


APPENDIX C


ETA'S RESPONSE

U.S. Department of Labor Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



MAR 28 2017

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM: BYRON ZUIDEMA 
Deputy Assistant Secretary

SUBJECT: Response to the Office of Inspector General (OIG) Draft Report
No. 04-17-003-03-315, *Better Strategies Needed to Increase
Employer Participation in the State Information Data Exchange
System*

This is in response to your memorandum, dated February 24, 2017, regarding the subject draft audit report. The Employment and Training Administration (ETA) continues to work aggressively with states to utilize effective strategies, such as the State Information Data Exchange System (SIDES), to combat Unemployment Insurance (UI) improper payments.

Although the use of SIDES is voluntary by states, ETA has been actively promoting and encouraging its full implementation and use of its separation information components (Web Services and E-Response). We are seeing success with these efforts. A total of 48 states have implemented and are now using SIDES and 31 of these states are processing separation information exchanges with all Third Party Administrators operating in their state.

ETA has a very good partnership with the National Association of State Workforce Agencies (NASWA) in operating SIDES. NASWA's Information Technology Support Center (ITSC), in collaboration with ETA, has created a dedicated SIDES Team to promote participation in SIDES by states and employers, as well as to provide operational and technical support for all SIDES-related functions.

We agree that although there has been significant progress with state implementation of SIDES, there is still work to be done in achieving greater employer usage of this new tool. ETA continues its work with the states, the employer community, and the NASWA/ITSC SIDES Team to promote SIDES usage and to enhance SIDES and its applications to help prevent and detect fraud and improper payments in the UI program.

Please find attached our comments and responses to the recommendations in the draft audit report. If you have questions, please contact Jim Garner, Deputy Administrator, Office of Unemployment Insurance, at (202) 693-3029.

Attachment

**Employment and Training Administration (ETA) Response to
Office of Inspector General (OIG) Draft Report No. 04-17-003-03-315, *Better Strategies
Needed to Increase Employer Participation in the State Information Data Exchange System***

ETA has continued to work aggressively with states to address the issue of Unemployment Insurance (UI) improper payments and on implementation of national strategies for the detection, prevention, and recovery of improper benefit payments. Below are ETA's comments and responses to the recommendations contained in the draft report.

First, we note an update to the information in the audit report. As of January 2017, 48 state workforce agencies (SWAs) are participating in the State Information Data Exchange System (SIDES), two SWAs are in the process of implementing SIDES, and three SWAs are not using SIDES. In addition, we offer below clarifications and suggested corrections to the draft report:

- Page 1, second paragraph, second to last sentence: There is an error in the number reported for SWAs that had implemented SIDES as of June 2016. The number should be 47, not 49. Revise the sentence as follows: "As of June 2016, 47 of these 51 SWAs had implemented SIDES, and two states had suspended operations." The last sentence should remain, stating: "The two remaining SWAs were in the SIDES implementation phase."
- Page 2, first paragraph, second sentence: Insert "with" before the phrase "some fluctuation during that period."
- Page 2, second paragraph, last sentence: Insert "up to" before the phrase "an additional \$29 million." This definitive projection does not take into account selection bias, in that current users of SIDES are likely more diligent and proactive than the remaining potential SIDES user population. Therefore, gains may not be directly proportional as the OIG projection implies.
- Page 3, last paragraph: Delete the last sentence, which is carried over onto page 4 and the first sentence on page 4 and replace them with: "As of June 2016, 47 of 51 SWAs that received SIDES funding from DOL were using SIDES and/or SIDES E-Response and two had suspended operations. The two remaining SWAs were in the SIDES implementation phase."
- Page 6, Chart 1: Separation Related Overpayments as Percentage of Benefit Paid: The chart appears to have the incorrect values. **See the table in Attachment A which reflects the correct percentages.** The data are available at the following link: <https://www.dol.gov/general/maps/data>.

The data reflected in the chart appears to have flipped the percentage values associated with Colorado and Delaware for 2012, and used incorrect percentage values for Colorado, Louisiana, and South Carolina for 2016. It is also noted that this chart, as well as the other charts/graphs contained in this report, are not Section 508 compliant.

