

<b>Employment and Training Administration</b> <b>Advisory System</b> <b>U.S. Department of Labor</b> <b>Washington, D.C. 20210</b>	<b>CLASSIFICATION</b> UI
	<b>CORRESPONDENCE SYMBOL</b> OWS
	<b>DATE</b> May 12, 2005

**ADVISORY:** FIELD MEMORANDUM NO. 13-05  
**TO:** REGIONAL ADMINISTRATORS  
 /s/  
**FROM:** JACK H. RAPPORT  
 Administrator  
 Office of Field Operations  
**SUBJECT:** Unemployment Insurance (UI) Fiscal Year (FY) 2005  
 Supplemental Funding Opportunity

- Purpose. To request that Regional Offices notify states of the availability of funds from the FY 2005 appropriation for the UI program for six specific purposes: 1) combat identity theft; 2) access the National Directory of New Hires (NDNH); 3) improve performance; 4) acquire AutoCoder – software that can help states properly code the occupation of UI claimants; 5) reduce postage costs; and 6) obtain an independent verification that state UI data validation systems meet Federal requirements. Regional Offices are also requested to work with State Workforce Agencies (SWAs) to: 1) identify the purposes for which funding should be requested; and 2) develop the requests for available one-time funds.
- References. Unemployment Insurance Program Letter (UIPL) No. 15-04, ET Handbook No. 336, 17<sup>th</sup> Edition, State Quality Service Plans Planning and Reporting Guidelines, and Field Memorandum (FM) No. 27-97.
- Background. The FY 2005 budget was based on economic assumptions from December 2003. Those assumptions projected a slower economic recovery; therefore, it anticipated higher workloads than are now projected using the most recent FY 2005 economic assumptions. As a result, the Employment and Training Administration estimates that a portion of the funds appropriated for FY 2005 will not be needed to process above base workloads, and these excess workload funds are available to states for the purposes outlined above. These one-time funds will be made available through the supplemental budget request (SBR) process and must be obligated to states by September 30, 2005.
- Use of Funds. Use of these one-time funds should be geared toward investments that will provide returns into the future. Each purpose and examples of activities for which funds will be provided are described more fully in the attachments.

<b>RESCISSIONS</b> none	<b>EXPIRATION DATE</b> September 30, 2007
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- *Combat identity theft:* Up to \$500,000 per state is available to implement or enhance systems to prevent, deter, or detect identity theft. SBR funds may be used to obtain a third party risk assessment, develop or enhance automated systems that can detect and prevent identity-theft, and purchase identity verification services from third parties. See Attachment 1.
- *Access to the NDNH:* Up to \$200,000 per state is available to plan, design, and develop the processes necessary to implement the periodic computer matching of state quarterly wage and UI claims data against data contained in the NDNH for the purpose of identifying potential UI erroneous payments. Additionally, funds may be used to implement or modify automated systems to more effectively use the information obtained as a result of matching against the NDNH, and to inform employers on the importance of reporting new hires. See Attachment 2.
- *Improve performance:* States may request up to \$500,000 to address areas where state performance needs improvement. Funds may be requested for activities such as analysis, development of process improvements, reengineering, corrective action, or similar activities that are designed to bring performance up to an acceptable level. In general, funds may not be used to acquire staff unless on a temporary basis for the purpose of reducing backlogs, e.g., hiring retired appeals referees to reduce appeals backlogs. See Attachment 3.
- *Improve Occupational Coding Quality:* States may request up to \$250,000 to implement AutoCoder software, which was developed for the U.S. Department of Labor (DOL) to assist states in properly assigning occupational codes for coding individuals' records or job openings. AutoCoder can assist in getting UI claimants the re-employment services they need faster, return them to employment quicker, and thereby reduce benefit payments. See Attachment 4.
- *Reduce postage costs:* Up to \$50,000 per state is available to study and examine mailing operations, explore opportunities to improve efficiency and reduce mailing costs, and to implement available technology to decrease state mailing expenditures. See Attachment 5.

*Obtain an independent verification that the UI data validation system meets Federal requirements:* Up to \$100,000 is available to each state to obtain an independent verification that state extract files meet UI data validation requirements. For states choosing to obtain an independent verification, any remaining funds may be used to correct errors in data validation extract files, complete data validation implementation, training, and correct reporting errors discovered through data validation. See Attachment 6.

5. Application, Award, and Expenditure of Supplemental Funds. States, with Regional Office support, may submit individual proposals for any or all of the purposes described

above in one SBR package. Each proposal will be considered a section of the state's SBR, and each proposal will be evaluated individually. In some instances, identical expenditures may be proposed in two separate projects, but would only need to be funded in one of the projects. In such instances a simple sentence explaining this situation should be included in both proposals to ensure that the same costs are not funded twice. Attachment 7 is provided as a guide to assist states in providing information on Line 23 of the SF-424A, which must be submitted for each proposal and include anticipated expenditures by category.

Once projects have been approved, a Letter of Award will be issued to states listing all proposals to be funded and both the funding level of each proposal and the total funding level for the state. States will submit one SF-424 covering all approved projects.

States must obligate the funds by December 31, 2005, and liquidate the obligations within 90 days of that date unless they are used for automation. Funds used for automation are available for obligation through September 30, 2007, and obligations must be liquidated within 90 days of that date. Upon written request by the deadlines for obligation, the grant officer may extend the liquidation period. In addition, while states must obligate non-automation project funds by December 31, 2005, and automation project funds by September 30, 2007, in accordance with the FY 2005 State Unemployment Insurance and Employment Service Operations appropriation, obligation of funds in a contract allows for funds to be expended beyond the cited dates for liquidation but not beyond September 30, 2009, when the five-year life of FY 2005 appropriated funds expires. It should be noted that to expend funds beyond the cited dates for liquidation in a contract, in addition to obtaining permission from the grant officer to do so, the contract must be with an outside contractor, not to another state agency, which is not permissible according to definitions found in 29 CFR § 97.3. Please note that by applying for individual projects, SWAs are agreeing that those projects will be completed with no additional Federal funding.

