

**CURBING FEDERAL AGENCY WASTE AND  
FRAUD: NEW STEPS TO STRENGTHEN THE  
INTEGRITY OF FEDERAL PAYMENTS**

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**HEARING**

BEFORE THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

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MAY 8, 2013  
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# CONTENTS

	Page
Opening statements:	
Senator Carper .....	1
Senator Coburn .....	4
Senator Enzi .....	21
Senator Tester .....	23
Senator McCaskill .....	28
Prepared statements:	
Senator Carper .....	45
Senator Coburn .....	52

## WITNESSES

WEDNESDAY, MAY 8, 2013

Hon. Daniel I. Werfel, Controller, Office of Federal Financial Management, Office of Management and Budget .....	7
Hon. Patrick P. O'Carroll, Jr., Inspector General, U.S. Social Security Administration .....	9
Richard L. Gregg, Fiscal Assistant Secretary, U.S. Department of the Treasury .....	10
Daniel Bertoni, Director of Education, Workforce, and Income Security Issues, U.S. Government Accountability Office .....	12
Marianna LaCanfora, Acting Deputy Commissioner for Retirement and Disability Policy, U.S. Social Security Administration .....	14

## ALPHABETICAL LIST OF WITNESSES

Bertoni, Daniel:	
Testimony .....	12
Prepared statement .....	69
Gregg, Richard L.:	
Testimony .....	10
Prepared statement .....	66
LaCanfora, Marianna:	
Testimony .....	14
Prepared statement .....	80
O'Carroll, Hon. Patrick P. Jr.:	
Testimony .....	9
Prepared statement .....	60
Werfel, Hon. Daniel I.:	
Testimony .....	7
Prepared statement .....	54

## APPENDIX

Charts submitted by Senator Carper .....	48
Responses to post-hearing questions for the Record:	
Mr. Werfel .....	85
Mr. O'Carroll .....	94
Mr. Gregg .....	101
Mr. Bertoni .....	113
Ms. LaCanfora .....	117



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**WEDNESDAY, MAY 8, 2013**

U.S. SENATE,  
COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 10:01 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Thomas R. Carper, Chairman of the Committee, presiding.

Present: Senators Carper, McCaskill, Tester, Coburn, Enzi, and Ayotte.

**OPENING STATEMENT OF CHAIRMAN CARPER**

Chairman CARPER. This hearing will come to order. Welcome. We are happy to welcome all of you here today.

This hearing will focus on the very high levels of improper payments made by Federal agencies as well as our efforts to curb those wasteful and sometimes fraudulent payments.

As everyone or almost everyone in the room knows, we have faced record budget deficits in recent years. Our national debt stands at about \$16.8 trillion, well over double what it was just 10 years ago. The last time the debt was this high was at the end of World War II. That level of debt was not sustainable then. It is not sustainable today. While we are beginning to see reports showing an improving financial situation, our country clearly has plenty of work to do on this front.

These budgeting challenges require a comprehensive, bipartisan approach. They require us to make tough decisions with respect to both spending and revenues and also with respect to entitlements. They should also force us to take a tough and honest look at how we can better manage the resources taxpayers entrust to the Federal Government and demand that we find ways to get better results for less money or better results for the same amount of money.

One of this Committee's main responsibilities and one of my top goals as Committee Chair is to demand, through better management of government programs, that agencies deliver better services to the American people, that we do so more efficiently, and we do so wherever possible at a lower cost.

I will continue to work with Dr. Coburn and our colleagues and the Administration to ensure that Federal programs across govern-

ment are improving key management functions, monitoring results, and finding ways to do more with less in almost everything we do. A key part of these efforts will involve program managers sharpening their pencils and stopping the kind of expensive, avoidable mistakes that lead to improper payments.

Before going any further, let me just take a minute and say I think it is important first to explain what it means for a Federal agency to make improper payments. As you will recall, an improper payment occurs when an agency pays a vendor for something—it could be a medical procedure or a piece of equipment, for example—that it did not receive, or maybe even pays them twice. It can occur when a recipient has died or is for some other reason no longer eligible for a Federal program. Improper payments also occur when a vendor is no longer permitted for some reason to do business with the Federal Government.

And, of course, sometimes people or companies receive payments that are actually fraudulent.

According to the Government Accountability Office (GAO), the Federal Government made an estimated \$108 billion in improper payments in fiscal year 2012. We have a chart<sup>1</sup> just down here, \$108 billion in improper payments in 2012. That is a lot of money. But the good news is it was down. It was down from \$116 billion the year before and from a record high of \$123 billion in fiscal year 2010.

I am encouraged that we are seeing these—I am tempted to call them “small,” but when you knock, what is it, \$5 billion 1 year, \$8 billion another, that is not small. That is real money. So I am encouraged that we are seeing these significant drops in the level of improper payments. Obviously, we still have more to do.

Despite some progress that has been made, error rates in the amount of money lost to avoidable errors still remains at unacceptably high levels, and what disturbs me most about this problem is that we seem to make these kinds of mistakes at a rate much higher than a business or the average family would tolerate or could afford. And we keep making some of them over and over again.

Very often, we know what we need to do to fix the problem. The testimony we will hear today shows that we are making important progress. But more needs to be done. And, fortunately, there are several very real and effective tools available to curb wasteful and fraudulent payments that are now being put to use.

In 2010, Congress passed and President Obama signed into law the Improper Payments Elimination and Recovery Act, which I co-authored with Dr. Coburn and others. The law aims to make agencies and agency leadership far more accountable for the expensive mistakes they make and represents a bipartisan and bicameral success in preventing waste and fraud.

And then last year, Congress enacted an additional law on how to further curb improper payments called the Improper Payments Elimination and Recovery Improvement Act. Among other steps, it established in the law the Do Not Pay (DNP) program, and this effort, which was initiated by President Obama through Executive action, involved screening Federal fund recipients against a list of

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<sup>1</sup>The chart referenced by Senator Carper appears in the Appendix on page 48.

those ineligible to receive those funds, before we cut a check. For example, before an agency could award a contract to a company, the agency would have to cross-check against the Do Not Pay database, which will include a central, comprehensive database of companies and entities that are no longer allowed to do work for the Federal Government because of a fraud conviction or for some other reason. Our witness from the Department of Treasury will describe how the Do Not Pay program has or has not been successful in preventing improper payments before they happen.

The same Do Not Pay program will also stop payments to ineligible beneficiaries. Of course, those watching this hearing may ask the obvious question of why an agency would ever pay, say, an unemployment benefit to an individual who has died or someone who is trying to commit fraud.

Unfortunately, the answer is that all too often agencies simply do not do a very good job of coordinating their efforts to prevent improper payments or communicating about best practices. Many also have antiquated databases and computer systems for tracking basic payment information, and all too often, we simply do not allow agencies to access the information they need to avoid cutting checks to the wrong people.

There is a specific type of improper payment made by Federal agencies that we will highlight today during our hearing. In press stories, we hear about agencies making payments to people who are actually deceased. For example, the Office of Personnel Management (OPM) Inspector General (IG) reported just 2 years ago that some \$601 million in improper payments were made to Federal retirees found to have died over the previous 5 years.

However, such payments to dead people were not unique to this one program. A couple of years ago, in my own home State of Delaware, newspapers reported that 28 years after a Delaware woman had died, one of her relatives was still fraudulently collecting and cashing her Social Security check. Twenty-eight years. Improving the collection, the verification, and the use by Federal agencies of data on individuals who have died will help curb hundreds of millions, if not billions of dollars, in improper payments.

It is time that the Congress and the Administration finally end this frustrating but also solvable problem of improper payments to dead people. The Federal Government simply has not made it a high enough priority to keep track of the people who have died and to share that information with key agencies to prevent payments to deceased individuals.

This year, some work by the Government Accountability Office highlights why we need to give more attention to the Death Master File (DMF), the database maintained by the Social Security Administration (SSA). Our GAO witness today will testify that they found some surprising errors in this database.

These include—I think they are listed right here on this chart.<sup>1</sup> These include 130 records where the date of birth was after the date of death. Think about that. The date of birth was after the date of death. Also, there were some almost 1,300 records where the age of death was between 111 and 129. That is pretty amazing,

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<sup>1</sup>The chart referenced by Senator Carper appears in the Appendix on page 49.

but certainly an overstatement of the number of Americans who live that long. And these are just among the most glaring errors.

Our witnesses today include Danny Werfel, the Controller at the Office of Management and Budget (OMB), who will discuss some simple, straightforward, and effective steps we can take to dramatically improve the way the Federal Government maintains its database of people who have died and are no longer eligible for Social Security or other Federal payments. Equally important, we will talk about how to ensure that agencies have a secure and effective way to share information about who in the United States has died so that all agencies that make payments have access to the best and most accurate information. It is my hope we will have a good dialogue among the witnesses and the Members of our panel leading to some clear consensus on solutions. We are not interested so much in process—we want product. We are interested in outcome. And I hope that we can use this hearing today as a way to develop the consensus that will lead to that outcome.

Let me conclude by noting that we are here today in large part because we believe that we have a fiscal imperative to ensure that the scarce resources we put into Federal programs are well spent. We also have a moral imperative, given the size of the deficit. We must use every tool available to put our fiscal house in order and to give the American people the government they expect and deserve. It is the right thing to do on behalf of taxpayers in this country who entrust us with their hard-earned money. And by working together on this latest in a series of common-sense initiatives, we can take another important step in earning their trust once again.

And now I want to turn it over to Senator Coburn, who has been a champion in this arena for a number of years, and it has been my privilege to work with him on these and other issues.

#### **OPENING STATEMENT OF SENATOR COBURN**

Senator COBURN. Thank you, Senator Carper, and welcome to all on our panel.

In October 2010, I put out this study, and I am woe to say we have done nothing about paying dead people. We documented \$1 billion that was spent over the previous 10 years that we could actually document paid to dead people. And we have made very little progress.

I am appreciative—by the way, Mr. Chairman, I would like my written statement to be part of the record.

Chairman CARPER. Without objection.

Senator COBURN. I will not just read it.

I am worried about five things. One is—if you will put that chart back up that shows the improper payments—everybody should understand that this is not all the improper payments. This is the improper payments for people who have more than \$100 million outlay or have 2.5 percent of their program outlays and at least \$10 million a year. And nobody has quantified what that is, so, the comparison is good, we are getting better, but it is not all the improper payments, and we ought to know that.

The Do Not Pay Initiative at the Department of Treasury which is designed—and I have full faith that we are going to eventually get there—to stop improper payments before they happen is not

getting access to the data that it needs. So it cannot accomplish what it wants, and not enough agencies are utilizing that program, which has been up and running for about a year.

My third or fourth concern is that there is no way to determine whether Do Not Pay is working because there is no feedback from the agencies. When Do Not Pay flags a payment for the agency making the payment, the Treasury Department has no way of knowing if that payment was actually stopped or reduced.

And then, finally, the Do Not Pay Initiative in many government agencies do not have access to the Social Security Administration's full Death Master File, as incomplete as it is. These agencies instead purchase a public version of the list from the Department of Commerce that purchased the list from the Social Security department that only has two-thirds of the records and is less accurate, which raises the question, Mr. Chairman: Why are we purchasing something from an agency for another agency to get information we need to do the right thing? And all of that goes through the National Technical Information Service (NTIS), which 75 percent of everything that NTIS has is available on the Internet except the Death Master File. So everything that NTIS gives to everybody else you can get without ever going to NTIS and not pay a penny. So that is one of the areas that we ought to look at in terms of the NTIS project.

So I look forward to the hearing. I use the comparison, especially in Medicare, that the average health insurance company has less than a 2.5 percent improper payment rate. I think we are close to 7, 8, 9 percent—nobody really knows—in Medicare through the Center for Medicare and Medicaid Services (CMS). And Medicare is one of our greatest unfunded liabilities in terms of what is going to happen in the future. So my hope is that we learn some concrete things today, actions that we can take to, No. 1, improve the Death Master File; No. 2, make it accessible to those agencies that actually need it that is going to make a difference in terms of the improper payments for our country.

I thank you for holding this hearing.

Chairman CARPER. Happy to do it with you.

I am going to go ahead and introduce our witnesses and then invite them to proceed. We welcome all of our colleagues from Wyoming and Montana and other places around the country.

Our first witness today is Dan Werfel, who serves as Controller at the Office of Management and Budget.

Senator COBURN. He also was a great football player at one time.

Chairman CARPER. Yes, he was a great football player.

Mr. Werfel is responsible for coordinating the Office of Management and Budget's efforts to initiate governmentwide improvement in all areas of financial management, including financial reporting, improper payments, and real property management—all important issues to this Committee. Mr. Werfel is a frequent Committee witness, and we thank him very much for being with us today and for his service.

Patrick P. O'Carroll, Jr., is Inspector General for the Social Security Administration. Mr. O'Carroll directs a staff, I am told, of about 600 auditors, investigators, attorneys who work to identify and prevent fraud, waste, and abuse in the Social Security Admin-

istration. He is also a leader within the community of Inspector Generals on issues pertaining to improper payments. It is called the Council of Inspector Generals on Integrity and Efficiency (CIGIE). I am sure there is an acronym there somewhere, too, but we are not going to go there. Mr. O'Carroll was appointed Inspector General in 2004. We thank him for agreeing to testify before us today.

Mr. Richard L. Gregg is Fiscal Assistant Secretary of the Treasury. Mr. Gregg is responsible for developing policy on payments, on collections, on debt financing operations, on electronic commerce, governmentwide accounting, and the Government Investment Fund at Treasury. A busy man these days, we appreciate your taking time to be with us today.

Next, Daniel Bertoni is the Director of the Workforce and Income Security Issues at the U.S. Government Accountability Office. And I would just say that over the course of his career, I am told that Mr. Bertoni has focused on identifying and preventing fraud, waste, and abuse in Federal programs. That is great. And with that background, we think you are one of the right people to have here today. Thank you for joining us.

And, finally, Marianna LaCanfora, our last witness, is Acting Deputy Commissioner for Retirement and Disability Policy at the U.S. Social Security Administration. During her career at Social Security, Ms. LaCanfora has had both field and managerial experience, including responsibility for overseeing the national budget for its Office of Operations. Before serving as Acting Deputy Commissioner for the Office of Retirement and Disability Policy, Ms. LaCanfora was the office's Assistant Deputy Commissioner. So we are delighted that you could join us today. We look forward to your testimony.

Before Mr. Werfel leads us off, let me just say again that Dr. Coburn and I have been working on this issue of improper payments for a long time. We have collaborated on legislation and worked with the Administration on things that the Administration can do through Executive action. I think we are making progress. We appreciate the support of this President, and we appreciate the support of his predecessor, and for people who worked in both Administrations. And while I am encouraged to see the numbers are going down, at least headed in the right direction, we know there is a lot more work still to do.

As Dr. Coburn said, this does not really take in the full picture. It does not. The Department of Defense (DOD) does not fully disclose their improper payments, and there are a couple of agencies that do not do the kind of job that they should.

The reason why we asked you to come, this panel of witnesses today, is not just to give your testimony, take questions, and go back to work. We are looking for the development of a consensus here. We want this to be the further development of a strategy, a governmentwide strategy, to help us take these numbers right here and get rid of a lot of that red ink and make our taxpayers happier, make all of us prouder of the work that we do.

So we have plenty of work to do. This is not a time to sit back and rest on our laurels. Let us figure out what we need to do next and let us get it done.

Mr. Werfel, please.

**TESTIMONY OF HON. DANIEL I. WERFEL,<sup>1</sup> CONTROLLER, OFFICE OF FEDERAL FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET**

Mr. WERFEL. Thank you, Chairman Carper, Ranking Member Coburn, Senator Tester, Senator Enzi, distinguished Members of the Committee. Thank you for inviting me to discuss the Federal Government's efforts to prevent, reduce, and recapture improper payments. And I appreciate the opportunity to provide an important update on this topic.

As you know, the Administration has taken an aggressive approach to attacking waste, fraud, and abuse in particular, to addressing improper payments. In fiscal year 2009, the government-wide improper payment rate was at an all-time-high of 5.42 percent. And since that time, the rate has consistently declined, reaching 4.35 percent in fiscal year 2012. In addition, agencies recaptured a record \$4.4 billion in overpayments to contractors over the last 3 years.

This is important progress, but, clearly, more work needs to be done, and with that in mind, I would like to highlight some specific examples of what agencies are doing today to reduce improper payments and improve program integrity and then discuss where OMB thinks we should go from here.

First, in the area of health care fraud, Health and Human Services (HHS) is using new approaches to detect and prevent fraud in the Medicare and Medicaid programs. The Center for Medicare and Medicaid Services, has launched the Fraud Prevention System (FPS) which analyzes all Medicare fee-for-service claims using risk-based algorithms prior to payment. In addition, last year CMS opened a new Command Center that brings together program experts, law enforcement, and others to identify fraud more quickly and more effectively.

This approach is paying off. We have seen record-breaking amounts of Federal dollars recovered and returned and a higher-than-average return on investment over the last 3 years through these efforts.

In the area of tax refund fraud, the Internal Revenue Service (IRS) has taken numerous steps to combat identity theft and protect taxpayers. For the 2013 filing season, the IRS has intensified its fraud detection capabilities by expanding the number and quality of its identity theft screening filters. Further, IRS suspended or rejected more than 2 million suspicious returns—including identity theft returns—so far just this filing season. These efforts are paying off across the board. I think it is worth noting in larger efforts among IRS that the Earned Income Tax Credit (EITC) program, which has one of the more significant amount of improper payments, we saw a decline in the EITC error rate this year.

Last, the Department of Labor (DOL) is actively working with States to reduce improper payments in the Unemployment Insurance (UI) program. For example, Labor recently partnered with the New York State Department of Labor to establish the UI Integrity

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<sup>1</sup>The prepared statement of Mr. Werfel appears in the Appendix on page 54.

Center of Excellence. This new center will foster collaboration between the Department of Labor and States to develop and implement innovative strategies that State UI programs can use to combat improper payments and build capacity nationally to use data analytics and predictive modeling more effectively.

Here, too, we are seeing results with a reduction in the UI improper payment rate this past year. This is important progress, as I noted; however, I also noted there is more work to be done. That is why the Administration has set a new governmentwide goal of achieving a minimum 97 percent governmentwide accuracy rate by the end of 2016. I would like to highlight two initiatives that will anchor our efforts in getting to this goal.

First, the President's 2014 budget includes a suite of program integrity proposals that, if enacted, would result in an estimated \$98 billion in total savings over 11 years and make important progress in combating improper payments. For example, the budget proposes to establish a dependable source of mandatory funding for Continuing Disability Reviews and (CDRs) Supplemental Security Income (SSI) redeterminations. In addition, the budget continues to build upon a robust set of proposals to strengthen Medicare and Medicaid program integrity from last year's budget and prior efforts. I think it is worth repeating that these efforts would save \$98 billion over 11 years, if enacted.

Second, this Committee and the Administration have worked together to leverage technology and data sharing to address improper payments. In April 2012, the Administration launched the governmentwide Do Not Pay effort to help agencies avoid making payments to individuals or entities who should not receive Federal funds, such as debarred contractors receiving Federal awards or deceased Federal employees receiving retirement benefits.

Earlier this year, the President signed into law the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), which was championed by this Committee and will enhance and expand the efforts already underway. Consistent with existing protections for individual data privacy, this new law will help improve the identification and recovery of improper payments and reinforce and accelerate our Do Not Pay effort.

To help bolster Do Not Pay's impact and address other key Administration goals, the President's budget also includes two proposals related to improving access to and completeness of death-related data.

I would like to close by emphasizing that this Administration will continue to treat improper payments as a key priority. I am proud of the progress we have made so far, but there is a lot more work to be done, and I look forward to working with this Committee as well as GAO, the Inspector General community, and the Federal agencies.

Thank you again for inviting me to testify. I look forward to answering your questions.

Senator COBURN. Mr. Chairman, I just wanted our panelists to know that the reason there are not more Members here, we have a Joint Session of Congress going on at the same time, and I hope that they will be here after that is completed.

Chairman CARPER. OK. Mr. O'Carroll.

**TESTIMONY OF HON. PATRICK P. O'CARROLL, JR.,<sup>1</sup> INSPECTOR GENERAL, U.S. SOCIAL SECURITY ADMINISTRATION**

Mr. O'CARROLL. Good morning, Chairman Carper, Ranking Member Coburn, Senator Tester, Senator Enzi, and Members of this Committee. Thank you for the invitation to testify today as we discuss ways to reduce improper payments.

