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Committee on Ways & Means

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Protecting the Safety Net from Waste, Fraud and Abuse

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Good morning Chairman Boustany, Ranking Member Doggett, and distinguished Members of the Subcommittee. My name is Debra Rohlman and I serve as Vice President of Government Sales Solutions and Client Relations for Equifax Workforce Solutions. I appreciate the opportunity to appear before you today and provide information related to the employment and income verification services that Equifax Workforce Solutions provides to state and federal agencies to assist in their administration of public assistance programs. The verifications services we provide to these programs help state and federal agencies make eligibility determinations, reduce improper payments, improve service, and increase staff efficiency. Government agencies that administer public assistance to individuals and families use our verifications services to independently confirm applicant-provided information, identify missing or incomplete income data, and reduce program fraud.

EQUIFAX WORKFORCE SOLUTIONS

When people hear the name Equifax, many think of us as the company that provides credit reports to their lenders when they apply for a new mortgage, refinance their current mortgage, buy a new car or try to obtain a new credit card. I am here to discuss Equifax Workforce Solutions, which is a subsidiary of Equifax, but is separate from the credit reporting business. This business unit is employed by over 8,200 human resources departments and is the leading employment and income verification service in the country. Equifax Workforce Solutions provides human resource data, analytic services, and verifications of employment and income to both the public and private sectors. We manage unemployment claims, tax matters, and employment and income verification services for over 75% of the Fortune 500 companies. We also provide other outsourced human resources functions, such as I-9 compliance and management, W-2 and payroll processing, workforce analytics, and employee onboarding.

THE WORK NUMBER

Our automated employment and income verification service is provided through our proprietary database known as The Work Number®. The Work Number delivers a streamlined, secure, and timely transfer of information between employers and verifiers that ultimately benefits the consumer by accelerating the decision process on their loan or government benefit, while freeing the employer from the disruption of verification requests. Over 4,600 employers, including the majority of Fortune 500 businesses and most of the federal civilian agencies, contribute their payroll information to the database at each pay period, entrusting Equifax Workforce Solutions to provide critical human resources functions on their behalf.

Equifax Workforce Solutions operates in a closely regulated environment in accordance with federal law and explicit consumer consent must be provided before we verify their income.

When a consumer seeks a loan for housing or auto, or fills out a credit card application, the lender often requests verification of the applicant's employment and income. Without The Work Number database, the lender would typically contact the Human Resource department of the consumer's employer for that information – often suspending the consumer's financial transaction until the necessary data is confirmed. The Work Number allows lenders to verify employment and income without contacting the employer directly, speeding up the verification process and reducing the burden on the employer. The process also benefits consumers, because consumers can obtain more ready access to credit and to the services for which they have applied, without delays caused by having to manually obtain paystubs and provide them to lenders.

Additionally, The Work Number service is utilized by state and federal government agencies as they seek to verify eligibility for government public assistance benefits. Benefits such as the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance to Needy Families (TANF), Children's Health Insurance Program (CHIP), Medicaid, Unemployment Insurance (UI), Supplemental Security Income (SSI) and housing assistance require a social services agency to determine that a consumer meets the program's eligibility requirements. The Work Number provides an efficient solution to government agencies as they process applications for government benefits.

Equifax Workforce Solutions requires its public sector verifier clients, other than child support enforcement agencies¹, to obtain the applicant's consent for the verification of his or her income. The consumer will typically sign his or her consent in the application documents. This consent process goes beyond FCRA requirements and provides the consumer with increased transparency and awareness that their income will be further verified when applying for these government benefits.

FAIR CREDIT REPORTING ACT

The Work Number database of employee payroll information is a completely separate operation from the division of Equifax that manages its credit bureau data. The two information sources are kept separate and data stewardship rules dictate how the information is handled within each organization. Both data sources,

¹ See *FCRA Section 604(a)(4)(5)*

however, are compliant with all applicable federal and state regulations, including the federal Fair Credit Reporting Act (FCRA) and both are protected by globally recognized standards for information security and data management.

Equifax Workforce Solutions is a “consumer reporting agency”² as defined by the FCRA when it provides services that rely upon The Work Number database. Automated verifications of employment and income provided by Equifax Workforce Solutions through The Work Number are “consumer reports”³ and regulated by the FCRA. The verification of a consumer’s employment and income in determining a consumer’s eligibility for government benefits is a “permissible purpose” and is authorized under FCRA Section 604. This section of the law allows a consumer reporting agency to furnish a consumer report under the following relevant circumstances:

- (a) (3) To a person which it has reason to believe –
 - (D) intends to use the information in connection with a determination of the consumer’s eligibility for a license or other benefit granted by a governmental instrumentality required by law to consider an applicant’s financial responsibility or status.