6. Project Management. If during the performance period states wish to move funds among categories within a project, a new SF-424A must be submitted to the Regional Office for approval with a copy to the National Office if the amount moved exceeds 20 percent of any category in the initially awarded amount for the project. The same requirement for approval applies to movement of funds between projects if the amount moved exceeds 20 percent of either the donating or receiving project as initially funded.
7. Action Required. Regional Administrators are asked to:
  - (a) Inform states of this funding opportunity.
  - (b) Work with each state to determine what activities would be appropriate to fund.
  - (c) Set a date for submittal of SBRs to the Regional Office that allows sufficient time for review and submittal to the National Office with comments and a recommendation for approval or disapproval.

(d) Submit SBRs to the National Office, Attention: Thomas Stengle, by close of business, June 24, 2005

8. Inquiries. Inquiries should be directed to either Thomas Stengle at 202-693-2991 or [Stengle.Thomas@dol.gov](mailto:Stengle.Thomas@dol.gov), or Ron Wilus at 202-693-2931 or [Wilus.Ronald@dol.gov](mailto:Wilus.Ronald@dol.gov) in the Division of Fiscal and Actuarial Services, Office of Workforce Security.

9. Attachments

1. Combat Identity Theft
2. Access to the National Directory of New Hires
3. Improve Performance
4. Improve Occupational Coding Quality
5. Reduce Postage Costs
6. Unemployment Insurance (UI) Data Quality
7. Supplemental Budget Request Outline: Guidance for Completing Line 23 of the SF 424A
8. Computer Matching Agreement with the Department of Health and Human Services

## **Combat Identity Theft**

**Available Funds:** Up to \$500,000 per state.

**Purpose:** To implement or enhance systems that prevent, deter, or detect identity theft. SBR funds may be requested for such purposes as:

- Obtaining a third party risk assessment.
- Developing or enhancing automated systems that can detect and prevent identity-theft. Examples include:
  - A data warehouse that is a repository for data captured from all or a combination of employment and training applications such as training and job placement under Workforce Investment Act programs; UI data, including data from the tax and wage system for current and past years; call center activity; and a database of issued and cashed UI benefit checks.
  - Validation of name and address of last/separating employer as an actual business by matching internal agency tax records against other state agency records, e.g., department of revenue.
  - Internal matches for multiple checks going to the same address/post office box and unusual number of checks going to boxes at the same post office. Investigations would be triggered by unusual activity.
  - Identity verification by obtaining from claimants personal data that are not contained in payroll records (which may be stolen) e.g., driver's license number, and matching those data with another state-owned data base, in this case the department of motor vehicles.
  - Phone number matches: Commercial software is available that matches phone numbers with claims calls to determine if multiple claims are being filed from the same phone.
- Purchasing identity verification services from third parties. A number of commercial services are available that confirm (or fail to confirm) information provided by individuals when filing a claim, such as address and telephone number. These services identify claims having a higher probability of being fraudulent when significant pieces of information cannot be confirmed, cueing investigation by the state agency.

**Access to the National Directory of New Hires**

**Available Funds:** Up to \$200,000 per state.

**Purpose:** To plan, design, and develop the processes necessary to implement the periodic computer matching of state quarterly wage and UI claims data against data contained in the NDNH for the purpose of identifying potential UI erroneous payments. Additionally, funds may be requested to implement or modify automated systems to more effectively use the information obtained as a result of matching against the NDNH, and to inform employers of the importance of reporting new hires. Examples of activities for which funds may be requested include:

1. Modifying SWA automated tax and benefits systems to transmit updated UI claims data and quarterly wage data to the Department of Health and Human Services (DHHS) via the CONNECT:Direct system on a weekly basis.
2. Developing and implementing new automated systems, or modify existing automated systems, to more effectively and efficiently follow-up after receiving NDNH matches with Federal and out-of-state employers.
3. Implementing changes to SWA information technology (IT) security plans to meet the DHHS requirements contained in the standard Computer Matching Agreement (attached).
4. Improving the quality of the quarterly wage data submitted to DHHS by modifying state extract systems to ensure the full name is transmitted.
5. Coordinating with the state's designated new hire reporting agency in implementing an employer outreach program to educate employers on the benefits of improved compliance and promote compliance with reporting requirements to improve the value of the NDNH for UI overpayment detection and prevention.
6. Analyzing new hire detection data and state benefit payment control operations to develop procedures which will optimize the use of limited state resources to follow-up on the increased hits resulting from the NDNH matching program.
7. Developing training materials and training staff in effective and efficient investigatory methods.
8. Studying the initial matches obtained from matching against the NDNH, and investigating them for erroneous payments to develop the most effective method of automating matches from the newly implemented system.
9. Hiring temporary staff to address a one-time increase in workload as a result of first time state cross-match against the NDNH.

## **Improve Performance**

**Available Funds:** Up to \$500,000.

**Purpose:** To improve administrative performance. The performance measures and criteria included in UI Performs are the basis upon which administrative performance of state UI programs is evaluated. Generally, additional funds have not been available to aid in improving performance, and not every performance problem is solved by additional funds. Funds may be requested for activities such as analysis, development of process improvements, reengineering, corrective action, or similar activities that are designed to bring performance up to an acceptable level.

The funds may not be used to supplement resources devoted to the activity. For example, the funds could be used to redesign work flow, automate scheduling, and train adjudicators to improve the timeliness and quality of non-monetary determinations, but they may not be used to hire additional adjudicators. Because these are one-time funds, the activities for which they are used must be one-time expenditures that are expected to improve performance on an on-going basis.

Although criteria for the Detection of Overpayments and Facilitation of Reemployment measures included in UI Performs have not yet been set, states may and are encouraged to apply for funds to improve their performance in these areas. States may submit more than one performance improvement initiative.