Federal agencies reported \$108 billion in overpayments and underpayments in fiscal year 2012. Identifying, reducing, and preventing improper payments are critical efforts for agencies and their inspectors general.

This morning, on behalf of the Council of Inspector Generals on Integrity and Efficiency, as the Chairman was wondering what the initials were—I would like to review agency compliance with existing improper payment laws and share recommendations from the IG community that could improve payment accuracy.

Recently enacted laws, including the Improper Payment Elimination and Recovery Improvement Act of 2012, requires CIGIE oversight of agency actions and reports. With our long history of identifying SSA's improper payments, my office was asked to take a leadership role in this effort. We recently issued a report on Federal agencies' compliance with key requirements of the law, such as conducting risk assessments of programs, publishing improper payment rates, and issuing corrective action plans.

We reviewed 64 inspectors general, and we found that 27 IGs said their agency complied, while 11 concluded that their agency did not comply; 21 IGs were not required to issue a report because their agencies had minimal improper payments; and 5 IGs for intelligence agencies did not make their reports public.

Our review summarizes the reasons given by the 11 IGs that concluded that their agency did not comply. Some of the reasons for noncompliance were: reporting a program improper payment rate greater than 10 percent; failing to publish improper payment rates; or providing incomplete information about corrective actions or planned progress.

Of course, we have also specifically reviewed SSA's compliance with the laws. SSA has accurately reported its improper payment information, including high-dollar overpayments. But the agency can make additional efforts, such as reviewing current corrective actions, intensifying reduction efforts, and analyzing available program data. The IPERIA of 2012 included a Do Not Pay provision, which requires agencies to check lists of ineligible individuals before making payments. One of those lists is SSA's Death Master File, so it is critical that SSA maintain accurate death records.

My office has conducted several audits related to accuracy of DMF data, which I outline in my written statement. In those reports, we have identified many cases in which SSA made payments to deceased beneficiaries.

We also found that some employers and voter registration boards made verification requests involving deceased individuals. However, because their death information was not on the DMF, SSA did not report the individual as deceased to the employer or to the voting board.

<sup>1</sup>The prepared statement of Mr. O'Carroll appears in the Appendix on page 60.

We and other IGs have shown the successes that can result from collaborative efforts to share data and detect improper payments. For example, our auditors recently determined SSA could use Medicare claim information to identify overpayments to deceased individuals. In that report, we found that 25 percent of the beneficiaries who had not used Medicare for 3 years were actually deceased. We estimated SSA paid about \$100 million to those beneficiaries after their deaths.

As this case shows, IGs should use any and all tools that can improve payment accuracy, including analysis of internal and external data. To facilitate this high-impact work, CIGIE is pursuing an exemption to the Computer Matching and Privacy Protection Act, which requires IGs to obtain a formal agreement before they match data with other entities. This law impedes IGs' efforts to detect fraud and waste.

For example, we cannot take action against beneficiaries who receive disability benefits and Federal workers' compensation because we did not have a matching agreement with the Department of Labor.

In 2010, HHS and its Office of Inspector General (OIG) obtained an exemption for data matches to identify fraud. We believe SSA should have a similar exemption, as should other IGs.

We and other IGs also support a legislative proposal to establish a self-supporting fund for integrity activities. We have proposed an indefinite appropriation to make available to SSA 25 percent, and to our office 5 percent, of actual overpayments collected. These funds would be used only for integrity activities that provide a continuous return on investment.

In conclusion, as Federal employees, we must ensure that taxpayer dollars are spent wisely and efficiently, and that government benefits are administered correctly. Federal agencies and their OIGs have made a concerted effort to reduce improper payments in recent years. This important collaboration across government is ongoing. My office will continue its liaison role between CIGIE and the Office of Management and Budget, and we will provide information to this Committee as requested.

I also want to note that agencies make all of their improper payment information available to the public online at [PaymentAccuracy.gov](http://PaymentAccuracy.gov).

Thank you again for the invitation to testify today, and I will be happy to answer any questions.

Chairman CARPER. Thank you, Mr. O'Carroll.

Mr. Gregg, please.

**TESTIMONY OF RICHARD L. GREGG,<sup>1</sup> FISCAL ASSISTANT  
SECRETARY, U.S. DEPARTMENT OF THE TREASURY**

Mr. GREGG. Good morning Chairman Carper, Ranking Member Coburn, and Senators Tester and Enzi. Thank you for inviting me to testify about improper payments today.

I would like to provide the Committee with an update on the Treasury Department's work to implement the centralized business center, named Do Not Pay. I will also describe steps Treasury is

<sup>1</sup>The prepared statement of Mr. Gregg appears in the Appendix on page 66.

taking to assist agencies in implementing IPERIA. And, finally, I would like to describe Treasury's long-term vision on dealing with improper payments.

Following the President's June 2010 memorandum directing agencies to improve payment accuracy by using the Do Not Pay list, Treasury, in collaboration with OMB, began developing centralized access to a set of databases. Since that time, this database has evolved into a database and a business center to deal with analytics.

Agencies can now access the Do Not Pay portal to check several key databases to verify eligibility before making a payment or award. The portal provides secure access to all data sources, including information on deceased individuals, debarred contractors, commercially available wage and employment information, and information on delinquent debt. It is important to note that agencies can only access these data sources in accordance with the Privacy Act laws and other applicable requirements.

An agency employee with proper credentials has several options to verify eligibility using the Do Not Pay portal. The employee may just check an individual record or, more commonly, submit a batch to be reviewed. In addition, the employee can request that a particular payment file be put under continuous monitoring.

Recognizing that a robust data analytics capability is essential in reducing improper payments, Treasury has developed a Data Analytics Service. This service provides the ability to review large data sets to identify trends, risks, and patterns of behavior that may warrant a more thorough analysis. Agencies can now use this Data Analytics Service to obtain customized matching and analysis of an agency's payment file to identify irregularities and potential fraud. Eventually, Do Not Pay will be able to build business rules based on data trends and agency feedback to improve data quality to agencies.

Treasury has made significant progress in providing agencies access to its Do Not Pay business center. Currently 36 Federal agencies are using Do Not Pay to reduce improper payments. In addition, nine States are currently using Do Not Pay in administering federally funded programs.

Treasury, in partnership with OMB, is helping agencies meet the IPERIA requirements. By June 2013, next month, IPERIA requires executive agencies to review all payments and awards, as appropriate, for their programs through the Do Not Pay system. To assist agencies in meeting this deadline, Treasury has already begun comparing agency-submitted payment information against the public versions of the Death Master File and the Excluded Parties List, which includes information on suspended or debarred contractors.

Helping agencies meet the requirements under IPERIA is just the beginning. In the coming months, it will be important for agencies to establish a robust adjudication process for payments that have been identified as potentially improper. To provide information that is useful to the agencies, Treasury needs to better understand not only the payment data, but also each agency's rules and processes for determining eligibility.

Accordingly, beginning June 2014, Do Not Pay will verify prepayment information based on agency-defined rules to either identify

a payment as potentially improper for the agencies to review or, if given the authority, for Treasury to stop that payment.

Treasury's long-term vision is to have our Do Not Pay business center and Data Analytics Service become a robust, timely, and flexible service for the agencies to use in identifying and preventing waste, fraud, and abuse. To fully achieve this vision, Treasury will work to both improve the quality and the availability of data as well as strengthen our analytics capability.

The key issue for Do Not Pay is access to data. The fiscal year 2014 President's budget proposes to expand Treasury's authority to access additional databases. These include the National Directory of New Hires, the Prisoner Update Processing System, and the State-supplied death data in the Death Master File.

While Treasury has made significant progress in providing access to agencies to Do Not Pay, much work remains until agencies are able to fully utilize the functions and data available in the Do Not Pay business center. For example, we are working closely with OMB to help address questions related to computer matching. IPERIA has made some changes to these requirements and I think they will help. Also we are looking to work with OMB to implement the requirements under IPERIA and streamline the computer matching and other requirements under the Privacy Act.

Treasury is also working to improve its Data Analytics Service. Improving data quality will provide agencies with highly reliable results and minimize false positives. In the long term, Treasury is working to develop a forward-looking, continuous monitoring, fraud identification tool. Treasury will also enhance Do Not Pay to provide a feedback loop to the agencies so they can improve their own data, basically a continuous learning process.

In conclusion, Treasury is committed and I am committed to reducing improper payments and assisting agencies with implementing IPERIA. I look forward to working with this Committee in your very good efforts to improve the work in this area.

I will be happy to answer any questions.

Chairman CARPER. Thanks, Mr. Gregg.

Mr. Bertoni, please proceed.

**TESTIMONY OF DANIEL BERTONI,<sup>1</sup> DIRECTOR OF EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Mr. BERTONI. Mr. Chairman, Ranking Member Coburn, Members of the Committee, good morning. I am pleased to discuss the Social Security Administration's death information and the role such data plays in preventing improper payments, which were estimated at more than \$100 billion last year.

SSA maintains a death data file for 98 million deceased individuals that Federal benefit agencies can electronically match against to identify those no longer living and terminate benefits. However, SSA's Inspector General and others have identified errors in this file. Such errors include deceased individuals not being listed and living individuals erroneously included.

<sup>1</sup>The prepared statement of Mr. Bertoni appears in the Appendix on page 69.

My remarks are based on our ongoing work and discuss SSA's processes for handling death records and Federal agency access to these records.

In summary, SSA receives about 7 million death reports each year from various sources, including family members, funeral directors, post offices, and State vital records agencies. However, SSA's processes for compiling these reports may impact the accuracy of the data because it does not verify certain death reports or record others.

In keeping with its mission, SSA is primarily focused on ensuring that it does not make payments to deceased beneficiaries. Thus, it only verifies death reports for current beneficiaries and only from sources it considers less accurate.

Verification generally involves field staff reaching out to family members, doctors, or other reliable sources to confirm the death. Because SSA considers State-verified electronic death reports and those from funeral directors and family members to be most accurate, no verification is required or performed. However, reports from sources deemed less accurate, such as post offices, are verified.

The agency never verifies death reports for non-beneficiaries, regardless of source. The information, including the reported name, date of birth, and social security number (SSN), are generally accepted and entered into the file.

Other agency processes may also contribute to errors. For example, if SSA cannot match death report information to data in systems, such as a name or SSN, the death generally will not be recorded. Thus, short of verifying all reported deaths and taking additional labor-intensive steps to resolve non-matches and input the corrected information, errors in the data are likely.

In fact, targeted analysis we performed identified potential inaccuracies, including nearly 1,300 records where the listed age of beneficiaries at death was as high as 129 years old and 1,800 individuals who had SSNs assigned to them but died prior to the year the Social Security system and SSNs actually came into existence.

Regarding access, numerous agencies use SSA's death information for the purpose of matching against their program data. However, per the Social Security Act, SSA can always share the full version of the file, which included State-reported death information, with Federal benefit-paying agencies. All other parties have access to a publicly available partial file, which excludes State data.

Currently, SSA provides the full file, which includes about 98 million records, to six Federal benefit-paying agencies that meet legal access requirements. SSA is reimbursed for the cost of sharing this data, and the amounts vary by agency. For example, some agencies, such as OPM, pay nothing while DOD pays \$40,000 annually. SSA officials noted that the cost is generally related to the volume of data provided, but that other factors may affect what agencies pay. As we proceed with our work, we will clarify the key cost drivers and other factors leading to variation across agencies.

As noted previously, several other agencies purchase a partial version of the file through the National Technical Information Service that includes about 87 million records. However, our work

shows that some of these agencies do, in fact, pay Federal benefits, such as Labor's Occupational Illness Compensation Program and the Department of Agriculture's (USDA) Farm Service Agency.

SSA officials told us that decisions are made about an agency's statutory access to the full file on a case-by-case basis and that several additional agencies recently requested such access. However, at this time it is still unclear why some benefit-paying agencies still receive only the partial file and are relying on less than complete information to ensure the integrity of their programs.

In conclusion, SSA's death information can serve as a helpful tool in preventing improper payments, but can only do so if it provides accurate information that is reasonably accessible to Federal agencies that need it. As we continue our work, we will explore these and other issues in more detail and look forward to providing a final report later this year.

Mr. Chairman, this concludes my statement. I am happy to answer any questions that you or other members of the Committee may have. Thank you.

Chairman CARPER. Thanks, Mr. Bertoni.

Ms. LaCanfora, please proceed.

**TESTIMONY OF MARIANNA LACANFORA,<sup>1</sup> ACTING DEPUTY COMMISSIONER FOR RETIREMENT AND DISABILITY POLICY, U.S. SOCIAL SECURITY ADMINISTRATION**

Ms. LACANFORA. Chairman Carper, Ranking Member Coburn, Senator Tester, Senator Enzi, and Members of the Committee, thank you for inviting me to this important hearing on steps to strengthen the integrity of Federal payments. I am Marianna LaCanfora, SSA's Acting Deputy Commissioner for Retirement and Disability Policy. I will focus my remarks on our collection of death information, the accuracy of that information, the limitations on our ability to share it, and our legislative proposal that would address concerns about disclosure of death information.

We designed our systems and processes to timely stop paying beneficiaries who have died and to pay benefits to survivors. Each year, we post about 2.5 million death reports, primarily from family members, funeral homes, financial institutions, and States.

In 1980, following a court order based on the Freedom of Information Act (FOIA), we began disclosing this death information to the public in a format known as the Death Master File. In 1983, Congress added Subsection (r) to Section 205 of the Social Security Act, requiring us to collect death information from States. The law specifies that the death information we receive from States is exempt from disclosure under FOIA and the Privacy Act and may be shared only with agencies that administer federally funded benefits, or similar State programs, to ensure proper payment.

Consistent with Section 205(r), we share all of our death records with eligible Federal agencies, including the Centers for Medicare and Medicaid Services, the Department of Defense, the Internal Revenue Service, and the Department of Veterans Affairs (VA). Under FOIA, we continue to disclose death information from non-State sources to the public.

<sup>1</sup>The prepared statement of Ms. LaCanfora appears in the Appendix on page 80.

Over the years, we have made significant improvements to our death information collection process. The information we now collect is highly accurate, and we strive to further improve upon our accuracy.

Since 2002, we have worked with States to increase the use of Electronic Death Registration (EDR), and I cannot stress how important this program is going forward. EDR automates the death reporting process by enabling States to verify the name and Social Security number of deceased individuals against our records before they issue a death certificate or transmit a report to us. Currently, 35 States and jurisdictions provide reliable death reports to us through the EDR process.

In addition, we have made improvements to our processes based on a recent series of OIG audits. For example, in December of this past year, we implemented a major systems enhancement to ensure consistency between our payment records and our Numident file. In addition, we are currently redesigning our death information system to make it more efficient and reliable.

There are some limitations on our ability to share our death information. For example, the death information we collect through EDR is State information, which, under Section 205(r), we are authorized to disclose only to certain agencies, as I mentioned earlier. Because of this restriction we cannot provide State death information to the Department of Treasury for Do Not Pay purposes.

To address these limitations, we worked closely with an inter-agency group, led by the Office of Management and Budget, to develop our legislative proposal contained in the fiscal year 2014 President's budget. The proposal would amend Section 205(r) of the Social Security Act to allow additional Federal agencies to access our death information, including the State information, for other purposes including health and safety, law enforcement, and the Do Not Pay Initiative.

This proposal would also restrict access to the publicly available Death Master File by delaying the release of the decedent's information to the public for 3 years after death. This would significantly reduce the ability of criminals to use information in these files to commit tax fraud. Only private entities that the Commissioner certifies as having a legitimate need for the information would be permitted to receive the information in the publicly available Death Master File.

We look forward to working with Congress to refine this legislation. I am happy to answer any questions you may have.

Chairman CARPER. OK. Well, thank you all for that testimony. I am going to—a little bit of history—Senator Ayotte, welcome. Glad you could join us. Thanks for coming.

Senator Coburn has been working in these venues for quite a while. So have some of you. And if you go back, I want to say maybe to 2002, President Bush, former President Bush, signed into law legislation that said we want Federal agencies above a certain size, in terms of their financial activity, we want them to start identifying improper payments, and we want them to start reporting improper payments. Some did, some did not. And we started doing oversight hearings to try to make it real clear to agencies we expect them to comply with that new law.

In 2010, Senator Coburn and I collaborated on legislation with input from, frankly, some people at this table to basically say not only do we want Federal agencies to identify improper payments, we want them to report improper payments, we want them to stop making improper payments, we want them to go out and recover money that has been improperly paid, and we want the agencies to begin to find a way to, if you will, identify and reward and say in terms of evaluating supervisors of agencies, leaders in agencies, part of your evaluation will be your compliance with this law. We increased the number of agencies' financial activity that was subject to the law as well.

In 2012, last year in our legislation we focused very much on Do Not Pay. We did some other things as well, but we appreciate very much the Administration's initiatives here. We tried to help in that effort.

Our focus here today is still improper payments. It is more on making payments to people that are dead. It drives me crazy. It probably does you as well. And when we walk out of here, I do not know if it is possible to actually have an action plan, but I want us to be on a road to one.

The first thing I am going to ask is this: We had a hearing yesterday right here on border security with respect to immigration reform, and I told the story—some of my colleagues who have heard this before, I ask you to forgive me. But it is a basketball story. I am talking to one of our head basketball coaches back in Delaware, saying, "Who are the best players on your basketball teams? Is it the person who has the best shot, the best passer, the best rebounder, the best dribbler? Who is the best, most valuable player on your team?" And he said, "The one who makes everybody else better." That is what he said. "The best player on the team is the one who makes everybody else better."

We are trying to make you better. We have worked on this legislation for about a decade to try to, frankly, improve our ability and the abilities across the Federal Government to do our jobs better in reducing improper payments. I think it is working. Is there more we can do? There sure as heck is.

And here is what I am going to ask. I am going to ask you to just—taking off on that notion of what we can do further to enable not just the agencies here but those that are not here that have been making improper payments, particularly to people that are dead, what can we do, what do we need to do in addition to what we have already done? A lot of times when I ask that question, what we hear is more oversight. More oversight. And we are good at oversight. We have four Subcommittees in this Committee. They are all oversight committees. Full Committee, we are an oversight Committee. So we are going to continue to do oversight.

But in terms of legislation that we can push, particular oversight that we really need to focus on, let me just ask you to give us some guidance, and then we will take it from there. Mr. Werfel.

Mr. WERFEL. Senator—

Chairman CARPER. What have we done that is particularly helpful on this front? What do we need to do, especially with respect to the payment of money, Federal monies, to dead people?

Mr. WERFEL. I think I would point to three things on improper payments more broadly, but each in some way relates to payments to the deceased.

The first thing that you can do is take a very close look at the President's 2014 budget and the various provisions that are in play around program integrity. Some relate and are critical to improvements to the Death Master File, both the accuracy of the information and the ability to share it and the completeness of it. There are really game-changing provisions in the President's budget around the Death Master File specifically.

But there is a whole broader set of program integrity initiatives, and one of the things that is unfortunate is that the track record on getting these program integrity initiatives enacted is not good.

Chairman CARPER. Why is that?

Mr. WERFEL. I am not sure. I mean, on the one hand, that is one of the reasons, for example, let me just point out that in the President's budget this year we recommend shifting Social Security and HHS program integrity funding to the mandatory side, because on the discretionary side we are not getting the necessary investment in funding. And we believe and I think we have demonstrated that these investments have a positive Return on Investment (ROI). It is something like, \$10 to \$1 on the SSI front.

Chairman CARPER. That is pretty good.

Mr. WERFEL. And why can't we get those activities funded to the right level is something that we have to look in the mirror on and figure out what we can do to get this enacted.

Chairman CARPER. And particularly what can we do on that front to help.

Mr. WERFEL. Yes.

Chairman CARPER. Is it work we need to do on the appropriations side? What is it?

Mr. WERFEL. I think that is part of it. I mean, I think there needs to be more attention from the government oversight communities to the appropriators around the importance of these efforts, in particular in today's budget climate, with all that we have up against us. The fact that we are letting billions of dollars in potential savings sit on the table and not executing on it is something we have to take very seriously and see if there is a way to overcome lack of—

Chairman CARPER. Well, we have several people on this Committee that are appropriators. I think Senator Tester is an appropriator. We have Senator Landrieu. There are probably others that I am not aware of. And that could be something for us to work on. That could be good.

Mr. WERFEL. Let me mention one other thing, and it relates to your oversight, but maybe there are some additional steps that you can take.