- Page 6, first paragraph: The sentences under Chart 1 appear to rely on incorrect data. For example, the report states that Colorado’s value declined from \$23.8 million to about \$1.7 million. The Department’s website data for the period ending June 30, 2016, indicate that the value for Colorado’s improper payment amount due to separation had declined to \$4,274,227 (see the table in Attachment A for the correct amounts).
- Page 5, item #2, and Page 7, second paragraph: The report states that “...the five selected SWAs used SIDES for 31 percent of the 2.7 million UI claims filed...”. We do not understand how this calculation was determined and thus we are unable to verify this percentage. Please explain the data and calculation used to determine the 31 percent.
- Page 10, second paragraph, fourth sentence: Insert the word “separation” before “requests” and “sent by SWAs” after “requests.”

Below are ETA’s responses to the OIG’s four recommendations set out in the draft report:

1. The OIG recommends that the Assistant Secretary for Employment and Training work with State Workforce Agencies (SWAs) to: **Increase the overall number of employers using SIDES.**

ETA Response: ETA agrees that additional work is needed to increase the overall number of employers using SIDES and continues to aggressively work with states to achieve this goal. ETA has actively encouraged states to adopt and use SIDES exclusively for the exchange of employment separation information. The use of SIDES has greatly reduced the length of time required to obtain needed information for UI claims processing and has helped improve the quality of information received due to data exchanges with standardized formats. Additionally, its ease of use and the efficiencies it provides for employer responses are incentives for employer participation.

As of January 2017, there are 48 states participating in SIDES: 31 states are exchanging SIDES data live with all 21 large employers and Third Party Administrators (TPAs) using SIDES Web Services. Additionally, as of January 2017, 100 percent of information requests were received from participating employers and TPAs through SIDES Web Services, and 18 percent were received from employers using SIDES E-Response. Since its initial implementation, there has been increased usage of SIDES reflecting positive results from state outreach efforts designed to increase adoption and use of SIDES by employers and TPAs.

Below are specific actions ETA has already taken or plans to take to increase the overall number of employers/TPAs using SIDES:

- Beginning in Fiscal Year (FY) 2011, ETA has provided states with supplemental funding opportunities to implement SIDES, conducted outreach and communicated with employers regarding the availability and efficiencies provided by SIDES, and

encouraged its adoption. To date, ETA has provided states with \$49 million for SIDES implementation, expansion, and outreach to employers. Pending budget considerations, ETA will continue providing supplemental funding to states to promote the use of the SIDES separation information exchange and the other data exchange components to communicate with employers.

- States that have received funding for SIDES have used varying outreach methods to communicate the benefits of SIDES to employers. States have used social media, mailing of marketing materials, creation of portals for signing up new employers, and have used SIDES as a default method for employer communications. ETA is strongly encouraging states to use SIDES E-Response as the default method by which employers respond to separation information requests. By making SIDES E-Response the default method, employers are automatically directed to SIDES E-Response with an opt-out feature to decline its use. Please refer to pages 5 - 6 of Unemployment Insurance Program Letter (UIPL) No. 19-16 for details: https://wdr.doleta.gov/directives/attach/UIPL/UIPL_19_16.pdf
 - ETA will work with the National Association of State Workforce Agencies (NASWA)/Information Technology Support Center (ITSC) SIDES Team to update the 2013 video – “SIDES Employer Messaging,” (<http://www.dol.gov/dol/media/webcast/20130409-dol-sides-test-4578/>) that specifically targets businesses for the purpose of educating them about the benefits of SIDES. ETA plans to update this video and release it to states for uploading to their websites and distribution to local businesses and business organizations during FY 2017.
2. The OIG recommends that the Assistant Secretary for Employment and Training work with SWAs to: **Track and enroll employers with the highest numbers of UI claims.**

ETA Response: SIDES is used by states to request separation information from employers and their TPAs. In order to send an information request to employers, a state system must be able to determine whether or not an employer is using SIDES. The SIDES system design allows states to track employers/TPAs using SIDES. Additionally, the NASWA/ITSC SIDES Team tracks TPAs and large employers that participate in SIDES and the individual states that are exchanging information with these TPAs and large employers.

The NASWA/ITSC SIDES Team conducts outreach to large employers and new TPAs that represent employers in multiple states across the nation and provides any technical assistance necessary for them to implement SIDES. This outreach to promote SIDES includes participating in employer conferences and events such as the annual National Foundation for Unemployment Compensation and Workers’ Compensation conference. The NASWA/ITSC SIDES Team also produces a monthly detailed report that provides workload tracking information on the number of requests and responses to separation information; status updates on testing and implementation of SIDES employers and

states; and production and usage information by state, employers, and TPAs. As stated previously, as of January 2017, there are 48 states participating in SIDES; which processed approximately 268,000 requests for separation information with the same number of responses produced; processed 46,000 timely E-responses; and 31 of these states exchanged information with all large employers and TPAs using SIDES.