Each proposal should identify the performance area to be improved, the current level of performance, the amount of performance improvement anticipated as a result of the proposal, and a time table showing when improvement will occur.

## **Improve Occupational Coding Quality**

**Available Funds:** Up to \$250,000 is available for the integration/interface of improved occupational coding software, including up to \$25,000 per year, for two years, for technical assistance and integration/installation of software enhancements. The specific amount of the technical assistance and enhancement funds will be determined once the number of participating states is known.

**Purpose:** To implement AutoCoder software, which was developed for the DOL to assist states in properly assigning occupational codes to individuals' records or job openings.

The accuracy of occupational codes assigned to UI claimants is often poor; some state officials believe this is due to time pressures in the UI claims taking process and claims takers' limited knowledge and experience in assigning occupational codes. Assigning accurate occupational codes when new UI claims are filed can improve assessments of beneficiaries' need for reemployment services and result in quicker reemployment.

AutoCoder is a Web-based service that allows UI claims takers or call center representatives to enter a job title and/or description and quickly get one or more O\*Net-SOC codes matches from which to select. As a Web-based service, AutoCoder can also be integrated into current Web-based applications. AutoCoder allows an individual using an Internet UI Initial Claim application to enter a job title and/or description to be presented with one or more O\*Net-SOC titles to select as their correct occupation. AutoCoder can also be implemented in a batch processing environment.

AutoCoder uses open-source products (MySQL as the database, Tomcat as the application server, Java as the development language) which are low in cost. The Web service interface can be easily called from any platform or programming language. Additional benefits include: provides a unified approach to job coding, provides better accuracy in coding, causes little impact to the claim taking or processing times, can handle real time or batch processing, does not require the user to open a separate browser window or application, and matches are returned with confidence scoring.

The SBR funding may be obligated for integration of AutoCoder software and updates into state systems through September 30, 2007. States may install and maintain AutoCoder themselves or obtain technical assistance and support from the Information Technology Support Center (ITSC) or other vendors. When completing the SBR application, states should indicate whether ITSC technical support and maintenance are desired.

## **Reduce Postage Costs**

**Available Funds:** Up to \$50,000 per state.

**Purpose:** To study and examine state mailing operations, explore opportunities to improve efficiency and reduce mailing costs, and implement available technology for ways to decrease overall mailing expenditures.

Unemployment Insurance (UI) postage is subtracted from funds appropriated for state administration before allocation to the states and is paid directly to the United States Postal Service (USPS) by the Employment and Training Administration (ETA) based upon billings received from USPS for each state's use of mailing permits for the G-12, metered mail, and business reply mail. In addition, states that use vendors to bundle their mail to obtain discounts are reimbursed for their postage costs through the supplemental budget request process. While state UI postage costs vary with claim workloads, they have historically amounted to approximately 5 percent of base allocations, ranging from \$76 million in FY 2000 to \$124 million in FY 2004.

The USPS recently announced that postage rates will increase approximately 5.4 percent in 2006. Assuming state postage usage patterns continue at the current level, the net effect will be an additional \$7 million per year in postage charges, reducing the amount of appropriated funds available for allocation to states by that amount.

The Office of Workforce Security (OWS) has reviewed state postage expenditures using Weeks Claimed and Subject Employers as proxies for workload. The review revealed that in FY 2004 the relative mean cost per workload item was \$0.78, ranging from a low of \$0.53 to a high of \$2.06. In FY 2003, the mean was \$0.68 and the range was from \$0.46 to \$1.63. While there is no plan at this time to implement direct allocation of postage to states as a postage cost control strategy, the announced postage increase makes it in the states' best interest to review their current postage policies and procedures in order to find cost savings.

Up to \$50,000 per state is available for use by states to study their mailing operations, explore opportunities and available technology to improve efficiency and reduce mailing costs, and install or modify systems or equipment to decrease mailing expenditures. Examples of how SBR funds may be used include:

- Conducting a cost-benefit analysis of moving to direct deposit and debit cards for the payment of weekly benefits to significantly reduce their use of postage.
- Conducting a cost-benefit analysis of using contract services that will allow states to take advantage of presorting and automation discounts offered by the Postal Service to reduce postage costs.
- Replacing/updating mailing equipment to improve efficiency and reduce costs (for states that manage their own mail operation).

- Assessing current mailing processes to identify areas where additional efficiencies may be derived, including reviewing what is mailed and to whom it is being mailed, and, where applicable, reducing unnecessary redundancies in mailing.
- Modifying benefit or tax systems to ensure the most efficient print streams are used.

## **Unemployment Insurance (UI) Data Validation**

**Available Funds:** Up to \$100,000 per state.

**Purpose:** To obtain an independent (third party) verification that state extract files meet Federal UI data validation requirements. The basic UI data validation design is for states to reconstruct the numbers/counts reported to the Employment and Training Administration on UI required reports. To do this, states write computer programs that search their electronic databases and extract all transactions that should have been reported.

This SBR funding is for states to obtain an independent verification that their computer programs are extracting the correct transactions for each data validation "population." States must submit a copy of the independent verification certification to their respective Regional Office upon completion. States that choose to obtain an independent verification may use any funds not needed for the verification to correct errors in data validation extract files, complete data validation implementation, train staff, and correct reporting errors discovered through data validation.

**2005 Projects - Supplemental Budget Request Outline: Guidance for Completing Line 23 of the SF 424A**

**Name of Project:**

**Amount of Funding Request for this project:** SBR funds may be used for one-time costs only and cannot be used for ongoing costs, such as maintenance of software and hardware, or ongoing communications costs. By submitting this proposal, the state agrees to complete this project even if additional SBR funds are not available.

**State Contact:** Provide name, telephone number and email address of the individual who can answer any questions relating to this proposal.

**Project Description:** Explain in a brief paragraph what the funds will accomplish.

**Project Timeline:** Provide a timeline identifying the dates of the significant steps in this project through the expected implementation date.