I think one of the themes around improper payments and, in particular, payments to dead people is driving agencies to be more sophisticated and more attentive to data and analytics and how they can close the gap. And you heard some of that in some of the opening statements. I think it was Inspector General O'Carroll who mentioned that they were able to detect a correlation between if you have not gotten Medicare in the last 3 years, you may be de-

ceased, and that is an important proxy for information that can get us——

Chairman CARPER. Or just very healthy.

Mr. WERFEL. Well, that is true, too. [Laughter.]

There are other examples of that. In the Unemployment Insurance program, we are working on a pilot right now with financial institutions. The big challenge in unemployment insurance is people get back to work. We do not have that real-time information that they are back at work. We pay them a UI benefit. It is improper because they are already back at work and they are no longer eligible. That is the major challenge in UI.

What we learn from banks is when banks get direct deposit from an employer, they know, they have information, hey, this person is working, because there is something about the way the deposit comes in that lets them know that it is provided by an employer. Access to that information is proving, as we pilot this out in the State, extremely helpful to the States to trigger, hey, this person is back at work, let us stop this payment from going out the door.

I raise this just to say that there are so many different examples like that we have not tapped into yet. I think there needs to be more awareness amongst the oversight community that there are in the Information Age, data connections that can happen that are not happening yet, and we need to take that more seriously and get more energy around it.

Chairman CARPER. Good. I would just say to our other four witnesses—then I am going to yield to Dr. Coburn—when we come back, I am going to pick up—this line of questioning, and the kind of information that Mr. Werfel offers is the kind of thing that I am looking for. Thanks. Dr. Coburn.

Senator COBURN. Danny, why do you need bank information? You get a Federal Insurance Contributions Act (FICA) payment. You get a FICA payment into the government, with the Social Security number. Why would you not give that back to the States? You do not need the banks.

Mr. WERFEL. I think the issue, Senator Coburn, revolves around, again, what information that is Federal that we can share. It is ironic, but there are points that we are finding—we are finding it specifically with UI—that if we can go to private sector sources of data, we have a more easier and seamless time of getting that information versus some of the——

Senator COBURN. Well, would you mind sending to me the reason why you cannot use FICA payments to the Federal Government connected with the Social Security to notify a State that has somebody on UI, why you cannot give them that information?

Mr. WERFEL. Yes, I will. I will get back to you.

Senator COBURN. Because Tom and I were just talking, we want to help get this prohibition on the State-provided information for the Death Master File taken care of.

What was the decline in the EITC payment rate? You said it was a significant decline this year, the payment error rate.

Mr. WERFEL. It was not significant, but it is trending down. It went from 23.5 percent to 22.7 percent.

Senator COBURN. I think the number is \$13 billion, isn't it?

Mr. WERFEL. It is still a very significant——

Senator COBURN. \$13 billion goes fraudulently out of the Federal Government every year under EITC. We ought to figure that one out.

Mr. WERFEL. Absolutely.

Senator COBURN. The same thing for the child tax credit, another \$8, \$9 billion that is fraudulently paid. So there is \$21 billion. That is more than the whole decrease—just those two areas more than the whole decrease we have seen in 2 years in improper payments.

We do not have a good handle on the UI improper payment rate, right?

Mr. WERFEL. Well, we have a measurement that the Department of Labor provides, and it is 11.4 percent this year as an error rate.

Senator COBURN. Yes, OK. Just for my friends from Social Security, both Inspector General and Ms. LaCanfora, have you all read this report put out by the Permanent Subcommittee on Investigations (PSI) on error rates on disability? Have you all read this report?

Mr. O'CARROLL. Yes.

Ms. LACANFORA. Is that a recent one? What is that date?

Senator COBURN. It was issued last year.

Ms. LACANFORA. I recall that one.

Senator COBURN. What the Social Security system says is 22 percent of the time their Administrative Law Judges (ALJs) are making a mistake in terms of what they are granting. That is your own internal review. We found 23 to 26 percent. So about one-quarter of all the Social Security Disability Income (SSDI) determinations do not meet the guidelines within Social Security themselves. And so we need to be about fixing not just the symptoms of pain for people who are not disabled, but fixing the problem, which is putting people on disability who are not disabled, who do not meet the requirements under the law. And so your own internal documents say that a quarter of the time you do not do it.

We did another study on 300 blindly selected cases from three different areas in the country, reviewed every one of those cases in detail, and we confirmed what your own report says, that your own ALJs are not following the guidelines that are given under the law in terms of determining disability. So until you fix that problem and continuing disability reviews—

So I want to go back to one other point with you, Dan. Rather than make mandatory the monies to do our program integrity, why don't we take the money that we are saving, the money that we are recapturing, and put that into a fund so that fund—that Congress cannot touch, in other words, what is recaptured goes into a fund, and then it is used for program integrity based on, one, the percentage of success that each agency has used in terms of collecting monies; and, No. 2, the percentage of the budget that they have in terms of total. Why would we not do that?

Mr. WERFEL. I think it is a very reasonable suggestion. Anytime your program integrity efforts are creating receipts for the Federal Government, whether—for example, in Medicare the Recovery Audit Program there has recovered more than \$3 billion over the last 3 years. What happens to that money? I would hope that it is invested in further efforts that are going to have a positive ROI.

And so it is good business sense as an investment. It is really a question—what happens, unfortunately, is the money gets moved into a sphere with the rest of the appropriations process and—

Senator COBURN. Yes, I understand. So I think you will have much more success doing what I suggested rather than taking money away from the appropriators' capability. We have budget guidelines and numbers, and this would not be in part of it. And we do have one agency, I think the Treasury—as matter of fact, I think the Treasury is the only agency that does not have to return its money that either is not spent that was unobligated or money that they have collected. They are the only agency in the Federal Government that does not have to return it to the Treasury.

One other question for you, Danny, and then we will get to the others. I do not know any business or any family that would think 3 percent of the time you paid money wrongly was a good goal. So my question to you is: How do we come with 97 percent rather than 100 percent? I do not know a chief financial officer in this country, if their accounts payable department was 3 percent of the time paying money out that should not have been paid out that would not get fired. So my question is: Why is 97 percent an acceptable goal for accuracy in payment for the Federal Government?

Mr. WERFEL. That is a very good question. I have two responses to it.

First, it is our next mile marker. It is not the endpoint. So we would like to get to—we are at 4.35 percent governmentwide error rate right now. We would like to get that to 3 percent or a 97 percent accuracy rate as a floor and then move on from there.

But let me react to the notion of a 100 percent goal. I would worry about a 100 percent accuracy goal for the following reason: If we could achieve it in a cost-effective way, that would be great. But there may be—and this is something we need to analyze—there may be such inherent complexity in some of the Federal programs and operations that you get to a point where you start spending \$2 to save \$1 in order to weed out that final bit of error.

A great example is the EITC. I am reading out these percentages to you, and they are north of 20 percent as an error rate, and that is very concerning. It is the highest error rate of any major program that we have. Why is that? One of the main reasons—and it is something I have talked with this Committee about before—is because the nature of that program is so complex in how you determine eligibility, one of the criteria is you have to have lived with your dependent child for more than 6 months out of the year in order to be eligible. Well, we go in and audit it, and we find that the individual—on a case-by-case basis, we can determine and get proxies for childhood residency, but there is no broad-based childhood residency database that we can tap into.

So whether the individual has lived with their child for 4 months or 8 months becomes extremely difficult to ascertain. And as we try to ascertain it, we can start auditing more and more people, but that has a cost to it.

Senator COBURN. Yes. All right. Thank you. My time has expired.  
Chairman CARPER. Senator Enzi.

**OPENING STATEMENT OF SENATOR ENZI**

Senator ENZI. Thank you, Mr. Chairman. I appreciate you holding this hearing because I appreciate your chart that shows we are now down to \$108 billion in incorrect payments and that 90 percent of those were overpayments. That means that \$98 billion that we sent out in payments should not have even been going out the door in the first place. And this 4.35-percent rate, if a small business had an improper payment rate of 4.35 percent, that is \$4.35 out of every \$100, it would be a real problem for their bottom line. Even if it was in a good economy and even if that company were in a good financial position, they would not be able to afford it. And neither can the Federal Government.

The problem of improper payments comes from dozens of different agencies and programs across the Federal and State governments—the Social Security Administration, Health and Human Services, Department of Labor, Department of Agriculture, the Treasury, Department of Education (DOE), Department of Housing and Urban Development (HUD). Those are all on Office of Management and Budget's list of agencies with high error programs. Those are our biggest ones. We are supposed to be stewards of taxpayers' dollars, so it is no wonder that the taxpayers do not trust the Federal Government to use taxes wisely when we have a situation like this.

I will start with what I hope is a really easy question. Mr. Werfel, you mentioned that you could save \$98 billion over 11 years. My question is: Why 11 years? We usually talk about 10 years.

Mr. WERFEL. I am actually not sure why the estimate came in at 11 years. I can find out. We do usually talk about things as 10 years, but we have a window this year in the budget for certain activities of 2013 to 2023, so we include both endpoints, and so we are at 11 years. But I can get a better answer to you on that.

Senator ENZI. OK. It suggests to me that maybe most of the money comes in that 11th year, which we never, ever get to.

Mr. WERFEL. I do not think that is the case in this situation.

Senator ENZI. OK. Mr. Gregg, as I mentioned, improper payments are not just a problem in one agency or one program. It is also a problem shared by programs run by the Federal Government and programs run by States. And I appreciate that you have talked about how to improve interagency cooperation by preventing improper payments.

How do State-administered programs fit into your efforts? And are those efforts to improve coordination with the States to reduce improper payments? Do States have access to that Do Not Pay portal?

Mr. GREGG. We are working with a number of States that have federally funded programs, and we have had some success. I think there is a case in Florida where we identified through a Death Master File someone that had been deceased for a year or more, and a couple hundred thousands dollars had been paid out. But I think that we are going to continue to expand our role with the States. And, we just started Do Not Pay a couple of years ago. I think to me it is kind of at the walking stage. I want to get it sprinting as quick as we can, but we are not there yet.

But to the extent that we can assist the States and, of course, obviously other Federal agencies, we definitely want to do that.

Senator ENZI. I wonder if we are trying to do that entirely in-house. I read about an Israeli program that works on credit card fraud that has had significant impact on the particular individual that came up with the program. But at any rate—

Mr. GREGG. Senator, I think to do this right you need a couple of things. Or, rather, three things. One is you need access to the data, which I think has been talked about. You also need the right tools, and in some cases that is software. You have some but we want to expand that. And then you need some really good people doing the analytics to make sure that you do not feed back to agencies a lot of information that are false positives. So those are three areas that I think are key for us.

Senator ENZI. Is the software being developed in-house?

Mr. GREGG. No.

Senator ENZI. OK. Thank you.

One of the issues I worked on with Senator Kennedy in the Health, Education, Labor, and Pensions (HELP) Committee was the health information technology legislation, and our hope was to make it easier to share information so that doctors, patients, and hospitals could make better medical decisions and work more efficiently. It seems to me like there are some parallels here. We have a bunch of different organizations trying to use and share different information to help make sure that individual people get the right service.

Mr. Werfel, how do you plan to improve or expand the Do Not Pay portal to make it a more complete resource for agencies that pay out benefits and make it easier to share and check information?

Mr. WERFEL. There are a couple of things underway. First, one of the major implementation points of Do Not Pay is not to wait for the agencies. When we first started down the road of Do Not Pay, we said, OK, we will set up this system and then agencies will log in, and then they will submit names and we will get a sense of whether they are ineligible or not. And they still have that option.

But one of the things that Treasury discovered is we already have—and I think Mr. Gregg talked about this. They already have these huge payment files of vendors and individuals that are already sent to Treasury during the normal course of business. So now what we are going to do with Do Not Pay is we are going to take all these vendor files that agencies have already provided us in the normal course of business and start pushing out back to the agencies risk reports and saying based on the file of vendors that you paid last April that we happen to have information on, these are potential risks of the party being suspended or debarred.

So we are taking kind of a centralized approach to this and saying it is not just up to you, agency, to get this process started; we are going to give you the information that you need, whether you asked for it or not. And that is underway, and I think that is one of the ways—it goes back to Senator Coburn's question. Why can't we get these government databases working with each other? In some cases, there is some agency sluggishness. In other cases, it is

privacy requirements and other rules. And I will get you a comprehensive answer, but we are trying to break through that by having a central approach where Treasury is owning all of the bureaucracy, streamlining it, and pushing the information out.

Senator ENZI. I will have some additional questions in writing that mainly deal with protecting people's privacy through this whole thing, too, because that is a major concern.

Mr. Chairman, I thank you.

Chairman CARPER. Not at all. Thank you so much for being here and for those questions. Senator Tester.

#### OPENING STATEMENT OF SENATOR TESTER

Senator TESTER. Yes, thank you, Mr. Chairman. I want to echo what just about everybody on this panel has said, and that is that I think whenever there is an overpayment or an underpayment, we hear about it, and it is really tough to justify. So if there are things we can do to help you guys do your job to help streamline the process, you are on the ground. We need to know what those recommendations are so that we can move forward accordingly.

Mr. O'Carroll, in your testimony you highlighted significant audit and investigation work that is being done by the IGs to identify overpayments and recommend actions to eliminate future errors. There are a current number of IG positions that are open across the Federal Government. Could you give me an idea if these vacancies impact and how significantly they impact our ability to identify improper payments?

Mr. O'CARROLL. Yes, Senator Tester. I think it was interesting, I was just speaking to one of the other panel members about this. SSA has an Acting Commissioner right now, and whenever you have a person leading an organization in an acting capacity, it is very difficult to make a lot of tough decisions. You are trying to keep in the middle of the road, and that is also what is happening with a lot of the IGs. Six or seven of the really large OIGs are either waiting for a nominee or waiting for confirmation of a nominee, and they have had acting IGs for a number of years.

In each case there, because of that, I think at least in my own case, when you are confirmed, you have that status, and you can make decisions, but you are going to find that a lot of times with an Acting that is difficult to do. They are not getting deference from the agency as a permanent appointee would. So, yes, it is a problem, and I would hope that maybe some of the nominees can be confirmed more quickly.

Senator TESTER. That is good. So you see it as a problem not only with the IG but also with administrators that are in an acting position, too, as far as dropping the hammer to find out what is going on.

Mr. O'CARROLL. Yes, because it seems like, at least—and this is just an informal opinion—that when you are in an acting capacity, you do not get very much credit for anything going right, and when anything goes wrong, that is the thing that is noticed.

Senator TESTER. Right. I get it. I think that pressure needs to be put on, from what you said, the Administration to put members forward for these positions and for Congress to get off their duff and get some of these folks confirmed. Correct?

Mr. O'CARROLL. That is a good summary, Senator.

Senator TESTER. Thank you.

I guess this would be for you, Danny. Looking at the numbers over the years, the amount of overpayments, underpayments, it has ebbed and flowed. I think the metrics have changed, the reporting requirements have changed over the last 10 years several times. So how do you measure progress?

Mr. WERFEL. Well, it is a good question. First of all, as much as I have mixed feelings about this chart, I like it and I dislike it because there is too much red, but I like the numbers coming down.

One of the challenges with improper payments as a mathematical measure is that outlays continue to go up, especially in health care and Social Security programs just because of the aging of the population. So you could go from an 8-percent error rate down to a 7-percent error rate, but have more improper payments at the end of the year just because of the math of the outlays going up so significantly.

So just looking at our improper payment amounts, I have been a big proponent of let us stick to the error measurement itself, the rate, rather than the dollar amount. But even the rate has its own challenges. How good are we at making sure that we are comprehensively measuring error, how valid and reliable is that error rate. The auditors, GAO and others, have raised questions, so we continue to try to perfect that rate. So I cannot sit here and say that the rate is a perfect measure.

I think it is a combination of a variety of different symbols. This is important because I think it is going to resonate most with the taxpayer, and it is going to call attention to the issue, the raw dollar amount. So even if our error rate is coming down but this raw dollar amount is going up, it matters. And taxpayers should be concerned about it.

I think the error rate is important because if the error rate is coming down, it is a signal that something is going right in a program if that error rate is trending down. And it is the trend that is important. It signals to the agency that they need to continue to reinvest and perfect their work. They should not course correct completely.

And the other is innovations. To the extent we see more innovations blooming throughout the agencies, whether it is the Command Center that I referenced in my opening remarks at CMS, which is really impressive—some of the data analytics that are going on at that Command Center did not exist 3 years ago, and now they have experts poring over data, looking at things. Let me just give you one quick example. I was at a demo there. And this goes back to just data analytics. They started to discover that they were reimbursing for ambulatory services, but they could not connect a procedure at the end of that they were reimbursing for. So they started to realize, where is this patient going if there is no procedure at the end of the ambulatory service? And they realized that they had some fraud and some error in terms of overbilling on ambulatory services.

These are the types of things that are going on at the Command Center. More of that—because even if the error rate is not coming

down as much as we would want, that gives me promise that there are good things happening.

Senator TESTER. Well, I would go back to what Mr. O'Carroll said, and I am going to ask this question to you, Marianna, and that is, you are Acting, right?

Ms. LACANFORA. Correct.

Senator TESTER. Look, a lot of administrative duties, if you do not ruffle anybody's feathers, you will stick around for a long time. And you are going to be ruffling some feathers if we go after payments, and you are going to be requiring people to do some work that needs to be done. I think we all agree. Does that impact your ability, the fact that you are still acting?

Ms. LACANFORA. Not in any way. I am a career civil servant, so no matter where I am in the agency, I will continue to be gainfully employed. But I will say—

Senator TESTER. You can beat people up and not worry about losing your job. Is that what you are saying?

Ms. LACANFORA. Absolutely. [Laughter.]

Senator TESTER. OK.

Ms. LACANFORA. I was going to say with respect to our Acting Commissioner, while she is Acting, as was mentioned earlier, she has made the prevention of improper payments her top priority, and that has resonated throughout the organization. There are many activities underway that we have been working on toward this end.

Senator TESTER. OK. One last question. We could pick any of them, but we will deal with unemployment insurance. Is there any encouragement by the people who are finding a job to report that they are finding a job? Are there notes sent out with the checks saying, "When you get a job, would you please notify us?" Or is there a note sent out with the check that is saying—I mean, we could make it so—I am not even going to go down that line. But you can make penalties on this if they do not—this is to help them. Once the help is over with, they should notify us. Is there any impetus put on the folks who are receiving the payments in unemployment insurance's case?

Mr. WERFEL. It is my understanding that as part of the intake process when you are hired into a job, both the employer and the employee have certain reporting responsibilities that are intended to help, like, for example, the National Directory of New Hires—

Senator TESTER. So why are there any overpayments at all if there are requirements that they get a hold of—

Mr. WERFEL. It is a couple different reasons, but I will name the top two. One, it is the timeliness of the information. That is why I go back to the banks seem to know the information before the government. And so that is proving useful to get at that information. We are not getting the information quick enough. And, second, it is imperfections in the reporting. The reporting does not always—even though it is required, even though it is on the form, and even though it is expected to happen, there are employers and employees across the country that are not meeting their obligations to do reporting, so we have incomplete information.

So those are the two things that we are trying to get at: More real-time information and more enforcement of making sure that

employers and employees are meeting their obligations to do that report.

Senator TESTER. Thank you, Mr. Chairman. I thank the panelists. I apologize for going over.

Chairman CARPER. You bet. Thank you, Senator.

Senator McCaskill, good to see you. Welcome.

Senator MCCASKILL. Thank you very much.

Chairman CARPER. Hold on for just a second. Senator Coburn needs to, I think—

Senator COBURN. I have to be on the floor.

Senator MCCASKILL. Not a problem.

Chairman CARPER. Could he go first? And then we will recognize you.

Senator MCCASKILL. Not a problem.

Senator COBURN. I appreciate that consideration. One point, Mr. Werfel. Does the Administration have a position on the policy that we recommended that the professionals at Social Security Administration be in attendance at ALJ hearings?

Mr. WERFEL. I am not aware of that particular proposal, and so I do not know the OMB position. But I can get back to you on that.

Senator COBURN. I would love to have it, because what we discovered is—we have great professionals at Social Security. They actually know disability law. And when somebody gets to an ALJ hearing, they have already been denied twice. And not having a member of the professional staff of the Social Security Administration there to actually answer the questions about the case that made the determination about the case and having everybody else on the other side pro-granting of benefits is totally unbalanced. And that is one of the reasons that we have seen this tremendous growth in what we think is at least 25 percent improper SSDI.