ETA will take the following specific actions to support states in tracking and enrolling employers with the highest number of UI claims:

- To help new states encourage additional employers to use SIDES, ETA in collaboration with the NASWA/ITSC SIDES Team will host a national webinar in FY 2017 to promote SIDES, including targeting high impact employers and TPAs. The webinar will highlight best practices from states, and provide states with outreach techniques and marketing tools available to recruit new employers, including tracking and targeting those employers with the highest levels of UI claims. The target audience for the webinar will be state UI directors, state UI benefit chiefs, state BPC staff and state staff who work with SIDES. The webinar will also be recorded and archived for future availability for states. SIDES subject matter experts will also discuss SIDES' primary application that supports UI eligibility determinations and program integrity, as well as its four other important applications: 1) *Earnings Verification* to address unreported or underreported earnings when UI claimants have returned to work and continue to claim benefits, thus, helping to reduce overpayments by verifying work and earnings; 2) *Monetary and Potential Employer Charge Notifications* that notify employers about a UI claim and potential benefit-related employer charges; 3) *Nonmonetary Determinations and Appeals Decisions* that communicate the outcome(s) of UI adjudications related to a claimant's benefit eligibility; and 4) *Billing and Employer Charge Notices* that provide periodic billing statements detailing benefit charges to an employer's UI account. These additional modules also create efficiencies for employers and TPAs.
- Information about targeting high impact employers will be shared on the UI Community of Practice and the SIDES website.

3. The OIG recommends that the Assistant Secretary for Employment and Training work with SWAs to: **Find better marketing strategies for creating employers' awareness and generating employers' interest in SIDES.**

ETA Response: ETA, in collaboration with the NASWA/ITSC SIDES Team continues to explore better marketing strategies for creating employer awareness and interest in SIDES. Below are actions ETA will take to continue to promote SIDES awareness with employers:

- In 2012, ETA worked with the NASWA/ITSC SIDES Team to develop a Messaging and Communications Toolkit (Toolkit) containing products and tools designed for use by state UI agencies to communicate with employers and TPAs about the benefits of

SIDES and SIDES E-Response and to support state UI agencies in their employer outreach campaign. The nine message products included in the Toolkit could be used as provided, or customized by states, to ensure consistency with established programs, styles, and procedures. The Toolkit also provided state agencies with specific recommendations to augment their existing employer communication strategies, recognizing that differences exist between state processes, terminology, and regulations. The Toolkit was updated in 2015. ETA will review the viability of the products and tools in the existing Toolkit, and will make necessary updates and disseminate the revised Toolkit to the states in FY 2018.

- Since FY 2012, the NASWA/ITSC SIDES Team has provided an annual UI SIDES Implementation Training Seminar for states and employers. This training seminar is targeted to facilitate SIDES-related business and technical discussions between state UI agencies and employers and TPAs. Each seminar highlights best practices, including successfully partnering with employers and TPAs for the best information exchange results and discussions about UI integrity and the role of SIDES. The target audience includes UI Directors, UI benefit managers, adjudication managers, state and employer/TPA SIDES liaisons, SIDES IT system analysts and programmers and employers. ETA will continue to support and promote these training seminars. The next training seminar is scheduled for April 18 - 20, 2017.
 - The NASWA/ITSC SIDES Team also conducts several regular and ad hoc outreach events to states, large employers, and TPAs, providing technical assistance about SIDES implementation and use. For example, the NASWA/ITSC SIDES Team attends and presents at the annual National Foundation for Unemployment Compensation and Workers' Compensation conference, a national employers' organization, to educate employers about SIDES. Additionally, the NASWA/ITSC SIDES Team also presents at ETA's National Integrity Symposium. Most recently, the team participated in the December 2016 Integrity Symposium in Baltimore, Maryland, promoting the effective and efficient use of SIDES to states. Since the use of SIDES promotes consistency, timeliness, and accuracy of claim filing and determination information, SIDES will continue to be on the agenda during future symposiums. ETA will continue to support NASWA/ITSC SIDES Team's participation in employer conferences and UI integrity related events.
4. The OIG recommends that the Assistant Secretary for Employment and Training work with SWAs to: **Resolve technical challenges related to the use of SIDES.**

ETA Response: ETA will work with the NASWA/ITSC SIDES Team to resolve technical challenges identified by states related to the use of SIDES.

