Computed risk calculations are based on the following:

1 = Performance is a meet or exceeds

2 = Performance is below meets but within a -2% of expectations

3 = Performance is 3% or greater below expectations

Management Information Measures	* Mean PY 2002	Current Quarter %	Prior Qtrs. % in current PY	Current Qtr. vs. Prior Qtrs. % in current PY	Year to Date %	Prior Year %	Year to Date vs. Prior Year %
Lower Authority Appeals Timeliness, 90 days	93	66.5	69.9	-3.4	68.9	83.4	-14.5
Higher Authority Appeals Timeliness, 46 days	66	64.9	79.1	-14.2	75.7	81.9	-6.2
Higher Authority Appeals Timeliness, 75 days	85	92.4	94.4	-2.0	93.9	97.5	-3.6
Higher Authority Appeals Timeliness, 150 days	94	99.1	99.6	-0.5	99.5	99.7	-0.2
LAA Case Aging, 25 Days or Younger	57	35.3	22.7	12.6	25.0	22.0	2.9
** LAA Case Aging, Older Than 40 Days	27	54.7	69.3	-14.7	66.7	70.5	-3.8
** LAA Case Aging, Older Than 120 Days	7	29.8	48.4	-18.6	45.0	49.9	-4.9
** LAA Case Aging, Older Than 360 Days	3	0.6	7.0	-6.4	5.8	19.7	-13.8
HAA Case Aging, 40 Days and Younger	68	81.4	86.5	-5.1	85.1	88.9	-3.8
** HAA Case Aging, Older Than 75 Days	15	7.9	4.6	3.2	5.5	3.0	2.5
** HAA Case Aging, Older Than 120 Days	9	2.2	1.1	1.1	1.4	1.5	-0.0
Lower Authority Appeals Due Process Quality	98	92.5	92.5	5.8	88.1	94.4	-6.3
*** Implementation of Appeals Decision Timeliness	3	4.3	3.9	0.4	4.0	4.3	-0.3

\* Mean is previous Performance Year national averages

\*\* % should be decreasing

\*\*\* Results are in days and should be decreasing