

Office of the Secretary of State

Jeanne P. Atkins
Secretary of State

Robert Taylor
Deputy Secretary of State



Audits Division

Mary Wenger
Interim Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255

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Kay Erickson, Acting Director
Oregon Employment Department
875 Union St. NE
Salem, Oregon 97311

Dear Ms. Erickson:

We received a hotline call alleging that Oregon Employment Department's (Employment) wage information was not accurate and, therefore, could produce errors in conclusions, services, or benefits depending on how the data is used. We investigated the allegation and found there was some validity to the allegation if agencies using the wage information were not aware of limitations of the information.

Background

Wage information is collected in an Employment information system (system) from quarterly reports employers file with Employment. Employers doing business in Oregon submit a report listing wages paid to employees by employee name and social security number (SSN). The first time that an employee earns wages in Oregon, a record is created in the system with the information reported by the employer. Each subsequent quarter that the employer reports wage information to Employment, wage amounts are recorded to the employee's record. This information can be viewed by authorized staff through the system's WAGE screen.

The wage information Employment gathers is used, in part, for determining Unemployment Insurance Benefit amounts for individuals when they become unemployed. The system is programmed to compare information from each employer's quarterly report to the existing records of employee name and SSN. If there is a mismatch, that quarter's wage information is recorded to a different file in Employment's system, called the Questionable Wage or QWage file. There are various reasons that result in information being written to the QWage file. Some examples include an employee has a name change; an employer spells an employee's name incorrectly; or more than one individual is using the same SSN.

When an individual applies for unemployment insurance (UI) benefits, Employment staff view the WAGE screen and can see if there are questionable wages in the QWage file associated with the SSN provided by the claimant. At that time, QWage information is researched and all applicable wages associated with the claimant are reconciled and appropriately reflected on the WAGE screen. Until an individual files an UI claim, Employment does not generally research the information stored in the QWage file, primarily due to resource limitations. The UI program is funded by employer payroll taxes and, under normal economic conditions, claims are paid with these payroll taxes. There are restrictions on how UI funds may be used. Employment does not believe federal regulations permit the use of these funds for purposes

unrelated to claims, such as researching the QWage information in the absence of a UI claim or examining whether appropriate employer taxes were paid.

Other entity uses of wage information

Employment has data sharing agreements with state agencies, boards, and housing authorities that have a business purpose for using wage information. We reviewed 15 of Employment's agreements in place as of March 2015. Some state entities have multiple agreements with Employment for use of wage information by divisions or operational units within their agencies. As a result, nine agencies and boards held 15 agreements we reviewed. We interviewed staff at the nine entities. We found most agreements did not include access to QWage information. Some business purposes for which agencies used the WAGE screen information included identifying employers associated with an employee for workers' compensation matters, verifying the reasonableness of self-reported wages by an individual, verifying individuals receiving UI benefits, reviewing information for debt collection efforts, and performing economic analyses.

Limitations of the wage information

There are several reasons why wage information may not be complete or accurate for business purposes of users other than Employment. First, quarterly wage information from employers is due 30 days after the end of a quarter, resulting in the information available on the WAGE screen to lag behind real time.

In addition, the Wage file generally only includes wages from employers doing business in Oregon. As a result, an employee with wages in a neighboring state, such as Washington, Idaho, or California, may not be reflected in the system. Wages from a federal agency also may not be reflected in the system. However, if an individual is receiving UI benefits, then out-of-state and federal wages are likely to show up in the system because the UI eligibility determination process identifies and records those wages.

Finally, there can be instances when the Wage file is not complete, such as when an employer mistypes an employee name. This causes a mismatch resulting in the quarterly wages to be saved to the QWage file rather than reflected on the WAGE screen.

Considerations for Employment

Our review did not include procedures to determine the sufficiency or adequacy of data sharing agreements Employment has with state agencies or other entities. During our review, however, we observed some circumstances we believe warrant consideration by Employment management:

- Most of the agreements we reviewed included a clause disclaiming warranties, limitations, or liabilities related to the use of information, but did not specifically cite the limitations of the data. Furthermore, a July 2015 agreement Employment entered into with the Department of Human Services (DHS) Office of Financial Services excluded this clause altogether. State agencies and other entities use the data for a variety of business purposes and may not be aware of the distinct limitations of the wage information if used beyond Employment's business purposes. Most of the individuals we interviewed were aware of the time lag, but may not be aware of other limitations of the data. To minimize the risk of other users making decisions and

conclusions based on data that may be unsuitable for their purposes, **we recommend** Employment management consider citing in its agreements the specific limitations of the data.

- Employment has several agreements with DHS and OHA, most of which are for very specific business purposes related to a specific division or unit. We found one agreement with a DHS unit to provide a quarterly data file of specific SSNs for purposes of analyzing program successes. However, some individuals in this unit also had access to the WAGE screen, which was not covered by the agreement. When we asked Employment management whether the individuals were covered by any other agreement with DHS, the manager said no other agreement would have given these individuals access to the WAGE screen. Oregon Revised Statute 657.665 provides for the confidentiality of Employment information and prescribes specific purposes for which other entities may use the data pursuant to Section 303 of the Social Security Act. Employment could lose funding if wage information is not adequately protected or is used for purposes other than those allowed by law. To help ensure wage information is protected and used only for the purposes allowed, **we recommend** Employment review all individuals with access to wage information, and review all agreements allowing access. Employment should take action necessary to remedy unauthorized access, if any. Employment should also strengthen controls related to data sharing to ensure only authorized individuals are granted access to wage information in the future.

We appreciate your staff's time and cooperation during this review. If you have any questions, please contact Melaney Scott, Lead Auditor, or Dale Bond, Audit Manager, at (503) 986-2255.

Sincerely,

Office of the Secretary of State, Audits Division

cc: David Gerstenfeld, Unemployment Insurance Assistant Director
Lisa Upshaw, Internal Auditor
Clyde Saiki, Interim Director, Department of Human Services
Lynne Saxton, Director, Oregon Health Authority
Dave Lyda, Chief Audit Officer, Department of Human Services
Brad Avakian, Labor Commissioner, Bureau of Labor and Industries
Ruby Jason, Executive Director, Board of Nursing
James Denno, Administrator, Construction Contractors Board
Ellen F. Rosenblum, Attorney General
Elizabeth Boxall, Administrator, Landscape Contractors Board
Margaret Van Vliet, Director, Oregon Housing & Community Services
Steven P. Rodeman, Executive Director, Public Employees Retirement System

APPENDIX
List of Agencies Interviewed

Board of Nursing
Bureau of Labor and Industries
Construction Contractors Board
Department of Consumer and Business Services
Department of Human Services
Department of Justice
Landscape Contractors Board
Oregon Health Authority
Oregon Housing and Community Services Department
Public Employee Retirement System