As part of our FCRA compliance obligations, Equifax Workforce Solutions requires the credentialing of all verifier clients and we obtain certifications that The Work Number data will only be used for permissible purposes as allowed under the FCRA. Equifax Workforce Solutions also provides consumers the ability to obtain an annual free copy of their “Employment Data Report,” our Workforce Solutions employment and income data file, and a process to dispute any inaccuracies they may find in their data within the report.

In addition to the permissible purpose requirements contained within the FCRA, Equifax Workforce Solutions requires consumer consent in most cases for a verifier to receive income information from The Work Number. Typically, the consumer would provide explicit consent to independent verification of the information that he or she provides in their application for benefits. Verifiers are also subject to potential audits during which they are required to show proof of consumer consent.

GOVERNMENT EXPERIENCE

² *FCRA Section 603(f)*

³ *FCRA Section 603(d)(1)*

As I mentioned earlier, state and federal government agencies utilize Equifax Workforce Solutions to verify consumers' employment and income to help determine their eligibility for government benefit programs. As of 2012, one in three Americans lived in households that received some kind of means-tested government benefit⁴. Equifax Workforce Solutions provided over 18 million verifications to government entities in FY 2014, including agencies in all fifty states and Washington, D.C. We help these agencies by providing employment and income data for applicants of various programs such as SNAP, TANF, Medicaid, UI, and SSI, as well as for child support enforcement, and state and local housing subsidies. Government agencies that administer public assistance to individuals and families use The Work Number to verify applicant-provided information, identify missing or incomplete income data, and reduce program fraud.

To illustrate how we work with states, I would highlight our work with Louisiana, where, since 2007, Equifax Workforce Solutions has supported Louisiana's Department of Children and Family Services (DCFS) and the Department of Health and Hospitals (DHH) to provide income verifications of applicants for the state's public welfare programs (SNAP, TANF, Child Support, and Medicaid). Caseworkers for these programs access The Work Number through a secure web-based platform for real time information regarding an applicant's current employment status and payroll income. The Work Number also provides an integrated solution to DCFS to assist with their redetermination program for SNAP benefits.

At the federal level, agencies such as the Centers for Medicare & Medicaid Services (CMS) utilize The Work Number for income verification services. For example, CMS contracts with Equifax Workforce Solutions to provide real-time income verification to help CMS determine eligibility for Medicaid, CHIP, premium tax credits, and reduced cost sharing under the Affordable Care Act. Equifax has been under contract with CMS since April of 2013 to verify employment status and income for Americans who have applied for subsidies through the federal and state health insurance marketplaces, or exchanges.

UI/SSI PROGRAM INTEGRITY

State and federal agencies rely on The Work Number as a means to improve program integrity and prevent waste, fraud, and abuse in their benefits programs by helping to identify beneficiaries that may not be eligible for these benefits based on employment status or income. Two of the federal government's largest

⁴ *United States Census Bureau*

assistance programs are the Department of Labor's UI program and the Social Security Administration's SSI program.

UNEMPLOYMENT INSURANCE

Equifax Workforce Solutions' unemployment compensation management solution helps employers navigate the complexities of varying state unemployment program laws and compliance requirements through claim, hearing, benefit charge, and tax services.

In recent years, we have expanded our focus and initiatives to include UI Integrity, heeding the Department of Labor's call to action that "everyone owns integrity," recognizing the added pressures on state workforce agencies to reduce improper payments. Meanwhile, we strive to help the employers we serve to better understand what the government is doing to improve the UI program and bring benefit overpayments under control because it is the employers' federal and state taxes that fund the program.