**Description of Costs:** States should use the table format below to request state or contractor staff. AS&T and PS & PB costs are allowable only in relation to state staff costs.

Type of Position	Total Hours	Cost Per Hour	AS&T	NPS	Total

Staff costs are allowable only for staff not previously funded by the state's base grant. Costs for training and related travel expenses are allowable for base staff but salaries and benefits are not allowable for base staff attending training unless the state incurs additional expenses such as backfilling the staff position during the time that the employee attends training. Administrative Staff and Technical Services (AS&T) and NPS costs above base staff year costs must be based on the state PS and PB rate approved for the current year's UI grant.

**Hardware, Software, and Telecommunications 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 provide any information needed to identify the specific item and a description of the size and capacity of each item if applicable.

**Other:** Identify the cost item and provide the expected cost per item. The need for each item should be explained.

**Strategic Design:** Include a brief description of the strategic design of the project identifying key features. The strategic design should provide evidence of a well-thought-out analysis of current operations and should show that the design will meet the needs of the state.

**Measurable Improvements Expected in UI Operations:** Identify the areas in which services or performance will be improved or on-going costs reduced through implementation of the proposed project. All improvements and cost reductions must be quantified rather than sensory (i.e. claimants will like this) and states should submit reasonable estimates. For example, a measurable improvement might be an anticipated 20 percent increase in the accuracy of assignment of O\*NET Codes.

**Supporting Materials:** States may attach any additional relevant materials which may support funding for this project.

**DRAFT PENDING DIB APPROVAL  
COMPUTER MATCHING AGREEMENT**

**BETWEEN**

**THE DEPARTMENT OF HEALTH AND HUMAN SERVICES  
ADMINISTRATION FOR CHILDREN AND FAMILIES  
THE OFFICE OF CHILD SUPPORT ENFORCEMENT**

**AND**

**STATE AGENCIES ADMINISTERING UNEMPLOYMENT COMPENSATION  
PROGRAMS UNDER FEDERAL OR STATE LAW**

**I. INTRODUCTION**

Federal law grants the Secretary of the Department of Health and Human Services (HHS) discretion to disclose information maintained in the National Directory of New Hires (NDNH) to state agencies administering an unemployment compensation program under Federal or State law. This agreement establishes a computer matching program under which the Federal Office of Child Support Enforcement (OCSE) will compare files provided to OCSE by the state agency administering an unemployment compensation program under Federal or State law (hereinafter referred to as the State Agency) with files maintained by OCSE in the NDNH. A pilot program carried out between OCSE and three State Unemployment Compensation (UC) programs has demonstrated the effectiveness of such matching for the purposes of fraud detection and verification of eligibility for benefits under UC programs. The NDNH contains new hire, quarterly wage and unemployment compensation information and is maintained by OCSE within its "Location and Collection" system of records, No. 09-90-0074, last published at 69 Federal Register 31392, June 3, 2004.

The comparison of records authorized by the Social Security Act constitutes a "matching program" within the meaning of the Federal Privacy Act. 5 U.S.C. 552a(a)(8)(i). The Privacy Act provides that no record contained in a system of records may be disclosed to a recipient agency or non-Federal agency for use in a computer matching program except pursuant to a written agreement containing specified provisions. 5 U.S.C. 552a(o). This agreement is designed to comply with the requirements of the Privacy Act.

**II. THE PURPOSE AND LEGAL AUTHORITY FOR CONDUCTING THE  
MATCHING PROGRAM**

The Privacy Act requires that each matching agreement specify the purpose and legal authority for conducting the matching program. 5 U.S.C. 552a(o)(1)(A).

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### **A. The Purpose of the Matching Program**

The purpose of this matching program is to provide the State Agency with information resulting from a comparison of its files on UC recipients against data contained in the NDNH so that the State Agency may administer the UC program.

### **B. The Legal Authority for Conducting the Matching Program**

The legal authority for the information comparison that is the subject of this agreement is set forth in Section 453(j)(8) of the Social Security Act (the Act), 42 U.S.C. 653(j)(8). The statute provides in pertinent part that:

“(8) Information comparisons and disclosure to assist in administration of unemployment compensation programs.—

(A) In general.—If, for purposes of administering an unemployment compensation program under Federal or State law, a State agency responsible for the administration of such program transmits to the Secretary the names and social security account numbers of individuals, the Secretary shall disclose to such State agency information on such individuals and their employers maintained in the National Directory of New Hires, subject to this paragraph.

(B) Condition on disclosure by the Secretary.—The Secretary shall make a disclosure under subparagraph (A) only to the extent that the Secretary determines that the disclosure would not interfere with the effective operation of the program under this part.

(C) Use and disclosure of information by State agencies.—

(i) In general.—A State agency may not use or disclose information provided under this paragraph except for purposes of administering a program referred to in subparagraph (A).

(ii) Information security.—The State agency shall have in effect data security and control policies that the Secretary finds adequate to ensure the security of information obtained under this paragraph and to ensure that access to such information is restricted to authorized persons for purposes of authorized uses and disclosures.

(iii) Penalty for misuse of information.—An officer or employee of the State agency who fails to comply with this subparagraph shall be subject to the sanctions under subsection (1)(2) to the same extent as if such officer or employee was an officer or employee of the United States.”

In addition, as indicated in the introduction to this agreement, the comparison of records maintained by the State Agency and records maintained by OCSE in the NDNH constitutes a “matching program” within the meaning of the Privacy Act and this agreement complies with the provisions of the Privacy Act. 5 U.S.C. 552a.

### **III. DEFINITIONS**

The terms contained in this agreement shall have the meaning given such terms in

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subsection (a) of the Federal Privacy Act. 5 U.S.C. 552a(a).

### **IV. JUSTIFICATION FOR THE MATCHING PROGRAM AND ANTICIPATED RESULTS**

The Privacy Act requires that each matching agreement specify the justification for the program and anticipated results, including a specific estimate of any savings. 5 U.S.C. 552a(o)(1)(B).