I am going to ask a lot of questions of you in written form as well as the rest of them.

Mr. Bertoni, you said in your statement that some benefit-paying agencies of the Federal Government are not using the Death Master File.

Mr. BERTONI. Correct.

Senator COBURN. Which ones are they?

Mr. BERTONI. We are aware of the Energy Employees Occupational Illness System, their program, as well as the program at USDA's Farm Service Agency for sure. We are still digging into the list right now to identify some that appear to be benefit-paying agencies, at least on the surface, and that could be larger.

Senator COBURN. And how much trouble did you—as you looked at the Death Master File and all these things you found, how difficult was it?

Mr. BERTONI. It was not difficult at all. We did this probably in a couple hours. It was a limited review, but it was based on the full 98 million records. In the course of validating the data reliability of the file, we ran into some of these anomalies, like the date of death before birth, and so to pursue that, match that against the full record, we were able to come up with those larger numbers, as well as the very old folks in the file, and those who received SSNs before there even was a system. Those numbers

piqued our interest. We ran those fairly quickly, did the edits, and were able to have that information within hours.

Senator COBURN. So in terms of what you saw and what you found, in terms of recommendations to fix that, what has the response been at SSA?

Mr. BERTONI. We have not made recommendations yet. Our work is ongoing. We are still in the early phases of digging through this file and trying to understand who the users are. But generally I think these are errors related to edit checks, keying, things that you could pretty easily fix through some of the technology we have today—TurboTax, that type of model, where the edit checks could get at some of these keying errors that would prevent some of this from happening.

Senator COBURN. And I would like to say for Social Security's defense, none of this is intentional. With the amount of data they handle, you are going to have some input errors.

Mr. BERTONI. Absolutely.

Senator COBURN. There is no question. But there are automated ways to correct that.

Mr. BERTONI. You want to take that out of the person's hands and have some assistance so those things can be caught if the button is pushed.

Senator COBURN. Right. Ms. LaCanfora, I have directed my staff to take the recommendations from the budget and, as fast as possible, get that into legislative language. So they are going to be contacting you, and we are going to find a broad range of bipartisan support for actually making these changes so that this State data can be utilized. And also probably I would love your recommendations. This should not have to go from you to Commerce, Commerce to NTIS, NTIS to everybody else. It ought to be able to—you know, where is what it costs. If there is a charge for this, it ought to go straight to Social Security, go to all the rest of them, so that we cleanup the steps in terms of getting this information available. It ought to be able to go from you, and they ought to be able to come to you and say, OK, now the 2003 law has been changed and here it is.

Any comment on that?

Ms. LACANFORA. Yes, if I could just clarify, we directly provide all of our death data to Federal benefit-paying agencies. Now, we have not hit all of them, but a couple years ago we reached out to the Federal benefit-paying agencies that purchased the public file. Through that notification several of them came to us and got access to all of our death data. We have the authority and the ability to send our death data directly to Federal benefit-paying agencies. We do not have to go through NTIS.

NTIS is simply the go-between between us and the public for those who want to get public records, let us say people doing genealogy and things like that. But if you are a Federal benefit-paying agency, you can get that data directly from us.

Senator COBURN. So do you recall how many agencies have taken advantage of that?

Ms. LACANFORA. Right now we have six Federal benefit-paying agencies that we give the data to directly. We have two others that we are working with. And any agency that believes that they are

a Federal benefit-paying agency is welcome to contact us directly, and we can engage in an exchange with them to determine whether they can have all of the death data, including State data.

Senator COBURN. So it comes back to Danny Werfel. Why would there not be an OMB mandate that if you are a benefit-paying agency that you go get that data?

Mr. WERFEL. I think it is a good suggestion. The Do Not Pay Initiative was a global response to what we were detecting in 2010 based on a series of IG and GAO reports.

Senator COBURN. I understand that. I am not critical. I love your Do Not Pay. But in the meantime, why isn't there a mandate coming out from OMB saying if you are benefit-paying agency, you will double-check against this Death Master File? What is wrong with that?

Mr. WERFEL. And I think—let me answer that in two ways. One, in our Do Not Pay guidance, we required every agency to review their pre-award, pre-payment processes around data and making sure they were accessing it. But what we did not do is go that extra dimension of if you are an agency that has not reviewed, you must do it now. We just said review your pre-award, pre-payment processes, make sure that you are accessing the appropriate information.

We can certainly go back to those agencies and understand how they are implementing that general directive and see if we can get at the point.

Senator COBURN. Well, but the difference, quite frankly, is one is a partial Death Master File and the other is a complete one. Why would you not say, until you get all this up and running, here is one thing that you will do, here is the list of all of the Federal agencies that are using the incomplete death—the Department of Homeland Security, the Department of Agriculture, the Department of Justice, the Department of Labor, the Department of State, the Drug Enforcement Administration (DEA)—all the rest of those, they are not using the complete Death Master File. So I just do not understand why you would not do both. You are going to be checking against a better file as you roll out the Do Not Pay, they are checking against a substandard file now.

I would love an answer from you on that—

Mr. WERFEL. It was our intention to do what you are saying. We just did not execute it exactly as you are suggesting. But what I will do is go back, and we can talk to the agencies who are supposed to be executing against a more general requirement to be accessing death data based on their review of their pre-award, pre-payment processes.

Senator COBURN. All right. Thank you.

Thank you very much, Senator.

Senator MCCASKILL. Sure.

Chairman CARPER. Senator McCaskill.

#### **OPENING STATEMENT OF SENATOR MCCASKILL**

Senator MCCASKILL. Frankly, Senator Coburn covered a lot of what I wanted to talk about in terms of the Death Master File. I do want to find out about the costs for this. Why are we charging for this? I mean, this is going to save us money that should not be

paid out. Why are we charging between government agencies for this list?

Ms. LACANFORA. Under the law we are required to be reimbursed for this activity unless there is a quid pro quo activity where we are also benefiting from data from another agency with which we do an exchange. But, generally speaking, we are required to be reimbursed.

Senator MCCASKILL. Well, we need to look at that, Mr. Chairman. And is the complete list more expensive than the not-complete list?

Ms. LACANFORA. Yes. The cost is based on the quantity of data and the frequency with which we are supplying it. If we are including State data, then it is more records and it would cost more.

Senator MCCASKILL. And why are some agencies being charged more than others? Like why is the Department of Defense, the Defense Manpower Data Center, paying \$40,000 annually and you only pay \$10,000—CMS only pays \$10,000?

Ms. LACANFORA. That would depend on what we are getting back from CMS. If we are getting data from CMS to use in the Administration of our benefit programs that we would otherwise be paying for, there would be a quid pro quo arrangement, so we would charge them less money.

Senator MCCASKILL. Does anybody see that this is a problem? Let me go down. Do any of you here think that should be fixed? OMB?

Mr. WERFEL. Well, I certainly want us to have an effective and coherent process for the way in which agencies are reimbursing one another for services provided. I just do not know the details enough in this particular situation to understand why those differences are occurring. So I would not want to comment on it. But I agree with the general principle. We should have a logical approach for the manner in which we are reimbursing one another.

Senator MCCASKILL. And I could see it if this was a list that was going to somehow enhance the ability of someone else to provide a service. But what this list is for is to keep money from going out the door that should not be going out the door. I mean, it seems like to me we should be falling all over ourselves, no matter what part of government we are, to make sure this list is everywhere, complete, and no one is having to figure out whether or not it is really worth it for them to budget for it. Because, frankly, if this was their money, if these were private businesses, if you all were under one big private business and you were different divisions of a big business, do you really think these kind of artificial barriers would be put up if it all came down to the bottom line? Well, this is the bottom line for taxpayers.

So I would really like all of you to formally respond to whether or not you think it is a great idea that this should be a matter of if you want the good list,<sup>1</sup> it is going to cost you more money in order to prevent paying out money that the government should not be paying. I would like that from you.

Let me also ask you, Mr. Werfel, about the Department of Defense. According to their own statistical sampling, they acknowl-

<sup>1</sup>Information from Ms. LaCanfora appears in the Appendix on page 117.

edge they are underestimating their improper payments. They say, "Yes, we are underestimating them." But every year, you sign off on those estimates. Aren't you sending the wrong signal when you are signing off on estimates that are being acknowledged by the agency are incorrect and underestimating the amount that is really going out the door in improper payments?

Mr. WERFEL. I am glad you raise the question, Senator. I have two or three reactions on DOD.

First, they have had challenges with their error measurement. Their 2011 error measurement, GAO wrote a report with a very long set of recommendations for how to improve it. DOD concurred with each and has since updated their error measurement. Now, GAO has not gone back yet and re-evaluated, but their IG did an evaluation, and so far we did not see anything coming out of that IG report that seemed to indicate that the DOD had repeated some of those problems.

But to your question, OMB did not sign off on DOD's error measurement. In fact, when I cite in my testimony a 4.35-percent error rate, I do not include the DOD error measurement in that number. And the reason is because if I were to do it, then the error rate would actually be 3.7 percent governmentwide. It would precipitously drop, because DOD is reporting such a small amount of error on such a large denominator, and we scratched our heads when we saw that, and we said we are not yet comfortable impacting our governmentwide number in such a significant way until we get more assurance from GAO, DOD, DOD IG that the number is robust.

So I think DOD is doing the right thing by measuring and trying to perfect that measurement and respond to GAO recommendations. But I agree, until we have a greater degree of confidence, we are not going to be placing that number in our governmentwide numbers.

Senator MCCASKILL. Well, you may not be placing the number in your governmentwide numbers, but DOD is claiming that they are compliant with the improper payment law because you sign off on their estimate every year. And that is my question. If they are pegging their compliance with the fact that you are signing off and you are signing off on estimates that everyone acknowledges are too low, does that not send the wrong message governmentwide?

Mr. WERFEL. It would. I have to be honest, I do not know or understand the concept of OMB signing off on an error rate in order to generate compliance. They put the error rate as required in their annual financial statement report. The Inspector General will look at that report. The Inspector General under the law is required to do the compliance review.

From OMB's position, we want agencies to continually generate better error measurements, but there is no point in time that I am aware of where anyone in my office is saying, "Stamp of approval, this is good." We really on the Inspector General to do that for us.

Senator MCCASKILL. Mr. O'Carroll, did you want to contribute?

Mr. O'CARROLL. Senator, I think you had mentioned before that the Inspector General had reported them as compliant. In our IPERA wrap-up report, they are one that is listed as compliant. So

the Inspector General has reviewed the statement by the agency, and said they are within compliance.

But I will go back, check with the Department of Defense and the IG, and find out why they are saying it is compliant and why they are using that percentage from DOD.

Senator MCCASKILL. It kind of sullies the exercise—

Mr. O'CARROLL. It does.

Senator MCCASKILL [continuing]. When an agency is saying, "We know we are not doing it right, but, by the way, we are compliant." So that kind of common sense-wise defeats the purpose.

Let me finally get back to the Death Master File. I know that the bar at this point—you said in terms of sharing it—is for agencies that are paying benefits. But Treasury is really working at a Do Not Pay effort. Are you saying that the law currently does not allow you to share with Treasury even though they are working on a comprehensive Do Not Pay Initiative that is going to save taxpayers a lot of money, that you are prohibited in the law from sharing this list with them?

Ms. LACANFORA. Yes, we are. Section 205(r) of the Social Security Act strictly prohibits disclosure for that purpose. Now, we support that purpose, do not get me wrong, and that is why we have a proposal in the President's Fiscal Year 2014 budget to expand our authority to be able to disclose information more broadly to Federal agencies, not only for purposes of Do Not Pay but also for law enforcement, health and safety, and other related issues that we cannot currently disclose.

Senator MCCASKILL. OK. Well, I know that Senator Coburn is on this and I know the Chairman is on this in terms of giving you the language you need. I will continue to follow-up to see if we cannot make this important vital information available without people worrying about whether they have to choose between furloughing an employee or buying the Death Master List. I do not think that is a good choice in today's Federal Government, and to me—I am pretty sure I know which one they would choose, and I am not sure that is the one that is in the best interest of the taxpayer, although I certainly feel for the Federal employees.

Ms. LACANFORA. Might I just offer one thought on this, just to provide a little bit of context about the basis for the requirement that we get reimbursed. It is not unique to this issue. Any time Social Security does work for another agency that is not very specific to the administration of our programs, we are prohibited from using trust fund money to do that. So that is the basis in law—not that this could not be modified, but, again, if we did not charge, we would be using Social Security trust fund money to do work for other agencies.

Senator MCCASKILL. Well, I understand where the law comes from, but sometimes the application of the law does not make sense if you put on your big common-sense hat. And I think this is one place that it does not make sense. I think most people that are receiving Social Security would like the idea that we would bring down the improper payments money so that they are sure Social Security is going to be stable into the future. I do not think most of the people that are benefiting from this program would have a problem with us making death information universally available

across government in order to avoid paying out benefits to people who have passed on.

Thank you, Mr. Chairman, for this hearing. As usual, you are a dog with a bone when it comes to improper payments, and I am glad that you are the Chairman because this bone is getting its proper day in front of this Committee.

Chairman CARPER. For days and weeks and months and years, and we are delighted—

Senator McCASKILL. And years.

Chairman CARPER [continuing]. You are here to help us nibble at this bone, continue to nibble it away.

I hope you are right, what you just said there at the end about the willingness of Social Security beneficiaries being willing to forgo a small amount of the trust fund. I would like to think that would be true. I appreciate you putting it in context, though. That was helpful.

Go back and just refresh me on the kind of charges, the magnitude of the charges to different agencies. There is apparently a range, but just share that with us again please.

Ms. LACANFORA. By all accounts, it is pretty cheap. We are essentially giving agencies customized data. In other words, it might be weekly, it might be monthly, depending on the needs of that particular agency and the nature of the benefits that they pay. As Senator McCaskill stated we charge the Department of Defense about \$45,000, that is estimated. And then, I think Senator McCaskill mentioned \$9,000 to CMS, which is cheaper, because we actually get some data from CMS that we need, so there is a quid pro quo there.

Chairman CARPER. Would those charges be made on any kind of schedule, or is it as the data was requested? How would the charges—

Ms. LACANFORA. Yes, we generally have an agreement with each agency that gets data from us, a reimbursable agreement, so there is a payment schedule.

Chairman CARPER. Let us say an agency, if their payment was \$40,000, it would be a one-time payment annually? Would it be a recurring \$40,000 payment throughout the year?

Ms. LACANFORA. Yes, if we know the frequency with which they are going to get data for the duration of a year, then generally we will charge them once per year.

Chairman CARPER. OK. Thank you.

I want to go back to my original line of questioning. Remember the story I told about the basketball coach? I asked him, "Who are the best players?" And he said, "The best player on the team is the one who makes everybody else better." So my question—and Mr. Werfel had a chance to take a shot at it, but I want the others to as well. This is a question actually I ask a lot in hearings, particularly on oversight hearings, what we can do on the legislative side to better bring down these numbers on improper payments. We have tried to do a lot. Obviously, we are learning some things here today that will enable us to do even more and fulfill our responsibilities.

But, Mr. O'Carroll, why don't you take a shot at that question?

Mr. O'CARROLL. Thanks for the opportunity, Mr. Chairman. One of the—

Chairman CARPER. Before you do, one of the last things I am going to do—so you can just be thinking about this while somebody else is answering a question. But one of the things I like to do at the end of a hearing, especially one like this where we are trying to build consensus on a path forward, is to ask you—we always ask you to give an opening statement, and I am going to ask you to each give a closing statement. It will not be 5 minutes but maybe a minute or two, just the things that you have learned, that you have heard, that you think would be helpful for us as we try to build this consensus, so just be thinking about that.

Go ahead, Mr. O'Carroll.

Mr. O'CARROLL. I wonder if I should hold until the end what I want to say now.

Chairman CARPER. No. Do not hold back.

Mr. O'CARROLL. One of the things that I had mentioned in my testimony that all the other IGs and ourselves especially are interested in is having Congress take a look at the Computer Matching and Privacy Protection Act (CMPPA), which is what keeps us from sharing our data among all government agencies. And a couple quick examples of that would be with HHS, as I talked about doing the Medicare match to see whether or not people who are not using Medicare are alive or dead. And the reason we can do it is that HHS has an exemption to the Computer Matching Act so that they can do that. They were able to do it with us.

On a similar one, Federal employees' workers compensation with the Department of Labor cannot match with other agencies to see what their wages are, to see if they are working when they are getting benefits. By the same token, too, SSA wants to know when other government agencies are paying benefits, whether they are going to be on SSA's disability rolls as an example.

So the Matching Act exemption is very important. We have found that for the IGs, it takes so long to apply for and get a matching agreement, oftentimes the impetus behind it is gone by the time you get the agreement. It takes years to do.

So if you could take another look at the Computer Matching Act, making it easier for agencies to compare data that would help on identifying improper payments, that would probably be to me one of the best takeaways from this hearing.

Chairman CARPER. That is great. OK. Thank you.

Mr. Gregg, same question.

Mr. GREGG. First of all, I would agree that steps were taken in IPERIA to help in the computer matching. If further refinement could make that even easier, that would streamline the process because, having gone through that numerous times, it is onerous to get the agreements. And even though there are some deadlines set on that, further improvements would help.

Chairman CARPER. OK. Thanks.

Mr. GREGG. One final point. If I was to ask: Can they do something? I think access to the complete Death Master File is essential for us to move forward. We are doing what we can with the public one, but having the full one would greatly benefit—

Chairman CARPER. I am sorry. I am not sure I understand what you just said. Just say it again and maybe a little differently.

Mr. GREGG. We need access, Treasury needs access in the Do Not Pay program to the complete Death Master File, and that is one of the proposals in the President's budget. There are several other databases in there that would help us a lot, such as the prisoner database and what is referred to as credit alert verification reporting system (CAIVRS) and the National Directory of New Hires. All four of those are essential for us to really do our job.

Chairman CARPER. OK. I am looking down this list of Federal agencies that are using incomplete death data, and down there near the end is the Department of Treasury. So you are right. OK. Good.

Mr. Bertoni.

Mr. BERTONI. I would piggyback off that. I think fully populating the Do Not Pay portal would go a long way toward strengthening program integrity. It is a one-stop shop for checking across various data points. But certainly, to address the issue of the Death Master File, if you were to expand it to include State information, you have to build in the proper controls to ensure that, No. 1, only benefit-paying agencies were receiving it and that they were using it to ensure the integrity of their program. There is a fine line between sort of expanding access and controlling who is actually getting it. So I think there are some issues there.

Beyond that, I think promoting data sharing, data cross-matching at the pre-entitlement level when people come in to apply for benefits to make sure that they truly are eligible for the program, and then not to forget about them once they enter, to do post-entitlement data mining, data matching, to ensure that they remain eligible.

I will give you an example. For many years, we have been asking the Social Security Administration to use its National Directory of New Hires across its entire Disability Insurance (DI) roll.

Chairman CARPER. To use what, the National?

Mr. BERTONI. The National Directory of New Hires, which has some real-time data that they could use to prevent overpayments, and match that—

Chairman CARPER. Who keeps that? Is that the Department of Labor?

Mr. BERTONI. That is an HHS file. And we have complete resistance. I think one of the reasons is they are probably afraid of the number of hits they will get and the work that this will generate. But data cross-matching, data mining, pre-and post-entitlement are certainly key.

Also, for OMB to work as a vehicle for coordination. Mr. Werfel talked about the access to financial institutions. We know that SSA is striking out on exactly that initiative to monitor their SSI rolls. There might be lessons to learn there or opportunities to piggyback on what has already been done.

Chairman CARPER. Good. Thanks. Ms. LaCanfora.

Ms. LACANFORA. Thank you. There are three things that I would like to mention that I think would be helpful in terms of supporting SSA's improper payment reduction plans.

No. 1, we need from the Congress adequate and sustained funding. We talked a little bit about the two key items that we do in order to ensure the integrity of our programs: The first is, medical continuing disability reviews (CDRs), making sure that people are, in fact, still medically disabled. We need to do these reviews, and the return on investment is significant. For one dollar spent, we return \$9. So it is a good investment, and we need adequate and sustained funding to carry out these reviews.

The second thing is SSI—

Chairman CARPER. Would that be through an appropriation? Is that what you are seeking?

Ms. LACANFORA. Yes. We have a proposal in the President's budget—I think Mr. Werfel mentioned it—wherein we would get separate funding, mandatory funding, to do our program integrity work, including these medical CDRs.

And the second program integrity—

Chairman CARPER. How much money are we talking about?