Equifax Workforce Solutions acknowledges the progress of state workforce agencies, yet we recognize the challenges posed by lack of resources, technology, and data as they attempt to further reduce improper payments. We regard state and federal UI program leaders as unique partners. Working together on service efficiencies, and a mutual understanding of needs and challenges, Equifax paved the way for collaborative program integrity efforts like the State Information Data Exchange System (SIDES). SIDES is a web-based system that allows electronic transmission of information requests from UI agencies to employers and/or Third Party Administrators, as well as the transmission of replies containing the requested information back to the UI agencies, creating a more accurate and efficient program. Equifax Workforce Solutions is an original business partner on the SIDES initiative, which is a core strategy of the Department of Labor to reduce improper payments. Currently, we exchange SIDES files with UI agencies in 36 states, with 5 additional states set to launch by the end of Q2 2015. In order to help further reduce improper payments in every state, Equifax asks that Congress encourage the Department of Labor to mandate all states implement the SIDES project.

Equifax Workforce Solutions has also been a partner in new program integrity strategies and pilot projects with the Department of Labor and state workforce agencies, such as Integrity Cross Match which cross-matches UI benefit payments against earnings data. Current tools to detect benefit overpayments, such as

quarterly wage data and data from the national Directory of New Hires, produces significant savings to state UI Trust Funds. However, data gaps and slow turnaround time may be preventing a higher potential for savings. Using The Work Number data to complement these data sources, agencies can detect overpayments earlier and verify income instantly, ultimately improving program integrity. Initial results of pilot projects in detecting overpayments earlier in the process have been promising.

Despite the positive results that programs such as SIDES and Integrity Cross Match have had in reducing improper payments, according to the Department of Labor's Benefit Accuracy Measurement (BAM) program data, the overpayment rate was over 11%, nationally in 2014. Equifax Workforce Solutions believes there are additional UI program areas where Congressional support for nationwide change and for collaboration between states and our organization can continue to help identify and drive down overpayments and fraud earlier in the process.

One area where change is needed is the frequency in which benefit charges against employers' unemployment accounts are issued. Our data indicates improper payments, including fraud, are more easily identified and more quickly addressed when state UI agencies provide benefit charge statements with a weekly breakdown of data versus cumulative quarterly data, or in some instances, in an annual data format. For UI integrity purposes, this could be "low-hanging fruit," since currently only 15 states issue charges weekly or with weekly detail. Erroneous payments made to individuals collecting benefits and wages in the same week is a leading cause of improper payments. The ability to halt erroneous unemployment payments earlier in the process would benefit state agencies and the UI Trust Fund. We welcome the Committee's support in requiring all states to provide weekly UI benefit charge detail.

A second area where improvement opportunity exists is the format of wage audit and earnings verification forms. The majority of UI agencies require wage data be provided in a weekly, Sunday through Saturday format. In reality, this is not a common payroll frequency and often results in burdensome recalculations by employers, incorrect data being provided to UI agencies, or simply noncompliance to the earnings verification request. Employers do not wish to be non-responsive to earnings verification requests, but are hampered by UI rules and processes grounded in outdated logic. If UI agencies would accept wage information in an employer's customary format on the initial earnings wage audit, and pursue a detailed breakdown only on actual fraud cases, compliance with wage audits and earnings verification requests would

improve. We would encourage the Committee to affect change towards solutions that consider more traditional payroll systems, verification databases, and technology.

Looking forward, we expect that the Department of Labor's 2014 data on improper payment rates, which lists more than half the states with overpayments above 11%, will put renewed pressure on state and federal UI program leadership to drive down these figures through strategies to eliminate improper payments. Equifax Workforce Solutions welcomes any support that the Committee can offer to remove the challenges facing state and federal agency leadership so that we may continue to collaborate on projects and initiatives like SIDES, Integrity Cross Match and more that will lead to program integrity success for government stakeholders and for business, whose tax contributions fund UI administration and benefits.

SUPPLEMENTAL SECURITY INCOME

The Social Security Administration (SSA) contracts with Equifax Workforce Solutions to verify past and current wages of individuals applying for or currently receiving Social Security Retirement, Survivors and Disability Insurance benefits and SSI benefits. In 2012, Equifax Workforce Solutions was awarded a five year contract to supply current and real time employment and income verifications to the SSA's Supplemental Security Income Division to assist in reducing improper payments, improving program integrity, and reducing administrative burden within their 13 regional offices. Today, over 25,000 individual staff members in over 50 offices nationwide access The Work Number daily to verify and validate income for SSI eligibility and annual program redetermination. All data returned to the SSA from The Work Number is refreshed with each contributing employer's payroll cycle and is instantaneously made available to the SSA and their entire verifier community. Based on incoming data requests to date, we expect the SSA to receive approximately 1,000,000 successful independent income verifications in 2015. Furthermore, Equifax Workforce Solutions has the bandwidth to accept and handle millions more additional verifications, allowing it to easily scale and grow as the SSA's demands increase.