#### **A. Justification for the Matching Program**

The reduction of erroneous payments in Federal benefits programs is a key initiative of the President's Management Agenda. Based on data collected through the U. S. Department of Labor's (DOL) Unemployment Compensation (UC) Benefit Accuracy Measurement (BAM) program, the leading cause of overpayment errors in the UC program in fiscal year (FY) 2004 was unreported or erroneously reported benefit year earnings (BYE), which accounted for \$966 million of the \$3.56 billion overpaid and represented 2.67 percent of the \$36.2 billion in UCI benefits paid in FY 2004. BYE overpayments are benefits received by UC claimants for weeks during which they were employed and failed to report their income.

Currently, state Benefit Payment Control (BPC) operations identify a major proportion of overpayments by matching the Social Security numbers (SSN) of UC claimants against the wage record files submitted each quarter by employers and against their State Directory of New Hires (SDNH). Both of these tools have significant limitations. Because employer wage records are submitted only once each quarter, there is a significant gap between the date that wages were paid and time this information is available to the State Agency. During that period, an individual could receive several weeks of UC benefits to which he or she was not entitled, because they had earned income. Access to its SDNH allows the State Agency to detect unreported wages earlier in the claimant's benefit year than is possible using the wage record crossmatch. However, the SDNH does not include records of multi-state employers that report all their new hires to a directory in another state or the records of Federal agencies. Access to the NDNH will close this large gap in coverage of the SDNH.

#### **B. Expected Results**

DOL recently conducted a pilot to evaluate the use of crossmatches of UC claimants with the state wage records and the SDNH to supplement the BAM UC payment audits. Preliminary estimates from pilot data indicate that BYE overpayments may be as much as \$57 million higher than the level estimated from the baseline BAM audits. In addition, using data from the state BPC programs, DOL has estimated that using the SDNH to identify claimants who have returned to work but who continue to claim benefits has the potential of preventing an estimated \$74 million in overpayments, due to the earlier detection of BYE issues, than is possible through cross matching wage records. Finally,

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initial results of a pilot in which three states -- Texas, Utah, and Virginia --

submitted UC payment records to match with the NDNH, indicate that 12 to 14 percent of the claimant SSNs matched new hire data submitted to other states. This pilot also showed that potentially 2 to 4 percent of UC claimants in the pilot states were also receiving UC benefits in other states. This information is available only through the NDNH. DOL believes that allowing the State Agency to access the NDNH will yield valuable information that is currently unavailable from any other source, and will contribute to achieving DOL's goal of preventing and reducing erroneous UC payments.

## V. DESCRIPTION OF THE RECORDS TO BE MATCHED

The Privacy Act requires that each matching agreement specify a description of the records that will be matched, including each data element that will be used, the approximate number of records that will be matched, and the projected starting and completion dates of the matching program. 5 U.S.C. 552a(o)(1)(C).

### A. The Data Elements Contained in the Matched Records

#### 1. Transmission of Data by the State Agency to OCSE

The State Agency shall transmit to OCSE via Connect:DIRECT records containing the following data elements, as specified in the law authorizing this matching program. 42 U.S.C. 653(j)(8).

- Individual's Name;
- Individual's SSN; and
- Benefit Year End Date (optional).

#### 2. Data Match by OCSE

OCSE shall compare the names and SSNs transmitted to OCSE by the State Agency to records containing the following data elements in the quarterly wage, unemployment insurance and new hire files maintained in the NDNH:

##### Quarterly Wage File

- Employee SSN;
- Employer Name;
- Employer Address; and
- Wage Amount.

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## **New Hire File**

- Employee SSN;
- Employee Last Name;
- Employee First Name;
- Employee Address;
- Employer Name; and
- Employer Address.

## **Unemployment Insurance File**

- Claimant Last Name;
- Claimant First Name;
- Claimant SSN;
- Claimant Address;
- Benefit Year End Date (optional); and
- Date Unemployment Insurance record processed by NDNH.

No more frequently than weekly, the State Agency comparison file will be matched against the NDNH files and the match results requested by the state will be returned to the State Agency.

### **3. Disclosure of Information by OCSE to the State Agency**

OCSE shall disclose to the State Agency information maintained in the NDNH on the individuals, for whom the State Agency furnished a name and SSN, and the employers of those individuals.

### **B. Approximate Number of Records That Will Be Matched**

The NDNH contains approximately 1.35 billion individual records.

The nationwide UC caseload contains approximately 3 million individuals. Each State Agency comparison file will contain records representing a portion of that caseload, as stated on the state signature page, related to individuals who are UC recipients.

### **C. Projected Starting and Completion Dates**

This agreement shall become effective on July 1, 2005. At least 30 days prior to that date, OCSE shall publish a Computer Matching Notice in the Federal Register; and at least 40 days prior to that date OCSE shall send a matching program notice to the Congressional committees of jurisdiction under 5 U.S.C. § 552a(o)(2)(A); and to OMB.

The agreement shall remain in effect for a period not to exceed 18 months; however, the HHS Data Integrity Board (DIB), on behalf of OCSE, may, within 3 months prior to the expiration of this agreement, without

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additional review, renew this agreement for not more than one additional year if --

- (1) The matching program will be conducted without any change; and
- (2) The State Agency and OCSE certify to the DIB in writing that the program has been conducted in compliance with the agreement.

### **VI. PROVISION OF INDIVIDUALIZED NOTICE**

The Privacy Act requires, in pertinent part, that the matching agreement specify procedures for providing individualized notice at the time of application, and periodically thereafter as directed by the DIB, to applicants for and recipients of financial assistance or payments under Federal benefit programs. 5 U.S.C. 552a(o)(1)(D).