Ms. LACANFORA. Oh.

Chairman CARPER. Just roughly.

Ms. LACANFORA. I will have to get you that. I do not know that off the top of my head.

Chairman CARPER. Does anybody behind you know?

Ms. LACANFORA. Sorry.

Chairman CARPER. All right. Thank you.

Ms. LACANFORA. The second activity is SSI redeterminations, which are similar reviews done on SSI recipients, looking at the non-medical factors of entitlement, making sure that, in fact, these individuals are still eligible for SSI benefits. Those reviews yield a similarly significant return on investment of \$1 invested, \$6 recouped. So both of those activities need to be funded adequately in order for us to tackle and to further reduce our improper payments.

No. 2, I mentioned Electronic Death Registration. As it relates to our death records, the Electronic Death Registration Program significantly improves the accuracy of our records. There is also a proposal related to EDR in the President's 2014 budget. It is actually an HHS proposal because they are the agency that provides funding to States in order for those States to participate in Electronic Death Registration. If we could get more States and jurisdictions to participate in EDR, we would go a tremendously long way in improving the accuracy of our death records.

Chairman CARPER. Stay with that one for just a moment. So right now there is a disincentive for States to do this. Is that correct? And what we are trying to do here with the money is to take away the disincentive?

Ms. LACANFORA. I do not know if there is a disincentive, but I do not think there is a particularly strong incentive.

Chairman CARPER. OK. Would what you are suggesting incentivize the States?

Ms. LACANFORA. Well, right, so HHS has the statutory authority to issue grant money to States for the express purpose of getting them to make their records, their vital records, including death records, electronic. And when they can get their records in an electronic format, it makes it much easier for them to transmit them

to us in a simple, efficient way. So it is really in the best interests of the States, but it is a funding issue for them.

Chairman CARPER. I was going to ask, is there any other reason why the State might want to do this? Is there a value presumably to the States? I think that is what you are saying?

Ms. LACANFORA. I think there is value to the States. I do not want to speak on their behalf, but I believe that the only disincentive is the fact that it costs money, and States do not have a lot of that right now, so they are looking for some funding from the Federal Government to help them get their records in order. One of the positive byproducts is that they can give us accurate records.

Chairman CARPER. All right. Thank you.

Mr. BERTONI. Senator Carper, I have one thing to add to that.

Chairman CARPER. Please.

Mr. BERTONI. States are reimbursed for timely submission of those verified reports. Every time they verify, send forward a verified good report, they are reimbursed. More timely, more money, from 80 cents to \$3. So if you—

Chairman CARPER. Is that 80 cents to \$3 per State or—

Mr. BERTONI. Per submission.

Chairman CARPER. Thank you.

Mr. BERTONI. So if you are submitting timely, you are getting more money. So I think there is an incentive for them to move into that—

Chairman CARPER. OK. Thanks.

Ms. LACANFORA. Yes, that is a good point. Thank you for raising that. It is true.

And last but not least, just to reinforce, there is a proposal in the President's budget to modify our authority to give us the ability to disclose the State records to the Do Not Pay Initiative and for other purposes, and we would appreciate the Congress' support and look forward to working with you on that.

Chairman CARPER. All right. Good. Well, thank you.

I have a couple more questions. I think one would be for Mr. O'Carroll, and I might work you into that one, Ms. LaCanfora, and then one for Mr. Werfel, and then I will ask you to give your closing statements.

For Mr. O'Carroll, over the past years, the Social Security Office of Inspector General has reported significant shortcomings that resulted in as many as, I think, about 1.4 million deceased beneficiaries not listed in the Death Master File used to help prevent improper payments to dead individuals. I understand that your office has done some important work to try to identify and describe this shortcoming, including identifying more than a million records missing from the Death Master File and potential solutions. Do you want to talk a little bit about those problems and maybe some solutions, please?

Mr. O'CARROLL. Yes, Chairman. We have done a number of different audits on the Death Master File. The Death Master File is fed by SSA's Numident, and then also there are the two payment systems: The Master Beneficiary Record, which includes Title 2 beneficiaries, and then there is the Supplemental Security Record (SSR), which includes SSI recipients. And what we are finding is the data is not always consistent across all three systems. A report

can come in that a person is deceased, and we will stop paying a Title 2 benefit to them, but at the same time, because their name might have changed, it could have a wrong date of birth on it or whatever, where the two systems do not match, it does not go into the Numident, which then means it does not go into the Death Master File.

So we have done three audits on that issue. We have another one underway right now where we are taking a look at the Numident file to see if that data matches the other two files. And so we have continuing work going on. We are keeping everybody well informed. We are working closely with SSA. In fact, Ms. LaCanfora and I have been talking about even doing a new audit to evaluate if any of the fixes that SSA has put into this issue, whether they are working or not. So we are working collaboratively on the Death Master File with SSA and trying to give them information on how to make it better. And we have asked in the past for them to correct some of the mistakes that we have discovered and they have agreed to our recommendations.

Chairman CARPER. Ms. LaCanfora, just briefly, does the Social Security Administration have a timeline for addressing these problems and trying to ensure a more complete Death Master File?

Ms. LACANFORA. Yes, if I might just provide a little bit of context. I want to thank the Inspector General because I would agree that we have a very good working relationship, and their audit work has been very helpful for us in identifying some of the problems that exist and fixing them. So just for a bit of context—

Chairman CARPER. Let me say that is encouraging to hear. It really is.

Ms. LACANFORA. Yes. So just for—

Chairman CARPER. We do not always hear that, so that is good.

Ms. LACANFORA. When we look back and we find problems—and you have listed some of them on the other poster there—you have to keep in mind that our death records, the 90 million death records that we have, we began collecting them in 1940. That was before we had computers. So a lot of the records are not accurate because they were manually input, and that is just the reality.

The other thing is that a lot of the anomalies that you see are a result of the fact that we collect death information for the Administration of Social Security programs. If a person is not a Social Security beneficiary, we do not spend a lot of time trying to make sure that the date of death is exactly correct.

Now, knowing that other agencies and private sector entities are using this death data more and more, we are trying to make headway in making sure that the data is accurate, and we have made significant progress, and I want to mention—to address your question about the timeline—in December of this past year, we implemented a major systems enhancement that goes a long way, I believe, to correcting maybe even the majority of the problems identified by both GAO and OIG. We basically put an edit in place so that when we are processing a claim or taking an action in our records, we cannot have a discrepancy between our payment records and our Numident file. The Numident file is the file that houses Social Security number and death data. So up until Decem-

ber, there were some alerts there, but there was no prohibition to creating a discrepancy.

Effective December, there is now a prohibition to creating a discrepancy, so going forward we should have matching records between our payment file and our Numident file. I think that is a very significant milestone that we have already hit.

In terms of going forward, we are also redesigning our death processing system. As I mentioned earlier, it was designed for the Administration of Social Security programs. It was not designed with the idea that private sector companies and other agencies would also be relying on this data. We are going to make it more robust and more reliable so that we can help shore up the data and make it more usable to these other entities.

Chairman CARPER. Can you give us a timeline on accomplishing that goal?

Ms. LACANFORA. We have already begun that activity. We have a laundry list of things we would like to accomplish, and we believe that we can implement at least the majority of these activities in fiscal year 2014.

Chairman CARPER. That is well before any of us are going to end up on that Death Master File, huh? [Laughter.]

Ms. LACANFORA. I hope so.

Chairman CARPER. Well, good. All right. That is good.

The last question is for Mr. Werfel. I am going to ask you not to give us a long answer, but fairly briefly, if you could, so that we will have time for those closing statements.

I want to ask you really a general question about some of the Federal programs that are managed by State governments. State agencies run, as you know, a number of large and important programs, including Medicaid, unemployment insurance, Temporary Assistance for Needy Families. I understand that one of the solutions for curbing improper payments in these programs is to cross-check the beneficiaries in one State against those in the other 49 States. In other words, what we are doing is making sure that people enrolled in Medicaid in my State of Delaware, for example, are not also enrolled just across the line in Pennsylvania or in Maryland. Receiving Medicaid benefits through two States is, as we know, against the rules, and it would be a strong indicator of possible fraud. However, Delaware and the other States do not have robust methods for these State-to-State cross-comparisons.

So could you just describe for us, Mr. Werfel, the challenges and the opportunities relating to helping States check with one another in order to identify duplicate enrollees in Federal programs? And I would specifically like to hear about that the Public Assistance Reporting Information System (PARIS) program. That is an acronym. I am not sure what it stands for, but all caps, PARIS program, which I understand is a very good tool designed for this purpose, but not yet fully utilized by the States. We have talked about this one before, as I recall. Go ahead.

Mr. WERFEL. Yes, it is Public Assistance Reporting Information System, and its purpose is to provide States a common source of information. So similar to, "Hey, did this person return back to work? We better stop the UI payment," it is, "This person already

received their Medicaid benefit from State X. Let us stop the payment going from State Y.”

The theme here is very similar, and so in keeping my answer brief, there are a lot of solutions that we can tap into at the Federal level that involve getting the right data in the right hands at the right time, and there needs to be some forethought about how we do that and how we prioritize. What are the types of problems we want to fix? Where is the data that is able to do it? And how do we bring that data together in a sensible way?

That is essentially what we are trying to do with Do Not Pay, and there are very similar opportunities through State-administered programs to share information, both State-driven data, Federal data, and, again, private sector data sources as well. It is kind of like data, data, data. That is really what these answers are going to revolve around, and the question is: Do we have a strategy—as you mentioned, an action plan—for how to do it?

So I think one of the things we need to do in working with the States is make sure we understand what the action—like you are asking for, an action plan on how we are going to get better at death data. Working with the States, what is the action plan to make sure we are getting better at not having multiple State payments go out?

Chairman CARPER. Good. Well, I think helping States to work together with one another in order to prevent improper payments represents a pretty good opportunity, and there is likely a useful Federal role, and I hope we can continue to explore this concept.

Let us go to the wrap, if you will. Ms. LaCanfora, since you got to lead off last with your opening statement, we will ask you to close first.

Ms. LACANFORA. OK. Well, I think a lot has already been said, but—

Chairman CARPER. No, it is OK, actually, to—if you want to reiterate something, I think repetition, particularly on stuff that is important for takeaways, would be welcome.

Ms. LACANFORA. OK. I appreciate that.

I would like to get back to your question first on the amount of money that we are asking for to do our program integrity work. The number is \$1.2 billion, and that is to do our redeterminations for the SSI program, ensuring that individuals are still, in fact, entitled to the benefits that they are getting, as well as the medical continuing disability reviews in our disability program. Both of those activities have a very significant return on investment. So while it seems like a lot of money, it is a good investment and will return more back to you as a result of the expenditure.

Chairman CARPER. Thanks very much. We have noted that.

Ms. LACANFORA. So just to talk again about Electronic Death Registration, I know that it has been said a few times on the panel that we do not verify all of the death reports we get, and that is true, particularly if someone is not a Social Security beneficiary. And there is a question, I think, about whether we should be verifying those death reports. Should we verify death reports, all of them that we get, to ensure the accuracy of the Death Master File, even though we do not really need to do that for our own program purposes?

I would argue—and I am looking forward to more discussion on this topic— but I would argue that this is not the most efficient way to go about achieving accuracy in the Death Master File, because in essence what it would mean is we would be getting a bad report in and then we would be running out and chasing down verification as to whether it is right or wrong. That would be very labor intensive, and it would require us to redirect resources away from mission-critical Social Security work.

There is a better alternative, and that is the Electronic Death Registration process, which, if States and jurisdictions participate in that activity, ensures an accurate report up front, so there is no need to take in a bad report and then chase it down for accuracy. Rather, we get it right the first time. That also requires some funding, and as I mentioned earlier, it is in the President's budget. That would go a long way to solving this problem without having to use precious Social Security resources to do verifications of non-beneficiaries. I cannot stress enough the importance of the Electronic Death Registration Initiative.

And, last, I would echo Mr. Werfel's request to look at the proposals that are in the President's budget, because we did work across agencies in a thoughtful way to come up with the proposals that are in there, and in particular the one related to the Death Master File. We really worked hard to strike a balance here because we want to make sure that Federal agencies have access to this data to prevent improper payments via the Do Not Pay list, and we also want to make sure law enforcement has access to the data. So we are through this proposal expanding Federal agency access, but at the same time, we are also delaying the release of the public Death Master File to the public for 3 years because there are criminals, wrongdoers out there, that are using the data to commit tax fraud, and we want to prevent that.

So I think we have struck a good balance with this particular proposal and would look forward to working on it with the help of the Congress.

Chairman CARPER. Good. That is well said. Thank you. Mr. Bertoni.

Mr. BERTONI. I am going to make a larger policy point, then move to an operational point, stick to the area of death information. The DMF is a useful tool. It is not perfect. But the policy question is: Where do we take this?

I think there are good arguments on both sides as to further restricting or increasing the availability of this information to various sources. But depending on where you go, that is going to have real implications as to whether we need or whether three sources of this information will continue to be viable down the road. So it is something to keep in mind.

From an operational standpoint, I would agree with my fellow witness that operationally a lot would need to be done to clean this file up. And the question is: How do we do that? Do we reach back, do we look back and cleanup old records? Or do we focus on the data that we can take care of from this day forward? I agree, EDR will go a long way toward, on its own, cleaning up the data files, and as a country, the Congress and where they direct SSA to go on this, you have to realize that if you go back and look at the

much older records, it does have implications for staff time, staff years, and what it is going to take for staff to really verify those numbers.

Chairman CARPER. OK. Thank you. Mr. Gregg.

Mr. GREGG. Thank you, Mr. Chairman. Treasury is a volunteer in this area.

Chairman CARPER. I am sorry. Treasury what?

Mr. GREGG. Is a volunteer in this area. Two or 2½ years ago, Danny called me and said they really want to push through some kind of a central clearinghouse and asked whether Treasury would take the lead on Do Not Pay. And I said yes for two reasons: first, I thought it was the right thing to do for good government; and, two, because we are a central agency, we make a billion payments a year, we handle a lot of the debt collection work. So it made sense from an overall design. And I think we also are very careful, we have been careful for many, many years, protecting individuals' privacy. If you handle all the Social Security payments and many other payments, you have to be able to do that.

In terms of going forward, I think we have moved very quickly and aggressively to stand up Do Not Pay. We have absolute management commitment from myself and within Treasury and the Commissioner of the Fiscal Service. We also have a good team in place—some of them are here today—that have really dedicated themselves to moving ahead on this as quickly as possible, wisely but quickly. And we have had a great partnership with OMB and the agencies.

There is much more left to be done, and we are very committed to doing that. We can help, and we can help a great deal. There is also a lot of work that agencies have to do because they have more data than we do about their various programs.

Finally, the two things that I had said before that I would just reiterate—well, three things. One is data access. We need data access to the full Death Master File and the three other programs identified in the President's budget. Second, anything you can do to help further streamline the computer matching would be great. And, finally, just encourage your Committee to keep at this because it is very important.

Chairman CARPER. We will. Mr. O'Carroll.

Mr. O'CARROLL. Thanks, Mr. Chairman, for the opportunity to testify today. I want to re-emphasize the importance of preventing improper payments to the Council of IGs and the IG community. This is very important to us. My office works on a monthly basis with OMB, Danny's office. We discuss it frequently. Every month, at the Council of IGs meeting, there is a 5-minute session where I report out what the community is doing on preventing improper payments.

Chairman CARPER. Do you really? That is great.

Mr. O'CARROLL. We keep it at the forefront and it is reported out each time.

I guess the biggest thing now is declining resources. We need to make sure that there is sufficient funding for preventing improper payments. The one thing that we have talked about already was having an integrity fund in the budget of agencies. I think that is

very important. It will force SSA to keep up the number of reviews that prevent people from getting improper payments.

Another thing that I did not mention and it is not in my testimony is our Cooperative Disability Investigations (CDI) program. We have State investigators and IG investigators who look at people, when they are trying to get on the disability rolls and they prevent fraud up front. We call it our CDI program, and that is a good way to prevent improper payments before they go out. That would be assisted by any type of an integrity fund.

And, last, in IPERA is a recovery auditing provision that allow agencies, when they recover money through auditing of improper payments, they can use that money to prevent improper payments in the future. Unfortunately, a lot of agencies like SSA, that provision is only for discretionary funding and has nothing to do with the trust funds, which is where most of the fraud against SSA is happening. So we cannot recover any of that 1 percent of SSA's budget or use any of our recoveries on Trust Fund audits. So that is something else that if you would—

Chairman CARPER. Good. I am glad you mentioned that. Glad you mentioned it.

Mr. Werfel, closing statement? I am going to ask you to keep it brief, if you would.

Mr. WERFEL. Two things, and I will do them each in 30 seconds.

Chairman CARPER. All right. That would be good.

Mr. WERFEL. First, you asked at the start of the hearing, Mr. Chairman, that you hoped that we could come out of this hearing with an action plan. Let me suggest to you, based on everything I have heard today, there are three parts to the action plan for the Death Master File, for improving death data.

The first is access. We have to increase access. And the President's budget I think scratches that edge and gets the job done if it gets enacted.

The second is to improve the overall accuracy, completeness, and reliability of the information in the Death Master File. I agree with Ms. LaCanfora and the other witnesses that the Electronic Death Registration at the States is our best bet to do that. Getting that State information, getting it more timely, but through an automated system, it will put in internal controls. It will not let them report a death before the date of birth. That is the type of automation that we need. So the second part of the action plan is to improve accuracy and completeness, and EDR is the way to go.

And the third is to bring it all together and drive the match, make sure the match is happening, and that is what the Do Not Pay solution is set up to do. And that is what IPERIA, the law that you championed, requires. And so I think it is just positioning IPERIA—positioning Do Not Pay to be successful, making it the best player on the team. We need those two pieces beforehand.

In my final seconds, I just wanted to compliment your staff—

Chairman CARPER. Not Peter Tyler. [Laughter.]

Mr. WERFEL. No.

Chairman CARPER. Not Katie, not Patrick, sitting here behind—

Mr. WERFEL. OK, if you insist on calling them out by name. He brings the type of knowledge and creativity and collaboration to

this space that the team here at OMB is very impressed with, and I thought especially his passion around improper payments, it is refreshing to us. And so we just wanted to offer a compliment to you and your team.

Chairman CARPER. That is nice to do. We will take those shout-outs anytime.

Senator McCaskill said before she left, she said I was a dog with a bone on this issue of improper payments and fraudulent payments. Believe me, if I am, then Senator Coburn is a very big dog with a bone on this as well. But we are only as good as the people who sit behind us and work with us on this, and I appreciate that very much, and I know Peter and Katie and Patrick do as well.

I will close with this. As Ms. LaCanfora said several times, she said, "Let me put this in context." So I want to just put this in context again. The budget deficit topped out a couple of years ago at about \$1.4 trillion. The budget deficit for this year is expected to be somewhere between \$825 billion and \$850 billion. That is an improvement, but that is still, as we know, a huge amount of money.

I am told if we pretty much do nothing and put the government budget and everything on autopilot, it drops down to about \$400 billion several years from now, but then it goes back up to about \$1 trillion within, say, 10 years from now, and that is not good. We have to figure out how to keep the deficit on the way back down, at the same time investing in things that will strengthen our economy, invest in the workforce, invest in research and development (R&D) that can be commercialized, invest in infrastructure that makes us more efficient as a country.

But I like to say that there are three things that we need to do in order to continue to rein in the deficit. No. 1, reform our entitlement programs, and to do so in a way that saves money and in a way that does not savage old people or poor people and in a way that saves and preserves these programs for the long haul.

The second thing, we need some additional revenues, and if you look back at the 4 years where we had balanced budgets, those 4 Clinton years, revenues as a percent of the gross domestic product (GDP) ranged between 19.5 and 20.5 percent. For those 4 years, really about 20 percent. Spending as a percent of GDP was also around 20 percent, maybe just a tad under that. And last year, I think revenues as a percentage of GDP were about 16 percent; spending as a percentage of GDP was over 20 percent, maybe about 22, 23 percent. That is why we had a big budget deficit. The revenues need to come up and the spending needs to come down.

The last thing I will say, I am struck by how many times I talk to people who say, "I do not mind paying more taxes or creating more revenues for the Federal Government. I just do not want you to waste my money." I hear that a lot. "I do not mind paying more taxes. I just do not want you to waste my money." Well, I do not want to waste their money, or mine, or yours. And the reason why we continue to focus on this particular issue, this is a lot of money. This is a whole lot of money. And while we are delighted to see the focus that a lot of people are making, including the people in this room are making, on improper payments, it is actually having an effect. It is a little bit like turning an aircraft carrier in the Navy. If you keep at it, you can turn the carrier. We are turning the car-

rier here. I think we have a number of good ideas here how we can continue to do that, maybe turn that carrier a little faster, and we need to do that.

