

E-Business Solutions between State Workforce Agencies, Employers and Their Agents

*A standards development effort would pave the
way for effective, high volume systems*

NASWA UI Technology Connection Conference

Whitefish, MT June 8-12, 2003

Leaders Needed!
Why Standards Make a Difference

- Data Format and Interchange Standards
 - States could require all agents to use one standard media and format for each relevant transaction
 - Chicken and Egg Issue
 - Employers/agents will use anything accepted by many states
 - States will accept electronic formats that are widely used by employers/agents
 - Standards reduce costs and workload for all
 - But requires planning and coordination

Why Start with Third Party Agents?

“Low-Hanging Fruit” Opportunity for SWA’s

- A Handful of Employer Agents handle 1/3 of the transactions in their respective fields
 - Payroll/Tax Filing Services
 - Over one million employers – one-third of the private sector workforce - outsource tax filing
 - UI Claims Administrators
 - 30 - 40% of UI claims
 - Professional employer organizations
 - Accounting Firms

Why Now?

Unprecedented Opportunity

- ITSC Report on Data Exchanges identified many opportunities for improvement
- Government has made great progress with Internet technology in recent years
- IRS just finalized XML standards for employment tax reporting
 - IRS XML standards provide a basis
- Enough state applications have been demonstrated
 - Time to consider what makes sense without jeopardizing prior state I.T. investments

ITSC Report – June 2001

- **Analysis of Third-Party Vendor Data Exchange with SESAs**
 - http://www.itsc.state.md.us/ITSC/delvrbles/Deliverables_2001.htm
 - Project O-3
- **Efficiency Issues**
 - Limited capacity to route mailings to multiple locations
 - Delays/costs associated with mailings
 - Workload/costs with paper-based exchanges
 - Diverse exchange methods over multiple third-parties

Existing SWA Data Exchanges

- No predominate mechanism used for exchange of information.
 - Paper-based exchange is widely used
 - Formats and required information are very diverse
- Short-term solutions are limited
 - Change operational practice
- Long-term solutions for improving third-party vendor data exchanges can be developed with planning and effort.

ITSC Recommendations

- Each agency should analyze its data exchanges to identify high-impact improvements
- Consider email for information exchange
 - Develop email server applications to manage
- Conduct a data exchange conference with SWAs, employers and vendors to discuss issues and common approaches to enhance the data exchange process.
- Develop standards (eXtensible Mark-up Language [XML]-based) for classes of tax and claims data exchange.

Two Major Design Alternatives

1. Bulk Transmission

- **Standard formats for routine items**
 - E.g., UI Claim notice/response
 - Daily outbound/inbound exchange
 - Mimics today's correspondence model

2. Draw participants into secure server

- **E-mail notice of pending transactions**
 - Hyperlink to connect to password protected area
 - All transactions for clients of Agent XYZ
- **Access & respond**
 - With XML download so employers have a copy of the item and their response
- **Both Solutions May be Necessary**

UI Claim Applications

- **Notices and Employer/Agent Responses**
 - Initial, Reopened and Base Period Claims
 - Additional information Inquiries
 - Determinations and Redeterminations
- **Employer Account Notices & Responses**
 - benefit charge statements
 - tax rate calculations
 - voluntary contribution notices
 - account status statements
 - routine correspondence

Control Issues

- **Confirmation/trace numbers**
 - **May require header/trailer-type information to confirm receipt of all data sent**
 - e.g., number of bytes/ transactions
- **Back-up Systems (paper/fax etc)**
- **How to send attachments**
 - **IRS: XML “can do” for tax returns**

Secure e-mail

- Registration by participants
- E-mail to notify participants of transactions
 - Hyperlink to a secure SWA server
 - View, print notices, complete electronic forms...
 - Provide wage and separation data
 - Respond to benefit audits
 - Resolve account inquiries/problems
 - SWAs benefit from the immediate response, improved accuracy, workload reduction

Current UI E-Applications

- **Claim Notices**

- CA, Host to Host (one way DE1545)
- IL, Host to Host (one way BIS 0032)
- MD, Electronic File (two way OUI 207)
- MI, Magnetic Tape (UA 1575E WR)
- NJ, Host to Host (one way BC 28 and BC 3E)
- TX, EDI (two way BE 100)