The State Agency will implement procedures for providing individualized notice to applicants for, and recipients of, UC at the time of application and periodically thereafter, that the information they provide may be verified through matching programs. Such procedures will be in accordance with directions by the HHS DIB, subject to guidance by the Federal Office of Management and Budget. 5 U.S.C. 552a(o)(1)(D). The State Agency will provide a copy of any such notice to OCSE 30 days before beginning its use or at least 30 days prior to the commencement of the matching program described in this agreement.

### **VII. PROCEDURES FOR VERIFYING INFORMATION**

The Privacy Act requires that each matching agreement specify procedures for verifying information produced in the matching program and an opportunity to contest findings. 5 U.S.C. 552a(o)(1)(E) and (p).

The State Agency recognizes that the occurrence of a match between its files and NDNH files is not conclusive evidence of the address, employer, or wages of an identified individual, but is an indication that further verification is warranted.

#### **A. Independent Verification and Notice**

To protect any individual whose records are used in this matching program,

The State Agency shall not suspend, terminate, reduce, or make a final denial of any financial assistance or payment under a Federal benefit program to such individual, or take other adverse action against such individual, as a result of information produced by such matching program, until:

- The State Agency has independently verified the information produced in the matching program;
- The State Agency provides to the individual a notice containing a statement of its findings and informing the individual of the opportunity to

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contest such findings; and

- The time period established for the UC program by statute or regulation within which the individual may respond to that notice expires or, in the case that no such period is established, the end of the 30-day period beginning on the date on which the notice is mailed or otherwise provided

to the individual.

### **B. Requirements for Independent Verification**

The independent verification by the State Agency of information produced by the matching program requires investigation and confirmation of specific information relating to an individual that is used as a basis for an adverse action against the individual, in accordance with the Privacy Act.

Where applicable, independent verification includes investigation and confirmation of:

- (1) The amount of any asset or income involved;
- (2) Whether such individual actually has or had access to such asset or income for the individual's own use; and
- (3) The period or periods when the individual actually had such asset or income.

## **VIII. PROCEDURES FOR RECORDS RETENTION AND DISPOSITION**

The Privacy Act requires that each matching agreement specify procedures for the retention and timely destruction of identifiable records created by a recipient agency or non-Federal agency in such matching program. 5 U.S.C. 552a(o)(1)(F).

OCSE will retain the file provided by the State Agency only for a period of time in accordance with 42 U.S.C. 653.

The State Agency will take the following measures for the retention and timely destruction of identifiable records created by OCSE in this matching program:

NDNH match results will be destroyed and the destruction reported to OCSE when data is no longer required for any processing related to the program, but in no case later than seven (7) years after the data match. Electronic files, (including backups) shall be erased. Electronic data shall be deleted.

## **IX. SECURITY PROCEDURES**

The Privacy Act requires that each matching agreement specify procedures for ensuring the administrative, technical, and physical security of the records matched and the results

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of such programs. 5 U.S.C. 552a(o)(1)(G). These procedures are specified in the Security Addendum to this matching agreement, and shall be taken and considered as a part of this agreement as if it were fully set out herein.

### **X. PROHIBITION ON DUPLICATION AND REDISCLOSURE OF RECORDS**

The Privacy Act requires that each matching agreement specify prohibitions on duplication and redisclosure of records provided by the source agency within or outside the recipient agency or the non-Federal agency, except where provided by law or essential to the conduct of the matching program. 5 U.S.C. 552a(o)(1)(H).

Records provided to the State Agency by OCSE shall not be duplicated or redisclosed within or outside the State Agency, except where required by law or essential to the conduct of the matching program. OCSE will not grant such authority unless the redisclosure is required by law or is essential to the matching program.

In the case of any such exception, the State Agency shall provide OCSE with written notification of such exception within 20 days of the State Agency's knowledge of the exception. The State Agency may permit such duplication or redisclosure of the records only upon approval by OCSE. In addition, the State Agency agrees to the following limitations on the access to, and disclosure and use of, the electronic files and information provided by OCSE:

- (1) That the match results, access to which is provided by OCSE as part of the matching program, will retain their character as NDNH data;
- (2) That the match results supplied by OCSE will be used only as provided in this agreement;
- (3) That the match results provided by OCSE will not be used to extract information concerning the individuals therein for any purpose not specified in this agreement.

### **XI. ASSESSMENT OF ACCURACY OF RECORDS**

The Privacy Act requires that each matching agreement specify information on assessments that have been made on the accuracy of records that will be used in the matching program. 5 U.S.C. 552a(o)(1)(J).

The data contained in the NDNH is reported to OCSE by state and Federal agencies. As part of its verification process, OCSE will ensure that the matched NDNH data on individuals pertains to the appropriate individual identified by the State Agency.

OCSE has determined, through prior matching operations with similar data, that the SSNs contained on state and Federal agency files are approximately 90 percent accurate. Based on internal consistency checks and SSN/name verification procedures, before a record is

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created the Department of Labor estimates that at least 90 percent of the name and SSN information on the State Agency's automated management information database is accurate.

### **XII. ACCESS TO RECORDS BY COMPTROLLER GENERAL**

The Privacy Act requires that each matching agreement specify that the Comptroller General of the United States may have access to all records of a recipient agency or a non-Federal agency that the Comptroller General deems necessary in order to monitor or verify compliance with this agreement. 5 U.S.C. 552a(o)(1)(K).

OCSE and the State Agency agree that the Comptroller General may have access to all records described above for the authorized purposes.

### **XIII. FURNISHING COPY OF AGREEMENT TO CONGRESS**

The Privacy Act requires that a copy of each matching agreement shall be transmitted to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Government Operations of the House of Representatives and be available upon request to the public. 5 U.S.C. 552a(o)(2)(A).

The State Agency and OCSE agree that a copy of this computer matching agreement shall be transmitted by OCSE to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Government Operations and available upon request to the public.