As stated previously, the NASWA/ITSC SIDES Team provides the necessary support for the maintenance and operations of SIDES. The NASWA/ITSC SIDES Team includes staff with both UI program and technology expertise. The NASWA/ITSC SIDES Team members are available to states for technical assistance in implementing SIDES, and in

troubleshooting and resolving issues that arise during SIDES operations. Furthermore, the SIDES Operations Committee, which is made up of representatives of participating states, participating employers and TPAs, and ETA, guide the development of improvements to SIDES existing functionality and the development of new functionality and features.

States are requested to contact the NASWA/ITSC SIDES Team for any technical issues or concerns via e-mail or telephone. The NASWA/ITSC SIDES Team addresses all issues and inquiries, usually by the end of the business day, Pacific Time. Each inquiry is noted as resolved, or elevated to the SIDES Operations Committee for consideration, approval, or implementation. The NASWA/ITSC SIDES Team also maintains a folder of issues reported by states, which are used in determining future software updates or changes. Most recently, the NASWA/ITSC SIDES Team released new updates to the system in March 2016, with software updates to the SIDES Separation Information format and E-Response website.

Below are actions ETA will take to address this recommendation:

- As part of its monthly status meetings with the NASWA/ITSC SIDES Team, ETA staff will continue to closely monitor status reports on system operations, state and employer use of SIDES, and planned system improvement efforts. Additionally, ETA will continue its participation in the SIDES Operations Committee meetings to ensure that software updates and/or temporary workaround solutions are in place to address technical challenges identified by states in the use of SIDES.
- ETA wishes to note that not all technical challenges identified in the OIG report require software updates. Often, issues identified are due to a lack of staff training on the use of SIDES. As stated previously, since FY 2012, the NASWA/ITSC SIDES Team has provided an annual UI SIDES Training Seminar for states and employers. These seminars not only highlight state best practices and promote information sharing between states, but also train staff on the SIDES system's functions and features. The next training seminar is scheduled for April 18 - 20, 2017.

Again, we appreciate the opportunity to respond to your draft report and its recommendations. If you have questions, please contact Jim Garner, Deputy Administrator, Office of Unemployment Insurance, at (202) 693-3029.

Attachment A

July 1, 2011 to June 30, 2012		July 1, 2012 to June 30, 2013		July 2013 - June 2014		July 1, 2014 - June 30, 2015		July 1, 2015 to June 30, 2016						
IP/A 2012		IP/A 2013		IP/A 2014		IP/A 2015		IP/A 2016						
ST Cause	Percent of Dollars Paid	Estimated Amount	ST Cause	Percent of Dollars Paid	Estimated Amount	ST Cause	Percent of Dollars Paid	Estimated Amount	ST Cause	Percent of Dollars Paid	Estimated Amount			
AZ Separation Issues	2.98%	\$15,626,279	AZ Separation Issues	2.21%	\$8,126,513	AZ Separation Issues	2.436%	\$8,132,127	AZ Separation Issues	2.541%	\$7,419,322	AZ Separation Issues	2.744%	\$7,132,701
CO Separation Issues	3.76%	\$23,857,382	CO Separation Issues	3.81%	\$21,806,627	CO Separation Issues	4.284%	\$23,229,305	CO Separation Issues	1.485%	\$7,387,935	CO Separation Issues	0.816%	\$4,274,227
DE Separation Issues	1.51%	\$1,956,618	DE Separation Issues	1.60%	\$1,698,757	DE Separation Issues	0.888%	\$874,297	DE Separation Issues	1.031%	\$834,909	DE Separation Issues	0.370%	\$280,559
LA Separation Issues	4.82%	\$14,637,008	LA Separation Issues	7.15%	\$14,717,920	LA Separation Issues	3.694%	\$6,071,314	LA Separation Issues	3.127%	\$5,184,984	LA Separation Issues	1.814%	\$3,810,246
SC Separation Issues	4.43%	\$17,429,269	SC Separation Issues	1.68%	\$4,369,996	SC Separation Issues	2.566%	\$5,922,020	SC Separation Issues	1.275%	\$2,474,449	SC Separation Issues	0.695%	\$1,249,204