There is a sense of collaboration and a sense of team here at the table that actually exceeds my expectations, and I am pleased to hear it and to see it and to feel it. We have on this Committee the same kind of collaboration. These are not partisan issues. These are just smart issues. And we look forward to continuing our focus and finding ways that we can help make this team better and that you in turn can make our American fiscal health even better, too.

So, with that in mind, we are going to have—I think I am told the hearing record stays open for maybe another 15 days—that is until May 23 at 5 p.m. sharp—for the submission of statements and questions for the record.

With that, this hearing is adjourned, but our work continues. Thank so much.

[Whereupon, at 12:11 p.m., the Committee was adjourned.]

## A P P E N D I X

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**Opening Statement of Chairman Thomas R. Carper  
“Curbing Federal Agency Waste and Fraud:  
New Steps to Strengthen the Integrity of Federal Payments”  
May 8, 2013**

*As prepared for delivery:*

Today’s hearing will focus on the very high levels of improper payments made by federal agencies, as well as our efforts to curb these very wasteful and sometimes fraudulent payments.

As everyone in this room knows, we’ve faced record budget deficits in recent years. Our national debt stands at about \$16.8 trillion, well over double what it was just ten years ago. The last time the debt was this high was at the end of World War II. That level of debt was not sustainable then, and it is not sustainable today. While we are beginning to see reports showing a somewhat improved fiscal situation, our country clearly has to take the fiscal problems seriously. These budgeting challenges require a comprehensive, bi-partisan approach. They require us to make tough decisions with respect to both spending and revenues – and also with respect to entitlements. They should also force us to take a tough and honest look at how we can better manage the resources taxpayers entrust to the federal government and demand that we find ways to get better results for less money.

One of this committee’s main responsibilities – and one of my top goals as committee chairman – is to demand that, through better management of government programs that agencies deliver better services to the American people more efficiently, and at a lower cost.

I will continue to work with my colleagues and the Administration to ensure that federal programs across government are improving key management functions, monitoring results, and finding ways to do more with less in everything they do. A key part of these efforts will involve programs managers sharpening their pencils and stopping the kind of expensive, avoidable mistakes that lead to improper payments.

Before going any further, I think it is important first to explain what it means for a federal agency to make improper payments. An improper payment occurs when an agency pays a vendor for something – a medical procedure or a piece of equipment, for example – that it didn’t receive, or maybe even pays them twice. It can occur when a recipient has died or is for some other reason no longer eligible for the federal program. Improper payments also occur when a vendor is no longer permitted for some reason to do business with the federal government.

And, of course, sometimes people or companies receive payments that are actually fraudulent.

According to the Government Accountability Office, the federal government made an estimated \$108 billion in improper payments in fiscal year 2012. This was down from \$116 billion from the year before, and from record high of \$123 billion in fiscal year 2010. I am encouraged that we’re seeing these small, but significant drops in the levels of improper payments.

Despite some progress that has been made, error rates – and the amount of money lost to avoidable errors – still clearly remain at unacceptably high levels. And what disturbs me most about this problem is that we seem to make these kinds of mistakes at a rate much higher than a business or the average family would tolerate or could afford. And we keep making them over and over again.

Very often, we know what we need to do to fix this problem. The testimony we'll hear today shows that we're making important progress. But more needs to be done. Fortunately, there are several very real and effective tools available to curb wasteful and fraudulent payments that are now being put to use.

In 2010, Congress passed and President Obama signed into law the *Improper Payments Elimination and Recovery Act*, which I co-authored with Senator Coburn, and others. The law aims to make agencies and agency leadership far more accountable for the expensive mistakes they make and represents a bipartisan and bicameral success in preventing waste and fraud.

And then last year, Congress enacted an additional law on how to further curb improper payments, called the Improper Payments Elimination and Recovery Improvement Act. Among other steps, it established in law the "Do Not Pay" Program. This effort, which was initiated by President Obama through executive action, involves screening federal fund recipients against a list of those ineligible to receive those funds, before we cut a check. For example, before an agency could award a contract to a company, the agency would have to cross check against the "Do Not Pay" database, which will include a central, comprehensive database of companies and entities that are no longer allowed to do work with the Federal government because of a fraud conviction or for some other reason. Our witness from the Department of Treasury will describe how the Do Not Pay Program has or has not been successful in preventing improper payments before they happen.

The same Do Not Pay program will also stop payments to ineligible beneficiaries. Of course, those watching this hearing may ask the obvious question of why a federal agency would ever pay, say, unemployment benefits to an individual who has died or to someone who is trying to commit fraud?

Unfortunately, the answer is that, all too often, agencies simply don't do a very good job of coordinating their efforts to prevent improper payments or communicating about best practices. Many also have antiquated databases and computer systems for tracking basic payment information. And all too often, we simply don't allow agencies to access the information they need to avoid cutting checks to the wrong people.

There is a specific type of improper payments made by federal agencies that we will highlight during today's hearing. In press stories, we hear about agencies making payments to people who are actually deceased. For example, the Office of Personnel Management Inspector General reported just two years ago that \$601 million in improper payments were made to federal retirees found to have died over the previous five years. However, such payments to dead people were not unique to this one program. A couple of years ago, one of my home state newspapers reported that, 28 years after a Delaware woman had died, one of her relative was still

fraudulently collecting and cashing her Social Security checks. Improving the collection, verification, and use by federal agencies of data on individuals who have died will help curb hundreds of millions, if not billions, of dollars in improper payments.

It is time that Congress and the Administration finally end this frustrating, but also solvable problem of improper payment to dead people. The federal government simply has not made it a high enough priority to keep track of the people who have died, and to share that information with the key agencies, to prevent payments to deceased individuals.

Last year, some work by the Government Accountability Office highlights why we need to give more attention to the Death Master File, a database maintained by the Social Security Administration. The GAO witness will testify that they found some surprising errors in the data.

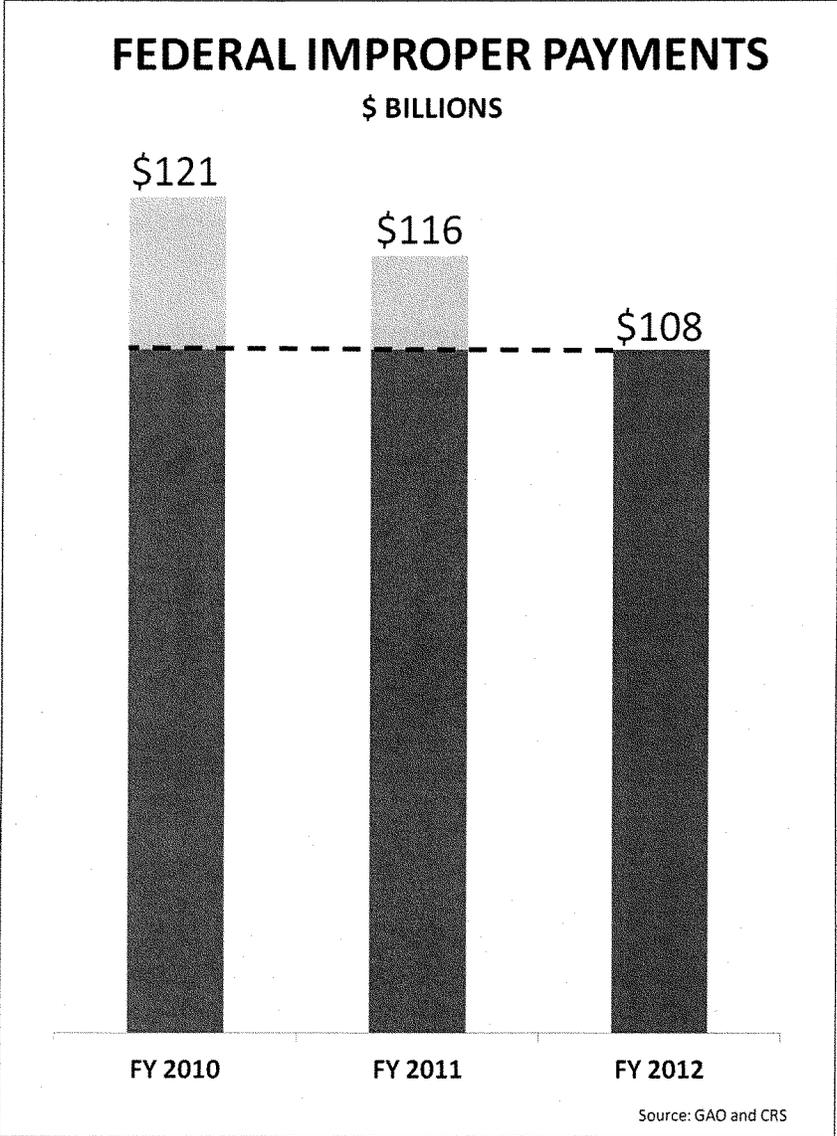
These include 130 records where the date of birth was after the date of death. Also, there were 1,295 records where the age of death was between 111 and 129, certainly a significant overstatement of the number of Americans who live that long. And these are just the most glaring errors.

Our witnesses, including Mr. Danny Werfel, the Controller at the Office of Management and Budget, will discuss some simple, straightforward and effective steps we can take to dramatically improve the way the federal government maintains its database of people who have died and are no longer eligible for Social Security and other federal payments. Equally important, we will talk about how to ensure that agencies have a secure and effective way to share information about who in the United States has died so that all agencies that make payments have access to the best and most accurate information. It is my hope that we will have a good dialogue among our witnesses and the members of our panel, leading to some clear consensus on solutions.

Let me conclude by noting that we are here today in large part because we believe that we have a moral imperative to ensure that the scarce resources we put into federal programs are well spent. We must use every tool available to put our fiscal house back in order and give the American people the government they expect and deserve. It is the right thing to do on behalf of the taxpayers of this country who entrust us with their hard-earned money. By working together on this latest in a series of common sense initiatives, we can take another important step forward in earning their trust once again.

Now, I'd like to turn to our Ranking Member, Senator Coburn, for any comments he would like to make.

###



## **EXAMPLES OF AVOIDABLE ERRORS IN DEATH MASTER FILE**

- **130 Death Records** where the date of death was recorded to occur before the date of birth
- **1,295 Death Records** where the recorded age at death was between 111 and 129
- **1,791 Death Records** where the recorded death preceded 1936 (the year SSNs were first issued)

Source: GAO

## **Federal Agencies Using More Complete Death Data**

- Office of Personnel Management
- Department of Defense
- Centers for Medicare & Medicaid Services
- Department of Veterans Affairs
- Internal Revenue Service
- Railroad Retirement Board
- Government Accountability Office

## **Federal Agencies Using Incomplete/Inaccurate Death Data**

- Department of Homeland Security
- Department of Agriculture
- Department of Justice
- Department of Labor
- Department of State
- Drug Enforcement Administration
- Federal Black Lung Benefits Program
- Federal Bureau of Investigation
- Federal Retirement Thrift Investment Board
- Department of Treasury
- General Services Administration
- Centers for Disease Control
- Pension Benefit Guaranty Corporation

**Opening Statement of Dr. Tom Coburn**  
**“Curbing Federal Agency Waste and Fraud:**  
**New Steps to Strengthen the Integrity of Federal Payments”**  
**May 8, 2013**

Thank you, Chairman Carper, for holding this hearing today on the important matter of improper payments made by the federal government.

Today’s hearing is an opportunity for Senators from both sides of the aisle to examine where the government isn’t working and find out how to fix it.

Last year, the federal government made \$108 billion in improper payments. The reasons for these improper payments vary as widely as the programs that made them. In some cases, doctors billed Medicaid incorrectly. In other cases, people found work but were still collecting Unemployment Insurance benefits.

Today, there will be a lot of discussion about one straightforward way to reduce improper payments: stopping the government from making payments to dead people.

Most people would be surprised to know that this is even a problem. Unfortunately, it is not a new one. In 2009, I wrote a letter to the Social Security Administration asking why it issued stimulus payments to thousands of dead people. The Social Security Administration responded saying, “[I]t is extremely expensive and may even be impossible to determine if a person is alive or dead particularly if the person died many years ago.”

I would like to submit this letter for the record along with my remarks today, because it provides a benchmark for evaluating progress.

In 2010, I released a report called *Federal Programs to Die For* that found enormous amounts of taxpayer money going to those who had died:

- \$18 million in stimulus funds that the Social Security Administration paid to dead people,
- \$1.1 billion that the Department of Agriculture paid to subsidize dead farmers.
- \$92 million paid by Medicare for medical supplies prescribed by dead doctors, and
- The Department of Health and Human Services spent \$3.9 million to cover the heating and cooling costs of 11,000 dead people

More than two years since I issued this report, the government has reduced the overall improper payment rate, but has done little to address the problem of improper payments to dead people.

We will focus our attention today on the Do Not Pay Initiative being implemented by the Treasury Department. Its goal is to stop improper payments before they happen, in part by keeping them from being sent to people who have died.

However, this new initiative seems to be facing some challenges. The improper payments law passed last year was supposed to grant the Do Not Pay Initiative access to the Social Security Administration's Death Master File. This is a list of everyone who has died, which is invaluable in stopping improper payments.

Despite this, Treasury has not been able to get access to the Death Master File due to a legal disagreement with the Social Security Administration. Instead, it purchases an incomplete version of the Death Master File from the Department of Commerce. The Department of Commerce purchases it from the Social Security Administration. In fact, multiple agencies purchase the incomplete Death Master File rather than acquire the full version from the Social Security Administration.

Since the Social Security Administration also purchases information from states to compile the Death Master File, *this means the taxpayer is buying death information multiple times*. This alone should be counted an improper payment.

Getting these agencies access to the full Death Master File is only part of the solution. The Social Security Administration needs to take steps to ensure that its death records are accurate. The Inspector General found just this week that the Social Security Administration never recorded 180,000 deaths of individuals who had been receiving Supplemental Security Income. The Social Security Administration did stop payments for these individuals, but never recorded their deaths. The implications of these errors are real since people are registering to vote and apply for jobs in the names of these deceased individuals. This type of fraud could be prevented if the Social Security Administration took better care with its death records.

Thank you, Chairman Carper, for holding this hearing. I look forward to hearing from all of our witnesses about what we can and should do better, and to working with you on legislative solutions that may be needed.

**EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET**  
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**Testimony of Daniel I. Werfel  
Controller, Office of Management and Budget  
before the  
Senate Committee on Homeland Security and Governmental Affairs**

**May 8, 2013**

**Introduction**

Thank you Chairman Carper, Ranking Member Coburn, and distinguished members of the Committee, for inviting me to discuss the Federal Government's efforts to prevent, reduce, and recapture improper payments. I appreciate the opportunity to provide an update on this important topic to the Committee, which has been at the forefront of moving us forward on addressing improper payments.

In practical terms, improper payments are payments made by the Government to the wrong entity, in the wrong amount, or for the wrong reason. Although not all improper payments are fraud, and not all improper payments represent a loss to the Government—since they include both overpayments and underpayments—all improper payments degrade the integrity of Government programs.

This Administration has taken an aggressive approach to attacking waste, fraud, and abuse within Government agencies. Nowhere is this more apparent than in combatting improper payments. In FY 2009, the government-wide improper payment rate was at an all-time-high level of 5.42 percent. As a result of several actions taken by the Administration, the government-wide improper payment rate has steadily declined to 4.35 percent in FY 2012 (when Department of Defense commercial payments are factored in, the government-wide error rate falls to 3.7 percent). In addition, Federal agencies recaptured a record \$4.4 billion in overpayments to contractors over the last three years, due in large part to the success of the Medicare Fee-for-Service Recovery Audit Contractor (RAC) program.

This is important progress, to be sure. However, I believe that there is much more work to be done, and that the amount of improper payments the government makes continues to be far too high.

**Current Agency Efforts**

The progress made to-date is largely driven by improper payment reductions in programs that typically have had high improper payment rates. In FY 2012, we saw improper payment rate reductions in a number of major Federal programs, including Medicare, Medicaid,

Unemployment Insurance, the Earned Income Tax Credit, Supplemental Nutrition Assistance Program (Food Stamps), Pell Grants, the School Lunch program, and the Retirement, Survivors, and Disability Insurance. I would like to highlight some specific examples of what agencies are doing to reduce improper payments and improve program integrity.

#### *Health Care Fraud and Prevention*

In an effort to reduce improper payments—including those that are fraud-related—the Department of Health and Human Services (HHS) is using new approaches to detect and prevent fraud at the Centers for Medicare & Medicaid Services (CMS). CMS launched the Fraud Prevention System (FPS) to analyze all Medicare Fee-for-Service claims using risk-based algorithms developed by CMS and the private sector, prior to payment, allowing CMS to take prompt action where appropriate. FPS detects suspicious claims and providers, which then allows CMS to target investigative resources appropriately and swiftly take administrative action when warranted.

To enhance the use of FPS, last year, CMS opened a new Command Center to identify fraud in Medicare and Medicaid more quickly and more effectively, and to stop the waste of Federal funds. The Command Center brings together Medicare and Medicaid officials, as well as law enforcement partners from the HHS Office of the Inspector General, the Federal Bureau of Investigation, and CMS's anti-fraud investigators. In addition, the Command Center gathers experts from all different areas—including clinicians, data analysts, fraud investigators, and policy experts—to build and improve state-of-the-art predictive analytics that spot fraud quickly and effectively. As a result of this collaborative approach, the agency is able to more quickly initiate administrative actions, coordinate with law enforcement, and avert additional losses by holding potential fraud perpetrators accountable.

The current approach to fighting health care fraud is paying off. For example, in FY 2012, fraud detection and enforcement efforts in the Health Care Fraud and Abuse Control (HCFA) program resulted in the record-breaking recovery and return of \$4.2 billion, a total that is double the program's annual historic average since 1997, and which resulted in an average return-on-investment over the last three years of \$7.90 for every \$1.00 expended.

#### *Department of Defense Improper Payments*

In FY 2012, the Department of Defense (DoD) estimated an improper payment rate for commercial payments at 0.02 percent. DoD plans to work on enhancing its sampling methodology to more fully consider the complexity of different types of payments for reporting in future years. Since 2008, DoD has been successful in identifying and preventing improper payments in its five largest commercial payment systems through use of the pre-payment Business Activity Monitoring (BAM) Program. The BAM Program uses data analytics and programming logic to identify and prevent erroneous payments to vendors, as well as payments for services not rendered. Root cause data captured during the transaction analysis is used to refine the analytic and programming framework to improve the detection capability. In FY 2012, this continuous refinement process resulted in the use of logic to detect when a payment is

being made to the wrong entity. This new error detection has already resulted in the prevention of \$108.3 million in payments to the wrong vendor.

#### *Tax Fraud and Tax Identity Theft*

Tax refund fraud caused by identity theft is a serious problem that causes billions of dollars in revenue loss annually and has negative consequences not only for the Government but also for the innocent taxpayers directly affected. The Internal Revenue Service (IRS) has taken numerous steps to combat identity theft and protect taxpayers, and continually looks at ways to increase data security and protect taxpayers' identities thorough a specialized fraud unit. For the 2013 filing season, the IRS has expanded those efforts. For example, more than 3,000 IRS employees currently work on identity theft issues (more than double the number at the start of the previous filing season), and since the beginning of 2013, the IRS has worked with victims to resolve more than 200,000 cases of identity theft. In addition, IRS has intensified its fraud detection efforts by expanding the number and quality of its identity theft screening filters. Further, IRS suspended or rejected more than two million suspicious returns (including identity theft returns) so far this filing season. Other program integrity efforts at the Department of the Treasury are also leading to positive results in the Earned Income Tax Credit (EITC) program. In FY 2012, EITC reported an improper payment rate that was lower than in previous years.

#### *Department of Labor Improper Payments*

The Department of Labor (DOL) has actively worked with the states to reduce improper payments in the Unemployment Insurance (UI) program. All states have been called to action to ensure that UI integrity is a top priority and to develop state specific strategies to bring down the overpayment rate. DOL also has provided states with supplemental funding to implement strategies and technology-based infrastructure investments that will help the states to prevent, detect, and recover UI overpayments. DOL's work with states in this area is beginning to prove successful, with the error rate declining from 12 percent in FY 2011 to 11.4 percent in FY 2012. Despite this success, we do see emerging challenges in this program that could potentially increase the improper payment rate, such as stricter state laws driving additional complexity on eligibility determinations.