### **XIV. PERIODIC REPORTING OF PERFORMANCE OUTCOMES**

The Office of Management and Budget requires OCSE to periodically report measures of the performance of the FPLS, including the NDNH, through the Program Assessment Rating Tool (PART), Quarterly Management Scorecard, the Exhibit 300, and other mechanisms. OCSE is required to provide performance measures demonstrating how the system supports OCSE's strategic mission, goals and objectives, as well as the President's Management Agenda and cross-agency collaboration.

To assist OCSE in measuring and monitoring performance and reporting to OMB, the State Agency shall provide OCSE, through the Department of Labor (DOL), with a quarterly written description of the performance outputs and outcomes attributable to the State Agency's use of NDNH match results for the purposes set forth in this agreement. OCSE and DOL will establish the format and content of the report prior to the effective date of this agreement.

### **XV. EFFECTIVE PERIOD OF AGREEMENT**

This agreement shall become effective on July 1, 2005. At least 30 days prior to that date, OCSE shall publish a Computer Matching Notice in the Federal Register; and at

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least 40 days prior to that date OCSE shall send a matching program notice to the Congressional committees of jurisdiction under 5 U.S.C. § 552a(o)(2)(A); and to OMB. The agreement shall remain in effect for a period not to exceed 18 months, subject to renewal for a period of up to one year, as stated in Section V (C) of this matching agreement.

If either OCSE or the State Agency decides to discontinue this program, it shall notify the other of its intention to terminate the matching program at least 90 days before the end of the then-current period of the agreement. This agreement may be modified at any time by a written amendment to this agreement which is approved by both the State Agency and OCSE and by the HHS DIB.

### **XVI. REIMBURSEMENT FOR SERVICES**

Federal law provides that a state or Federal agency that receives information from the Secretary of Health and Human Services pursuant to section 453 of the Social Security Act shall reimburse the Secretary for costs incurred by the Secretary in furnishing the information, at rates which the Secretary determines to be reasonable, which shall include the costs of obtaining, verifying, maintaining, and comparing the information. 42 U.S.C. 653(k)(3).

OCSE has established a full-cost reimbursement methodology for calculating user fees for each state or Federal agency receiving data from the FPLS.

The State Agency and OCSE will execute an annual reimbursement interagency agreement for applicable, allowable costs that shall include direct and indirect costs (costs to collect, maintain, and produce the data), and user-specific costs, in accordance with the methodology employed by OCSE.

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## CONTACT PERSONS

The HHS/ACF/OCSE contact is:

Ms. Nancy Bienia  
Division of Federal Systems  
Office of Automation and Program Operations  
Office of Child Support Enforcement  
Administration for Children and Families  
Telephone: (202) 401-9274  
Fax: (202) 401-5558  
Electronic Mail: [nbienia@acf.hhs.gov](mailto:nbienia@acf.hhs.gov)

The [STATE AGENCY] contact for systems issues is:

NAME AND TITLE  
NAME OF AGENCY  
ADDRESS OF AGENCY  
Telephone:  
Fax:  
Electronic Mail:

The [STATE AGENCY] contact for program issues is

NAME AND TITLE  
NAME OF AGENCY  
ADDRESS OF AGENCY  
Telephone:  
Fax:  
Electronic Mail:

# DRAFT PENDING DIB APPROVAL

## SIGNATURES

In witness whereof, the parties hereby execute this agreement.

### OFFICE OF CHILD SUPPORT ENFORCEMENT

<b>Approved by (Signature of Authorized HHS Official)</b>	
<b>David H. Siegel</b> <b>Acting Commissioner, OCSE</b>	<b>Date</b>
<b>Approved by (Signature of Authorized HHS Official)</b>	
<b>Kerry Weems</b> <b>Chairperson, Data Integrity Board</b>	<b>Date</b>

NAME OF STATE AGENCY \_\_\_\_\_

<b>Approved by (Signature of Authorized State Official)</b>	
<b>Name</b> <b>Title</b>	<b>Date</b>
<b>Approved by (Signature of Authorized State Official)</b>	
<b>Name</b> <b>Title</b>	<b>Date</b>

For the State of \_\_\_\_\_, the information will be located at:

\_\_\_\_\_

The State of \_\_\_\_\_ will submit approximately

\_\_\_\_\_ records per submission

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## **SECURITY ADDENDUM**

### **The Department of Health and Human Services Administration for Children and Families The Office of Child Support Enforcement and the**

### **State Agencies Administering Unemployment Compensation Programs Under Federal or State Law**

#### **BACKGROUND**

Federal law grants the Secretary of the Department of Health and Human Services (HHS) discretion to disclose information maintained in the Federal Parent Locator Service (FPLS) to state agencies operating Unemployment Compensation programs under Federal or State law. 42 U.S.C. 653(j)(8).

The comparison of records authorized by the Social Security Act constitutes a “matching program” within the meaning of the Federal Privacy Act. 5 U.S.C. 552a(a)(8)(i). Federal law provides that no record contained in a system of records may be disclosed to a recipient agency or non-Federal agency for use in a computer matching program except pursuant to a written agreement including specified information. 5 U.S.C. 552a(o)(1).

The agreement, of which this addendum is a part, must specify procedures for ensuring the administrative, technical and physical security of the records matched and the results of the matching program. 5 U.S.C. 552a(o)(1)(G).

#### **PURPOSE AND EFFECT OF THIS SECURITY ADDENDUM**

The purpose of this addendum is to specify the safeguarding requirements that the Office of Child Support Enforcement (OCSE) and the State Agency will have in place to ensure the administrative, technical and physical security of the records matched and the results of the matching program. The State Agency will comply with the *Department of Health and Human Services (HHS) Information Security Policy*. The *HHS Information Security Policy* provides instructions and an explanation of HHS’s security requirements.

By signing this addendum, the State Agency agrees to comply with HHS’s security requirements. In addition, the use of such information is restricted to authorized purposes in accordance with 42 U.S.C. 653(j)(8) and the provisions of the Federal Privacy Act of 1974.