In regard to the current SSI verifications process, Equifax believes there are two areas that can be improved. First, SSI verifications are currently performed by a manual, per-applicant basis that is both labor and time intensive. Equifax would welcome the Committee's support in expanding the SSA's use of commercial databases to allow batch verifications of applicants, instead of the current per-applicant process. The Work Number's batch system would allow the SSA to upload and verify millions of cases in a single file

submission each and every month. This batch process would ensure that every SSI applicant is being checked on a monthly basis for any changes to their employment or income and therefore preventing potential improper benefit payments from occurring. Second, due to statutory limitations, Equifax is only permitted to verify and validate income for SSI eligibility at initial application and for redetermination on an annual basis. Because an applicant's job status can change a number of times throughout a year, Congress should consider passing legislation that would allow the SSA to verify income with a third party database on a monthly basis, instead of annually. These two improvements would allow the SSA to automate and expand the verifications process, resulting in a more efficient program. The administration has also taken an increased interest in improving the SSI verifications process, as seen in the President's 2016 budget, where he has proposed to increase the SSA's use of commercial databases to verify wages for SSI and is looking to Congress to take action.

DO NOT PAY INITIATIVE

In addition to our work with UI and SSI, The Work Number is also integrated with the U.S. Department of Treasury's (Treasury) Do Not Pay (DNP) portal, a national registry that is intended to help government agencies uncover fraud and reduce the number of improper payments made by federally funded programs. DNP was initially established as a one-stop shop to allow state and federal agencies to check various databases, including The Work Number, before making payments or awards in order to identify ineligible recipients and prevent fraud or errors from being made while ensuring efficient payments to valid recipients. The DNP portal was designed to be a tool for verification. There is a common misconception that DNP will tell agencies who they should not pay. Rather, the portal will provide access to a number of databases containing information that, when compared to agency payee data, helps agencies determine whether they should pay certain consumers.

Unfortunately, DNP was recently put on hold and is currently not operational due to two statutory discrepancies Treasury has identified with the original 2012 law. First, states are prohibited from utilizing the portal in their administration of federal benefits because of statutory privacy protections. Second, agencies that utilize the portal must contract separately with third party databases included in the portal, preventing the portal from being the one-stop shop it was intended to be. In order for DNP to work as originally intended, Congress must pass legislation that will address these issues. Legislation has been recently introduced by Representatives Mulvaney and Bustos in the House (H.R. 2320) and by Senators

Johnson and Carper in the Senate (S.614). These bills aim to provide the technical fixes to the DNP law that Treasury needs to get the portal back on track.

In order to encourage states to use DNP, Treasury pays for each state to access the portal, which includes access to The Work Number. Prior to DNP being put on hold, Equifax Workforce Solutions and DNP partnered to provide state workforce agencies access to real-time employment and income verifications from The Work Number database. The Work Number receives employment and payroll data directly from employers in real-time and therefore can alert states when a UI recipient goes back to work, thus preventing a potential overpayment of UI benefits. In 2014, three states (Arizona, Utah, and Colorado) were initially identified to develop a matching process to prevent fraud and overpayments in their unemployment insurance programs. The Department of Labor is aware of this project and has encouraged states to be proactive in using The Work Number's income data to prevent improper payments, however due to the technical issues previously mentioned, these programs have been placed on hold until Congress can take action.

CONCLUSION

The relationship between Equifax Workforce Solutions and government administered public assistance programs has proven successful in preventing waste, fraud, and abuse throughout these programs, however there is still room for improvement. In closing, Equifax recommends that the Department of Labor require or incentivize all states to implement the SIDES project to help further reduce improper UI payments and encourage states to provide weekly UI benefit charge detail. We also suggest Congress to consider legislation that would allow the SSA to verify the income of recipients of SSI on a monthly basis to determine eligibility and expansion of the SSA's use of commercial databases to permit batch verifications of SSI applicants, instead of the current per-applicant process. And finally, we ask Congress to support current legislation that would provide technical fixes to DNP, allowing the portal to operate as originally intended. Equifax Workforce Solutions stands committed to helping state and federal agencies make eligibility determinations, reduce improper payments, improve service, and increase overall program integrity. Thank you for the opportunity to testify and I welcome your questions.