To ensure that states actively own the responsibility of driving down the rate, DOL recently partnered with the New York Department of Labor to establish the UI Integrity Center of Excellence. New York has been a leader in combating improper payments in UI, and has made significant strides in recovering millions of dollars in fraudulent UI payments. This new Center will build upon these efforts and drive collaborative work with DOL and other states to develop and implement innovative integrity strategies that state UI programs can use to combat improper payments, and build capacity nationally to use data analytics and predictive modeling more effectively to support integrity efforts. The Center will leverage data analytics to identify the characteristics of claimants that commit fraud and create a methodology to act on those leads quickly to prevent, detect, and recover improper payments more effectively.

Innovation also plays an important role in ensuring program integrity in the UI program. Under a pilot program funded by the Partnership Fund for Program Integrity Innovation, DOL has been working with the National Association of State Workforce Agencies (NASWA) and three partner states (Missouri, Illinois, and Mississippi), to test the value of matching financial transaction data against state unemployment insurance data to help states detect when a claimant may have returned to work and is no longer qualified for benefits. Results from a retrospective data match with states are still under review but are quite promising. They indicate that this new approach could enable states to detect potential overpayments much more quickly than existing matches allow, which could prevent tens of millions of dollars in improper payments every year if put into practice.

This is important progress made across a variety of programs. However, there is more work to be done. The Government still made nearly \$108 billion in improper payments in 2012, which is an unacceptably high number and degrades the integrity of Government programs. Moreover, certain programs such as Medicare Advantage and the Rental Assistance program at the Department of Housing and Urban Development saw increases in their payment error rate, indicating that we have more to do to reduce error in these programs.

#### **Moving Forward**

To help guide our future efforts, the Administration has set a new government-wide goal of reducing improper payments: by the end of FY 2016, we aim to achieve a minimum 97 percent government-wide accuracy rate, which translates to an improper payment rate of 3 percent or less. Today, I would like to highlight several important initiatives that will anchor our efforts in addressing improper payments and reaching our goal.

#### *The President's FY 2014 Budget*

The President's FY 2014 Budget includes a suite of program integrity proposals that, if enacted, would result in an estimated \$98 billion in total savings over 11 years. For example, the Budget proposes to establish a dependable source of mandatory funding for Continuing Disability Reviews (CDRs) and Supplemental Security Income (SSI) redeterminations, which would save an estimated \$38 billion over 10 years. In addition, the Budget also continues to build upon a robust set of proposals to strengthen Medicare and Medicaid program integrity from last year's Budget and prior efforts.

There is compelling evidence that additional investments in program integrity can significantly decrease improper payments and recoup many times the initial outlay. For example, for every dollar spent by the Social Security Administration (SSA) on a disability review, the Government saves an estimated nine dollars in erroneous payments. In addition, historical rates of return for the Health Care Fraud and Abuse Control (HCFAC) program continue to grow. From 2010 to 2012, the program returned almost eight dollars for every dollar expended, as mentioned earlier in my testimony.

*Implementing the Do Not Pay Initiative*

Under this Administration, the Federal Government has focused on leveraging technology and sharing data to address improper payments. In April 2012, the Administration launched the government-wide Do Not Pay effort to help agencies avoid making payments to individuals or entities who should not receive Federal funds, such as debarred contractors receiving Federal awards, or retirement benefits going to dead Federal employees. By providing a single point of access to an array of databases and using data analytics, we are equipping Federal agencies with new tools to stop improper payments before they occur.

Earlier this year, the President signed into law the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), which will enhance the Administration's efforts to combat improper payments. Consistent with existing protections for individual data privacy, the new law will help improve the determination of improper payments by agencies, improve recovery of improper payments, and reinforce and accelerate the Administration's "Do Not Pay" efforts.

As required under IPERIA, agencies will begin checking all payments, as appropriate, through Do Not Pay by June 1, 2013. Over the past few months, the Office of Management and Budget and Treasury have worked to develop and enhance an initial working system that will allow for central screening of payments against Do Not Pay using payment information agencies previously provided to Treasury in the ordinary course of business. The first phase of Do Not Pay implementation will focus on matching recipients with public data from the Death Master File (DMF) and the System for Award Management (SAM, which includes the former Excluded Parties List). Treasury will provide reports to agencies, which will adjudicate hits and adjust pre-award and pre-payment procedures to ensure these procedures factor in relevant information from Treasury on potential disqualification from eligibility. This is only a first step, however, as there is much more to be done to ensure that Do Not Pay is the robust, comprehensive solution for ensuring payment eligibility that Congress and the President have envisioned. Access to additional, appropriate databases will be expanded as, among other things, each agency involved completes necessary data-sharing agreements and satisfies database-specific legal restrictions (including privacy safeguards).

To help bolster Do Not Pay's value and address other key Administration goals, the President's FY 2014 Budget includes two proposals related to improving access to, and the completeness of, death data. We estimate that the first proposal would prevent more than \$1.3 billion in improper payments over 10 years by expanding Federal agency access to death data submitted by states for specific purposes that include program integrity. The second proposal would gradually phase in full implementation of electronic death records in all states and other vital records jurisdictions over four years, which would result in timelier and more accurate data in the Death Master File.

**Conclusion**

I would like to close by emphasizing that this Administration will continue to treat improper payments as a key priority, and will continue to explore new and innovative ways to reduce, prevent, and recapture improper payments. I am proud of the progress we have made so far, but

there is much work to be done to improve the accuracy and integrity of Federal payments. Therefore, I look forward to continuing to work with this Committee, as well as the Government Accountability Office and the Inspectors General community. All of these stakeholders are our partners in this endeavor, and they play a critical role in holding the Federal Government accountable for reducing improper payments.

Thank you again for inviting me to testify. I look forward to answering your questions.

**U.S. Senate**  
**Committee on Homeland Security & Governmental Affairs**



**Statement for the Record**  
**Curbing Federal Agency Waste and Fraud:**  
**New Steps to Strengthen the Integrity of Federal Payments**

**The Honorable Patrick P. O'Carroll, Jr.**  
**Inspector General, Social Security Administration**

**May 8, 2013**

Good morning, Chairman Carper, Ranking Member Coburn, and members of the Committee. It is a pleasure to appear before you, and I thank you for the invitation to testify today, to discuss Federal agencies' efforts to reduce improper payments. This is an important undertaking across the Federal Government, as agencies work to identify causes of improper payments, and explore ways to improve payment accuracy and prevent wasteful spending.

### **Improper Payments**

Federal agencies reported \$108 billion in improper payments in fiscal year (FY) 2012—a small reduction from FY2011. As Federal employees, we must ensure that taxpayer dollars are spent wisely and effectively, and that government benefits are administered correctly. Improper payments are any payments from a Federal program that should not have been made or were made in an incorrect amount; I should note that not all improper payments are overpayments, as underpayments are also considered improper. This issue encompasses a number of financial transactions, including payments to vendors for services rendered, and benefit payments made to ineligible program participants. Improper payments occur for many reasons—certainly fraud, but also poor understanding of reporting responsibilities or inability to report, administrative errors, and other reasons.

Federal agencies and their inspectors general have worked closely with the Office of Management and Budget (OMB) and the Treasury to identify and reduce improper payments in recent years, as President Obama issued Executive Order 13520 on Reducing Improper Payments in 2009, and the Congress passed the *Improper Payments Elimination and Recovery Act (IPERA)* in 2010 and the *Improper Payments Elimination and Recovery Improvement Act (IPERIA)* in 2012. IPERIA included a “Do Not Pay” provision, which called for agencies to review available databases—such as the Social Security Administration’s (SSA) Death Master File (DMF) and the Treasury’s Debt Check Database—to prevent improper payments by verifying recipient eligibility before releasing Federal funds.

Since the Office of the Inspector General (OIG) at SSA was established in 1995, our primary goal has been to identify and help reduce SSA’s improper payments—a formidable task, given the large dollars involved in SSA’s benefit programs. We work toward this goal by conducting audits to identify areas for improvement in SSA’s programs and processes; and conducting criminal investigations to identify and prevent fraud. On the audit side, we recently completed reviews that identified potential SSA overpayments and underpayments.

- In *Usefulness of Department of Homeland Security Travel Data to Identify Supplemental Security Income Recipients Who Are Outside the United States*, we estimated SSA made about \$152 million in overpayments to SSI recipients because of unreported absences from the United States between September 2009 and August 2011. SSI recipients are ineligible when outside the country for more than 30 days. We recommended SSA and DHS develop a process so that SSA could access DHS’ travel data on individuals who enter and leave the United States. As of April 2013, SSA was pursuing access to this data and developing a computer matching agreement.
- In *Controls over the Issuance of Supplemental Security Income Installment Payments*, we estimated that SSA had not paid about \$55 million to more than 13,000 SSI recipients. These underpayments were not made because SSA did not establish controls to ensure that it made these payments after staff suspended or terminated the recipients’ SSI payments. In March 2013, SSA agreed with our recommendations and was taking action on the cases identified in the audit.

Also in FY2012, our investigators achieved \$96.5 million in SSA recoveries and restitution; and projected \$398.5 million in savings from programs such as the Cooperative Disability Investigations initiative, which detects potential fraud and reduces the number of fraudulent disability payments.

#### **Agency Compliance with Existing Laws**

Executive Order 13520, IPERA, and IPERIA included provisions that required input from the Council of Inspectors General on Integrity and Efficiency (CIGIE). With a history of identifying SSA's improper payments, our office was asked to take a leadership role in that process. For over 3 years, the SSA OIG has served as the liaison for CIGIE to provide input to OMB, and coordinate implementation of the Executive Order and improper payment laws. This liaison role has included attending workgroup meetings, reviewing and commenting on IG and agency improper payment plans, and coordinating among OIGs, OMB, and the Treasury.

Our office, on behalf of CIGIE, recently completed the report, *Summary of Inspectors General Compliance with the IPERA of 2010*. IPERA called for each agency's OIG to determine whether its respective agency complied with key IPERA requirements—such as publishing improper payment rates and corrective action plans—and to report on their findings annually. For the report, we reviewed OIG IPERA reports that were due in March 2012.

We reviewed 64 OIGs, and we found that almost all completed IPERA compliance reviews in a timely manner. Additionally, we found:

- 27 OIGs concluded their agency complied with IPERA;
- 11 OIGs concluded their agency did not comply with IPERA;
- 21 OIGs did not issue a report because their agency did not report high-dollar improper payments (more than \$10 million) under IPERA; and
- 5 OIGs for intelligence agencies did not make their reports available to the public.

Our report summarizes the reasons given by 11 OIGs that concluded their agency did not comply with IPERA. Some examples include:

- The Department of Health and Human Services (HHS) OIG reported that HHS had four programs that did not meet all IPERA requirements; two of the programs did not report improper payment estimates, while the other two reported improper payment rates greater than 10 percent.
- The Treasury Inspector General for Tax Administration (TIGTA) reported that the Internal Revenue Service (IRS) did not publish annual reduction targets; discuss progress toward meeting those goals; or report an improper payment rate less than 10 percent for the Earned Income Tax Credit Program.
- The U.S. Department of Agriculture (USDA) OIG reported USDA did not always report estimates for high-risk programs; provide complete information about program corrective actions; meet annual reduction targets; or report error rates below specific thresholds.

In another recent report completed on behalf of CIGIE, *Summary of Inspector General Reports Related to Executive Order 13520 on Improper Payments*, we reviewed work done by OIGs for the six agencies with high-priority programs with significant improper payments (more than \$750 million). We found

that OIGs for those six agencies—Department of Labor, HHS, Department of Housing and Urban Development (HUD), SSA, TIGTA, and USDA—all reviewed their agency’s Accountable Official and Quarterly High-Dollar reports, as required.

Of course, as SSA’s OIG, we have specifically reviewed SSA’s actions related to IPERA and Executive Order compliance. In a [March 2013 report](#), we found the Agency accurately reported improper payment information; however, SSA could improve reporting by including information on significant changes in improper payment amounts; and it should review existing corrective actions and determine whether any efforts could be intensified to reduce or prevent additional improper payments.

And in a [December 2012 report](#), we determined that SSA met all high-dollar overpayment reporting requirements in Executive Order 13520. However, the Agency could have employed a different methodology and taken additional steps, such as analyzing other available data, to identify and report additional high-dollar overpayments and increase transparency.

#### **Efforts to Identify and Prevent Improper Payments**

As I mentioned, IPERIA included a “Do Not Pay” provision, which requires agencies to check lists of deceased or ineligible individuals before making government payments. SSA, then, must ensure it collects and maintains accurate death records included in the Agency’s DMF to prevent its own and other agencies’ improper payments.

The DMF is an extract of SSA’s Numident—the Agency’s database of Social Security number (SSN) holders—and it contains about 85 million records. SSA receives about 2.5 million death reports annually from many sources, including family members, funeral homes, and State agencies. Because SSA does not receive death records for all deceased individuals, the Agency does not guarantee the file’s accuracy. A person’s absence from the file does not guarantee the person is alive.

SSA has agreements in place with other Federal agencies, such as the Department of Veterans Affairs, to share death information. However, a web-based system known as Electronic Death Registration (EDR) results in improved data quality and more rapid compilation of death data. EDR is highly accurate because, when fully used, a State verifies the name and Social Security number of each deceased individual against SSA’s records before transmitting the death report. Based on Federal funding since FY2002, 36 of the 57 vital statistics jurisdictions have electronic death records capacity. The President’s FY2014 Budget supports funding for the Centers for Disease Control’s National Center for Health Statistics to implement EDR in the 21 remaining jurisdictions over four years.

We have recently conducted several audits related to the accuracy of DMF data:

- In a [December 2012 report](#), we estimated about 10,000 beneficiaries had unresolved date-of-death discrepancies between the SSA’s Numident and its Master Beneficiary (MBR) and Supplemental Security Records; about 1,400 had undetected improper payments of about \$6.7 million; about 8,400 had an incorrect date of death on the DMF.
- In a [July 2012 report](#) on deceased Title II beneficiaries, we identified about 1.2 million beneficiaries who had a date of death on the MBR, but they did not have death information on the Numident, which is used to create the DMF. Generally, the deaths were not on the Numident because the beneficiaries’ personal information (such as date of birth) on SSA’s payment records

or death report did not precisely match the beneficiaries' information on the Numident.

- In a May 2013 report, we determined that as many as 182,000 deceased recipients' deaths were not reported on the DMF; about 1,000 had earnings on SSA's Master Earnings File in 2011 that were recorded one or more years after their death. In addition, we found several cases in which employers made E-Verify inquiries, and States made voter-verification requests, for deceased recipients, and SSA did not identify that the individuals were deceased.

Our auditors have also looked at other potential data matches among government agencies that could reduce improper payments. In an [August 2012 report](#), our auditors showed how SSA could use Medicare claim data to identify overpayments to deceased beneficiaries. A match of SSA and Centers for Medicare and Medicaid Services (CMS) beneficiary data allowed SSA to identify deceased beneficiaries based on their enrollment in, but non-usage of, Medicare. We estimated that SSA overpaid 890 deceased beneficiaries about \$99 million. We recommended that SSA work with CMS to establish a data-use agreement to regularly perform a similar data match.

As that example shows, as well as the previously discussed audit on how SSA could use DHS' travel data, Federal agencies and their OIGs should use any and all tools that can improve payment accuracy, including analysis of internal and external data. In 2010, our auditors worked with DoL to compare its Office of Workers' Compensation Programs data to SSA records. We identified Federal employees who received disability benefits in the same year they received Federal Employees' Compensation Act (FECA) payments. We estimated \$43 million in improper payments to about 961 beneficiaries for whom SSA did not consider FECA payments in calculating their benefit amounts.

In addition, DoL is currently promoting increased cross-comparison of Unemployment Insurance (UI) claimants with the National and State Directories of New Hires to identify individuals who have returned to work, in an effort to reduce UI overpayments. As of April 2013, 47 state workforce agencies have implemented new standard data-sharing procedures and immediate claimant-notification processes.

SSA and other agencies should also utilize more non-governmental databases to improve payment accuracy. SSA already receives data from the IRS to verify income, but in recent years, the Agency went further, implementing the Access to Financial Institutions (AFI) initiative, which allows it to access financial institutions' data to verify an applicant or recipient's self-reported resources. In 2011, SSA completed the AFI rollout to all 50 States, the District of Columbia, and the Commonwealth of the Northern Mariana Islands. Assuming that SSA had used its current account verification process on a long-term basis, the Agency estimates that the account verifications expected to be completed in FY2013 would yield an estimated \$365 million in lifetime Federal SSI program savings.

We encourage Federal agencies to support any legislative proposals that would identify and prevent more improper payments in their programs. The OIG community is pursuing an exemption to the *Computer Matching and Privacy Protection Act of 1988* (CMPPA), which would exempt OIGs from a requirement for a formal computer matching agreement before they can match data with other entities to identify fraud and waste. This provision impedes OIG efforts to detect improper payments and identify weaknesses that make Federal programs vulnerable to fraud. In 2010, the HHS and its OIG obtained an exemption for data matches designed to identify fraud, waste, and abuse; and we believe SSA should have a similar exemption.

IPERA allows up to 5 percent of the amounts collected from recovery auditing by an agency to be used by the IG of that agency; the money is to be used to carry out this new law or any other activities of the IG relating to investigating improper payments or auditing internal controls associated with payments. However, this provision applies only to recoveries of overpayments made from discretionary appropriations, and for SSA/OIG, that applies only to recoveries of overpayments made from SSA's administrative expenses, not SSA's benefit programs.

We and other OIGs continue to support legislation to establish an agency revolving fund for integrity activities to help ensure payment accuracy or an expansion of the recovery auditing provisions of IPERA to all Government funds, not just discretionary funds. In our case, we have proposed an indefinite appropriation to make available to SSA 25 percent, and to OIG 5 percent, of actual overpayments collected, for use solely on integrity activities that provide a continuous return on investment.

Finally, I should note that SSA and OMB do not consider *unavoidable* overpayments to be improper. Thus, payments that would not have been made if a stewardship review, like a medical continuing disability review, had been, but was not, conducted when due, are *not counted* as improper payments by SSA. We, however, believe these payments are improper and should be part of the discussion about SSA's payment accuracy, since SSA could potentially have prevented those payments by timely performing all identified medical continuing disability reviews. In a [March 2010 report](#), we estimated SSA would have avoided paying at least \$556 million during calendar year 2011 if it had conducted the medical CDRs in the Agency's backlog when they were due.

#### **Conclusion**

Federal agencies and their OIGs have made a concentrated effort to reduce improper payments and improve payment accuracy in recent years. Agencies like SSA are working to improve their reporting of improper payments and identify overpayment and underpayment causes and solutions. This important collaboration among Federal agencies, OMB, the Treasury, and the CIGIE will continue in an effort to improve administrative efficiency and service delivery.

This OIG has done, and continues to do, significant audit and investigative work to identify areas where SSA is vulnerable to improper payments, and to recommend actions to reduce and eliminate those errors. As similar efforts occur across government, we will continue our liaison role between the IGs and OMB, and we will provide information to this Committee as requested.

I thank you again for the invitation to be with you here today. I am happy to answer any questions.

EMBARGOED FOR DELIVERY  
UNTIL 10:00 AM ET, MAY 8, 2013

**Statement of Richard L. Gregg  
Fiscal Assistant Secretary  
U.S. Department of the Treasury**

**“Curbing Federal Agency Waste and Fraud:  
New Steps to Strengthen the Integrity of Federal Payments”  
Senate Committee on Homeland Security and Governmental Affairs  
May 8, 2013**

**Opening remarks**

Good morning Chairman Carper, Ranking Member Coburn, and members of the Committee. Thank you for the opportunity to provide the Committee with an update on the Treasury Department’s efforts to help federally funded programs prevent improper payments.

About two years ago I spoke to the Committee about Treasury’s work to help reduce improper payments by establishing a one-stop-shop for federal agencies to verify eligibility prior to issuing a payment or award. Today, I would like to provide the Committee with an update on Treasury’s work to implement the centralized business center —named Do Not Pay (DNP). I will also describe steps Treasury is taking to assist agencies in implementing the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). Finally I will describe Treasury’s long-term vision to help reduce improper payments.