#### **SECURITY AND PRIVACY SAFEGUARDING REQUIREMENTS**

This section outlines the safeguarding requirements for receiving NDNH match results. The requirements are drawn from the *HHS Information Security Policy* and the OCSE Division of Federal Systems (DFS) *Security Requirements for Receiving Federal Parent*

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*Locator Service (FPLS) Data*, dated March 2005. The State Agency was provided a copy of the *HHS Information Security Policy* and the *Security Requirements for Receiving FPLS Data* on [DATE]. Additional copies are available upon request.

The security requirements are separated into administrative, technical and physical safeguards. These safeguards include:

### **ADMINISTRATIVE SECURITY REQUIREMENTS**

- OCSE is required by law to protect personal information from unauthorized use or disclosure. Title IV, Part D, of the Privacy Act, other Federal laws and OMB Circulars require OCSE to safeguard data. The State Agency will safeguard match results to ensure OCSE's compliance with these provisions.
- The State Agency will ensure that access to and disclosure of the match results will be restricted to only authorized personnel who need it to perform their official duties.
- The State Agency must establish and/or maintain ongoing management oversight and quality assurance capabilities to ensure that only authorized employees have access to NDNH match results.
- The State Agency must ensure that all persons who will access NDNH match results are advised of the confidentiality of the results, the safeguards required to protect the results, and the civil and criminal sanctions for non-compliance contained in the applicable Federal and State laws.
- The State Agency must establish security awareness training for employees that includes information about their responsibility for proper use and protection of NDNH match results, and the possible sanctions for misuse. Security awareness training should occur at least annually and should address the Privacy Act and other Federal and State laws governing use and misuse of protected information.
- The State Agency must ensure that non-disclosure oaths are signed by all personnel with approved access to the match results. The non-disclosure oath will outline the authorized purposes for the match results and the civil and criminal penalties for unauthorized use. The State Agency will maintain a record of users with access to the match results. The records will contain a copy of each employee's signed non-disclosure oath and proof of participation in security awareness training.
- The State Agency must have appropriate procedures in place to report incidents which involve NDNH match results. Incidents must be reported to OCSE no later than the next business day after discovery.

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## **TECHNICAL SECURITY REQUIREMENTS**

- The State Agency must utilize and maintain technological (logical) access controls that limit access to NDNH match results to only those users authorized for such access based on their official duties.
- The State Agency agrees to ensure that the NDNH match results will not be subject to browsing for NDNH records where the information is not related to a specific client case.
- The State Agency agrees to ensure the transmission and storage of all match results provided pursuant to this addendum in a manner that safeguards the data and prohibits unauthorized access. All data transmitted between the State Agency and OCSE will be via CONNECT:Direct.
- The State Agency must implement and maintain a fully automated audit trail system. At a minimum, data collected through the audit trail system must associate each query transaction to its initiator and each transaction must be time and date stamped.
- The State Agency must ensure that NDNH match results presented either alone or with other data are clearly identifiable as NDNH data.

## **PHYSICAL SECURITY REQUIREMENTS**

- The State Agency must ensure that all match results provided pursuant to this agreement will be stored in an area that is physically safe from access by unauthorized persons during duty hours as well as non-duty hours or when not in use.
- The State Agency must ensure that lists are maintained of persons authorized to access facilities and systems processing sensitive data. Access to facilities and systems is controlled wherever sensitive data is processed.
- The State Agency must ensure that reports and removable storage media containing match results will be labeled with "For Official Use Only."
- The State Agency must ensure that locks and other protective measures are used on doors and windows to prevent unauthorized access to computer and support areas.

## **SECURITY CERTIFICATION**

The State Agency must demonstrate its security posture before the match may be conducted. Demonstration of compliance with the security requirements outlined in this security addendum may be accomplished by submitting the following documentation to OCSE prior to commencement of the match:

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- The most recent independent security assessment (audit) conducted on the information system that will be processing the NDNH match results. The security assessment (audit) must have been conducted within the last three (3) years. (Some examples of an acceptable security assessment (audit) include a previous Internal Revenue Service Safeguard Review or an Independent State Security Review.)

If a current security assessment (audit) is not available, the State Agency will:

- Provide OCSE with the current system security plan for the information system processing the NDNH match results; and
- Within one (1) year of commencement of the NDNH match, perform an independent security assessment (audit) and provide OCSE with the results.

### **AUDIT REQUIREMENTS**

OCSE has the right to audit the State Agency or make other provisions to ensure that adequate safeguards are being maintained. Audits ensure that the security policies, procedures and controls are in place within the State Agency.

### **CONTACT PERSONS**

The HHS/ACF/OCSE contact is:

Ms. Nancy Bienia  
Division of Federal Systems  
Office of Automation and Program Operations  
Office of Child Support Enforcement  
Administration for Children and Families  
Telephone: (202) 401-9274  
Fax: (202) 401-5558  
Electronic Mail: [nbienia@acf.hhs.gov](mailto:nbienia@acf.hhs.gov)

The [STATE AGENCY] contact for security is:

NAME AND TITLE  
NAME OF AGENCY  
ADDRESS OF AGENCY  
Telephone:  
Fax:  
Electronic Mail:

# DRAFT PENDING DIB APPROVAL

## SIGNATURES

In witness whereof, the parties hereby execute this addendum.

### OFFICE OF CHILD SUPPORT ENFORCEMENT

APPROVED BY (SIGNATURE OF AUTHORIZED HHS OFFICIAL)	
NANCY BIENIA FPLS Information Systems Security Officer, OCSE	DATE

APPROVED BY (SIGNATURE OF AUTHORIZED HHS OFFICIAL)	
DAVID H. SIEGEL Acting Commissioner, OCSE	DATE

NAME OF STATE AGENCY \_\_\_\_\_

APPROVED BY (SIGNATURE OF AUTHORIZED STATE OFFICIAL)	
NAME Security Officer	DATE

APPROVED BY (SIGNATURE OF AUTHORIZED STATE OFFICIAL)	
NAME Title	DATE