- **Benefit Charge Statements**

- Magnetic Media – CA, DC, IL, LA, MD, MI, NV, NC, OR, TN, VA, WA, WV
- Electronic File – NJ, NY, PA, TX, WI

Enhancing current E-successes will increase efficiency

E-Business Benefits to State Workforce Agencies

- Reduce volume of paper and associated costs
- Improve timely data delivery/response
- Reduce human error factor
- Improve quality and speed of service
- Reduce overpayments/fraud
- Other Potential Applications
 - Tax Credit Authorization (Electronic 8850, 9061)
 - WOTC, WTW

UI Wage/Tax Filing Applications

- Pre-filing services improve data quality
 - Validation of client data
 - Clients occasionally provide incorrect information
 - state employer identification numbers
 - Critical elements change, e.g., tax rates
- Accuracy varies directly with degree of participation
 - Wide range of results (.002 to .059)
- Non participating and/or paper based states have error rates up to 30 times higher

Wage/Tax Filing: Typical Problem Areas

- Filings with no identification number
 - Employers in “Applied For” status (4 - 6%)
- Misposting - incorrect ID or other element
 - Wide range of results: .03% to 8.0%
- Filings for inactive accounts
- “Zero” filings for live accounts that change processors with no notice

Starting Point?

What application is common to all Agents & States?

- **Agents send client lists to all states**
- **Powers of Attorney**
 - High volume – est. 500,000 annually
 - Currently paper listings, POAs
 - States track authorizations
 - Mostly keypunch into state systems
 - Slow, error prone, expensive
- **Process and data elements are identical across all states, all types of agents**

Electronic Notice of POA

- Standardize and replace other diverse existing data exchanges
 - Not just client lists/authorization information
 - E.g., Verification of current UI tax rates, assigned state employer identification number, etc.
- Eliminate Paper Power of Attorney
 - Memorandum of Understanding
 - Between SWA and Employer Agents
 - Agent maintains paper copy of POA
 - SWA audit by requesting copies at random

Proposed Standard For Reporting Power of Attorney (POA) Information

- Basic standard “Notice of Power of Attorney” has been approved by AUTO and NPRC
- Elements
 - Agent
 - Employer
 - Scope of the POA
 - subject matter; e.g., employment tax filing, claims
 - Effective date or time periods
 - Action requested

Recommendation

- Establish a work group (DOL, ITSC, NASWA, Employers, Agents)
 - Consider technical standards
 - Build on recent IRS XML progress
 - Include all employer interactions
- Consider ITSC Recommendations
- *It makes sense for SWA's to support E-Business design solutions that increase efficiency and reduce costs through recognition of employers and intermediaries as important customers and stakeholders in tax reporting and other data exchanges.*

Sidebar Issue: UI Fraud

- 2002 Explosion in UI Fraud
- Organized Crime finds remote UI Claims initiation systems (Internet and phone) easy to defeat
- How are you compensating?
 - Claimants do not appear in person with ID

Authentication in Remote Claims

A significant vulnerability

- Organized crime ring(s) draining UI funds
 - Evolving rapidly in knowledge of state systems
 - Stolen employment data (e.g., payroll reports)
 - Files outside of employer state
 - False last and base period employers in still other states
 - States can not investigate claimants who are out of state
- USDOL Integrity Conference concluded:
 - *This is now a franchise*
 - *Coming soon to your state.....ready?*

Authentication in Remote Claims

Solutions Exist

- Ask for Verifiable Data
- SSA: name, birthdate match SSN
 - Mother's maiden name
- DMV: name, SSN, date of birth, address
 - must prove ID in person to get a drivers' license
- VA: 91% successfully validate against DMV; someone calls the other 9%
 - if unclear, must come in with two forms of ID
- VA validates gender, race, mailing address
 - Easy questions - "Ever filed for UI before?"

Authentication in Remote Claims

Solutions Exist

- Record originating IP address or phone number for each remote claim
 - Flag multiple claims filed through the same IP address/phone
- NJ - IP address can get to physical address associated with IP address if needed
 - This shut down claims filed from prisons
- WA - two phone numbers initiated 6,000 claims in a month
- Cross-match claims against addresses (ZIP)

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