**Accomplishments**

Following the President’s June 2010 Memorandum<sup>1</sup> directing agencies to improve payment accuracy by using a “Do Not Pay List,” Treasury, in collaboration with the Office of Management and Budget (OMB), began developing centralized access to a set of databases. Since that time, the centralized database has evolved into a business center that is comprised of the DNP Portal and Data Analytics Service.

*DNP Portal*

Agencies can now access the DNP Portal to check several key databases to verify eligibility before making a payment or award. The DNP Portal provides secure access to all of its data sources, including information on deceased individuals, debarred contractors, commercially available wage and employment information, and information on individuals, businesses, and other entities that owe delinquent child support or delinquent non-tax debt to the federal government. It is important to note that agencies can only access these data sources in accordance with privacy laws and other applicable requirements.

An agency employee with proper credentials has several options to verify eligibility of an intended payment recipient using the DNP Portal. The employee may just check an individual record or, more commonly, submit a large group of files to verify eligibility. In addition the agency employee can request a file be put under continuous monitoring. Once the query is

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<sup>1</sup> Memorandum of June 18, 2010 (75 Federal Register 35953; June 23, 2010).

complete, the employee is presented with a summary screen of results, which the agency reviews to evaluate eligibility and the propriety of making the payment under review.

#### *Data Analytics Service*

Recognizing that a robust data analytics capability is essential in reducing improper payments, Treasury has developed a Data Analytics Service. This service provides the ability to review large data sets to identify trends, risks, and patterns of behavior that may warrant a more thorough analysis. Agencies can now use DNP's evolving Data Analytics Service to obtain customized matching and analysis of an agency's payment file to identify irregularities and potential fraud. Eventually DNP will be able to build business rules based on data trends and agency feedback to improve data quality to agencies.

#### *Agency Use of DNP*

Treasury has made significant progress in providing agencies access to its DNP business center. Currently 36 federal agencies have started using DNP to reduce improper payments. In addition, nine states are currently using DNP in administering federally funded programs on a voluntary basis.

#### **Assisting Agencies in Implementing IPERIA**

Treasury, in partnership with OMB, is well positioned to assist agencies in meeting the Do Not Pay Initiative requirements set forward by IPERIA. By June 1, 2013, IPERIA requires that executive agencies review, as appropriate, all payments and awards for their programs through the DNP system. To assist agencies in meeting this deadline, Treasury has already begun comparing agency-submitted payment information, including payment files from the Department of Defense, against the public versions of the Death Master File and the Excluded Parties List System, which includes information on suspended or debarred contractors, to prevent future improper payments.

Treasury is working with agencies to best meet the requirements under IPERIA. In the coming months it will be important for agencies to establish a robust adjudication process for payments that have been identified as potentially improper. To provide information that is useful to the agencies, Treasury needs to better understand not only the payment data, but also each agency's rules and processes for determining eligibility. Accordingly, beginning June 2014, DNP will verify pre-payment information through the DNP system for agencies based on agency-defined rules to either identify a payment as potentially improper for agency review or, if Treasury has been given authority, to stop an improper payment on behalf of an agency.

#### **Long-term Vision**

Treasury's long-term vision is to have our DNP business center and data analytics service become a robust, timely, and flexible service for the agencies to use in identifying and preventing waste, fraud, and abuse. To fully achieve this vision, Treasury will work to both improve the quality and availability of data as well as strengthen data DNP's data analytics capabilities.

*Data Quality and Availability*

Treasury is seeking to make more and better data available to agencies, and is developing a disciplined, repeatable methodology to evaluate the value of alternative data sources. The Fiscal Year 2014 President's Budget proposes to expand Treasury's authority to access additional databases so we can compare those databases to the payments we are making. These databases include the National Directory of New Hires; the Prisoner Update Processing System; the more complete Death Master File including state-supplied death data. In addition, Treasury is working to obtain access to Credit Alert Verification Reporting System, commonly referred to as CAIVRS, which provides information on defaulted federal debtors and can be used to prescreen loan applicants.

While Treasury has made significant progress in providing DNP access to agencies, much work remains until agencies are able to fully utilize the functions and data available in the DNP business center. For example, we are working closely with OMB to help address questions related to computer matching. IPERIA has made some changes to these requirements and asks OMB to issue guidance to help implement them.

*Data Analytics*

Treasury is also working to improve its Data Analytics Service. In the near-term Treasury will strengthen its DNP business center analytics capability and, as a result, improve data quality to achieve the goals of providing agencies with highly reliable results and minimizing false positives. In the long-term, Treasury is working to develop a forward-looking, continuous monitoring, fraud identification tool. Treasury is already working to provide a feedback loop with agencies to further refine results as well as report and detect potential fraudulent activity.

**Conclusion**

Treasury is committed to reducing improper payments and assisting agencies with implementing IPERIA. I look forward to working with the Committee to continue in its efforts to significantly reduce the amount of improper payments made by the federal government. Thank you. I look forward to taking your questions.

United States Government Accountability Office

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Testimony  
Before the Committee on Homeland  
Security and Governmental Affairs,  
U.S. Senate

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For Release on Delivery  
Expected at 10:00 a.m. EDT  
Wednesday, May 8, 2013

## SOCIAL SECURITY ADMINISTRATION

### Preliminary Observations on the Death Master File

Statement of Daniel Bertoni, Director  
Education, Workforce, and Income Security Issues

## GAO Highlights

Highlights of GAO-13-574T, a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

### Why GAO Did This Study

As the steward of taxpayer dollars, the federal government is accountable for safeguarding against improper payments—those that should not have been made or that were made in an incorrect amount. One tool federal agencies can use to do this is the DMF, which is a file containing records of deceased individuals who are SSN-holders. Through data matching, federal benefit-paying agencies can use the DMF to alert them of deceased benefit recipients. However, the SSA Office of Inspector General and others have identified inaccuracies in the DMF, including deceased individuals who were not listed in the file. Such inaccuracies could adversely affect its usefulness to federal agencies.

This testimony addresses preliminary observations on (1) SSA's process for handling death reports for inclusion in the DMF, and (2) federal agency access to the DMF. In addressing these objectives, we interviewed SSA officials regarding how the agency obtains death reports and maintains the DMF; reviewed applicable federal laws, SSA procedures, and reports; interviewed representatives of organizations that report deaths to SSA; and interviewed officials at other federal agencies that use the DMF.

### What GAO Recommends

The work is ongoing and GAO has no recommendations at this time. GAO plans to issue its final report later in 2013.

View GAO-13-574T. For more information, contact Daniel Bertoni at (202) 512-7215 or bertoniid@gao.gov.

May 8, 2013

## SOCIAL SECURITY ADMINISTRATION

### Preliminary Observations on the Death Master File

### What GAO Found

The Social Security Administration's (SSA) procedures for handling and verifying death reports may allow for erroneous death information in the Death Master File (DMF) because SSA does not verify certain death reports or record others. SSA officials said, in keeping with its mission, the agency is primarily focused on ensuring that it does not make benefit payments to deceased Social Security program beneficiaries. As a result, it only verifies death reports received for individuals who are current program beneficiaries, and even then, only for those reports received from sources it considers to be less accurate. For example, SSA officials consider death reports from states that have pre-verified decedents' name and SSN to be highly accurate, so SSA does not verify that the subjects of these reports are actually deceased. It would, however, verify a report received from a source such as a post office. SSA verifies no death reports for individuals who are not beneficiaries, regardless of source. Because there are a number of death reports that SSA does not verify, the agency risks including incorrect death information in the DMF, such as including living individuals in the file or not including deceased individuals. Specifically, for death reports that are not verified, SSA would not know with certainty if the individuals are correctly reported as dead. SSA also does not record some deaths because incorrect or incomplete information included in death reports generally prevents SSA from matching decedents to SSA records. For example, if SSA is unable to match a death report to data in its records such as name and Social Security Number (SSN), it generally does not follow up to correct the non-match and does not record the death.

A number of federal agencies access the DMF for the purpose of matching it against data in their files, but the conditions of access depend on a variety of legal and other factors. Currently SSA shares a full version of the DMF with six federal agencies that it has determined meet legal requirements for accessing the file, which include being an agency that pays federal benefits. By law, SSA can require reimbursement for the cost of sharing the data, however various factors affect what the agencies actually pay. The Department of Veterans Affairs and the Office of Personnel Management pay nothing to receive the file, whereas the Department of Defense annually pays more than \$40,000. A number of other federal agencies—including several that administer programs that pay benefits—purchase a partial version of the DMF that is publicly available through the Department of Commerce's National Technical Information Service (NTIS). NTIS reimburses SSA for receipt of the file. The partial DMF does not include state-reported data and, according to SSA officials, has about 10 percent fewer records than the full DMF (roughly 87 million, compared to 98 million). Thus, agencies accessing this version of the file, such as the Department of Labor's Energy Employees Occupational Illness Compensation Program, may be missing deceased program participants. If agencies want access to the full DMF, they must formally request it. SSA makes determinations about their eligibility on a case-by-case basis. SSA officials said they were not aware of written standards or guidelines to follow in making these determinations.



441 G St. N.W.  
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U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Chairman Carper, Ranking Member Coburn, and Members of the Committee:

I am pleased to discuss the Social Security Administration's (SSA) death information, which is currently maintained for approximately 98 million deceased individuals who are Social Security Number (SSN) holders. Federal benefit-paying agencies generally can access the information in this file and match it against data in their files to alert them to deceased benefit recipients, and therefore help reduce improper benefit payments. As the steward of taxpayer dollars, the federal government must guard against improper payments. Yet for fiscal year 2012, the Office of Management and Budget reported federal agency improper payment estimates totaling almost \$108 billion.<sup>1</sup> Over the past decade, we have issued numerous reports and testimonies highlighting the dangers of improper payments, including adverse effects on program integrity or economic hardship for beneficiaries who have to repay overpayments.<sup>2</sup> We have also illustrated efforts agencies can take to help reduce these payments. For example, data matching allows benefit-paying agencies to compare information from different sources to confirm initial or continuing eligibility of participants or identify improper payments that have been made. Agencies can use SSA's death information to help ensure they are not paying benefits to deceased individuals. However, the SSA Inspector General and others have identified inaccuracies in this file, commonly

<sup>1</sup> Improper payment estimates reported by federal agencies are not intended to be an estimate of fraud in federal agencies' programs and activities. An improper payment is any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. Office of Management and Budget guidance also instructs agencies to report as improper payments any payments for which insufficient or no documentation was found.

<sup>2</sup> For example, see GAO, *Supplemental Security Income: SSA Has Taken Steps to Prevent and Detect Overpayments, but Additional Actions Could Be Taken to Improve Oversight*, GAO-13-109 (Washington, D.C.: Dec. 14, 2012); *Improper Payments: Remaining Challenges and Strategies for Governmentwide Reduction Efforts*, GAO-12-573T (Washington, D.C.: Mar. 28, 2012); *Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*, GAO-11-724 (Washington, D.C.: July 27, 2011); and *Strategies to Manage Improper Payments: Learning from the Public and Private Sector Organizations*, GAO-02-69G (Washington, D.C.: October 2001).

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referred to as the Death Master File (DMF), such as deceased individuals not listed in the DMF. Such inaccuracies could adversely affect the DMF's usefulness in helping agencies combat improper payments.

In my remarks today I will describe our preliminary observations on (1) SSA's process for handling death reports for inclusion in the DMF, and (2) federal agency access to the DMF. To address these objectives, we interviewed SSA officials regarding how SSA obtains death reports and maintains the DMF, and reviewed applicable federal laws and SSA procedures, as well as relevant reports and evaluations. We also interviewed representatives of organizations that provide death reports to SSA. We analyzed the DMF to identify specific types of errors. Finally, we interviewed officials at other federal agencies that use the DMF about how they obtain and use it. This work is being conducted in accordance with generally accepted government auditing standards.

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## Background

SSA historically has compiled death information about SSN-holders in order to ensure it does not pay Social Security benefits to deceased individuals and to establish benefits for survivors. When SSA receives a report of death—which could include name, date of birth, date of death, and SSN—it matches that information against corresponding information in its database of all SSN-holders, known as the Numerical Index File (Numident).<sup>3</sup> SSA then marks the appropriate Numident record with a death indicator. This death information was not publicly available until 1980 when, in response to Freedom of Information Act requests, SSA began to extract Numident records that had a death indicator into a separate file it called the DMF.

According to SSA officials, SSA received about 7 million death reports in 2012 from a variety of sources.<sup>4</sup> These sources include family members, funeral directors, post offices, financial institutions, other federal

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<sup>3</sup> The Numident file contains identifying information associated with SSN holders and there is one record for each SSN-holder.

<sup>4</sup> These reports pertained to approximately 2.5 million individuals in the Numident, according to SSA officials.

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agencies,<sup>5</sup> and state vital records agencies (states).<sup>6</sup> To get death reports from the states, SSA has established formal agreements<sup>7</sup> that set forth a payment structure for the states' death reports and limit SSA's ability to share this information. However, the Social Security Act requires SSA to share death information, including data reported by the states, with federal agencies to ensure proper payment of benefits to individuals.<sup>8</sup> The act also prohibits SSA from sharing state-reported death information for any other purposes. As a result, SSA maintains two versions of the DMF. The "full DMF," which contains all death records, is available to federal benefit-paying agencies.<sup>9</sup> The "partial DMF," which excludes state-reported death information, is available publicly to any interested party. Following the Social Security Act, SSA removes the state-reported records from the full DMF and provides the partial DMF to the Department of Commerce's National Technical Information Service (NTIS), which reimburses SSA for the cost of providing the file and sells it through a subscription service.<sup>10</sup>

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### SSA's Procedures May Allow for Erroneous Death Information in the DMF

Our work to date has identified ways in which SSA's procedures for compiling and verifying death reports may affect the accuracy of death reports in the DMF. To guide how to handle death reports, SSA has determined accuracy levels for each of the sources based on its past experience. Of all the sources of death reports that SSA receives, SSA considers those submitted by states through Electronic Death Registration Systems (EDRS) to be the most accurate.<sup>11</sup> As part of these systems, states generally verify the names and SSNs from death reports

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<sup>5</sup> The Department of Veterans Affairs and Centers for Medicare & Medicaid Services provide death reports to SSA.

<sup>6</sup> For purposes of this testimony, we use the term states to include the vital records agencies in the 50 states, 5 territories, New York City, and the District of Columbia.

<sup>7</sup> Social Security Act § 205(r)(1), codified at 42 U.S.C. § 405(r)(1).

<sup>8</sup> Social Security Act § 205(r)(3), codified at 42 U.S.C. § 405(r)(3).

<sup>9</sup> As of March 2013, the full DMF contained 98 million records.

<sup>10</sup> NTIS distributes a range of federally-funded scientific and technical information.

<sup>11</sup> These are systems used by states to automate the electronic registering and processing of death reports in order to improve their timeliness and accuracy.

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with SSA's databases before submitting them. As of March 2013, 35 states submit their death reports using EDRS.<sup>12</sup> SSA considers reports from funeral directors and family members of decedents the next most accurate. Finally, SSA considers reports from the remaining sources to be less accurate. According to SSA officials, SSA does not collect data on the number of death reports submitted by each source. However, officials told us that if SSA receives multiple death reports for the same individual, the Numident record is updated to reflect only the source SSA considers to be the most accurate. For example, if SSA first receives a death report from a family member and subsequently receives an electronic report from a state about the same individual, the original report is overridden and SSA records only the state as the source of the death report.

Whether SSA verifies death reports depends upon (1) whether the decedent is receiving Social Security benefits, and (2) the source of the report. Verification includes confirming the date of death and decedent's SSN to ensure that the person identified in the death report is the person who has died. According to SSA officials, the agency only verifies death reports for individuals currently receiving Social Security program benefits because it is essential to its mission to stop payments to deceased beneficiaries. Even then, SSA verifies only those reports from sources it considers to be less accurate, such as financial institutions and other federal agencies. Therefore, death reports for non-beneficiaries are not verified (see table 1).<sup>13</sup> SSA officials said they do not maintain data on the number of death reports they verify annually or how long such verifications take.

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<sup>12</sup> This includes 33 states, the District of Columbia, and New York City. Two additional states use EDRS but do not verify names and SSNs with SSA's databases before submitting death reports.

<sup>13</sup> According to agency officials, SSA would not be able to verify non-beneficiary deaths because it does not maintain contact information for non-beneficiaries.

**Table 1: Types of Death Reports and Whether SSA Verifies Them**

Source of Death Report	SSA verification of death	
	Beneficiary	Non-Beneficiary
State (EDRS)	No	No
Funeral directors	No	No
Family members	No	No
Post offices	Yes	No
Financial institutions	Yes	No
Centers for Medicare & Medicaid Services	Yes	No
Department of Veterans Affairs	Yes	No
State (non-EDRS)	Yes	No

Source: GAO analysis.

The following scenarios illustrate SSA's approach to verification:

- SSA receives a death report from a funeral director and determines the decedent is currently receiving Social Security benefits. Because the report was received from a source considered highly accurate, SSA takes no further steps to verify the death. The death is recorded in the decedent's Numident record and subsequently the DMF.
- SSA receives a death report from a post office based on a returned Social Security benefit check noting the addressee is deceased. Because the decedent is a current SSA beneficiary and the report came from a source considered less accurate, it is turned over to an SSA field office to verify. Field office staff attempt to contact either the family of the decedent or some other source that is likely to have first-hand knowledge of the death to confirm the decedent's identity and date of death. Once this is completed, the death is recorded in the decedent's Numident record and the DMF.
- Veterans Affairs submits a death report to SSA. SSA determines the decedent is not receiving Social Security benefits. SSA does not verify the death before recording it in the Numident record and subsequently the DMF.

Because there are a number of death reports that SSA does not verify, the agency risks having erroneous death information in the DMF, such as including living individuals in the file or not including deceased individuals. Specifically, for death reports that are not verified, SSA would not know with certainty if the individuals reported as dead are, in fact, the ones who

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are dead. SSA acknowledges these limitations and does not guarantee the accuracy of the file.

Other SSA practices may prevent deaths from being included in the DMF or lead to other errors. For example, if SSA cannot match a death report to a corresponding Numident record because of differences in name, date of birth, or gender, it generally will not take actions to resolve the non-match.<sup>14</sup> As a result, these deaths would not be included in the DMF. In addition, analysis we performed on existing DMF records identified potentially erroneous information. Specifically, we identified:<sup>15</sup>

- 130 records where the date of death was recorded to occur before the date of birth;
- 1,295 records where the recorded age at death was between 111 and 129; and
- 1,791 records where the recorded death preceded 1936, the year SSNs were first issued, although the decedents had SSNs assigned to them.

SSA officials said some of these anomalies were likely associated with records added prior to the mid-1970s that were manually processed. For example, SSA staff could have keyed in a date of birth that occurred after a date of death. In addition, they told us SSA is taking steps toward identifying or preventing these types of potential errors. These include implementing an edit check to catch records showing a date of birth after date of death, and undertaking a review of cases in which persons appear to be unreasonably old and still receiving benefits to determine if they are dead or if their birth date was entered incorrectly.

Finally, there are other situations in which deaths would not be included in the DMF. For example, decedents who were never assigned an SSN cannot be matched to the Numident.<sup>16</sup> In addition, some deaths may not be reported to SSA, because, for example, identity cannot be established

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<sup>14</sup> According to SSA officials, if SSA receives a death report that does not match a Numident record, SSA will take some internal steps to identify the decedent.

<sup>15</sup> The number of errors we identified is based on approximately 98 million DMF records, which were available for our analysis as of March 2013. The number of errors may change in future analysis.

<sup>16</sup> These could include very young infants who had not been assigned an SSN, and older women who never worked outside the home and, therefore, did not obtain their own SSN.

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or a body is never found. However, it was beyond the scope of our review to determine the extent to which such gaps occurred.

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### Agencies' Access to the DMF Depends on a Variety of Factors

A number of federal agencies access the DMF, but the conditions of access vary widely due to legal and administrative factors. Federal agencies' access to the full DMF depends on various legal requirements, including (1) whether they pay federal benefits and (2) whether their proposed use of the DMF is consistent with uses outlined in the Social Security Act. Currently, SSA shares the full DMF with six federal benefit-paying agencies which have requested access and which it has determined meet the relevant legal requirements:<sup>17</sup>

- Centers for Medicare & Medicaid Services<sup>18</sup>
- Department of Defense (Defense Manpower Data Center)
- Department of Veterans Affairs
- Internal Revenue Service
- Office of Personnel Management
- Railroad Retirement Board

To address administrative conditions of access, these agencies have established information exchange agreements to receive the full DMF. As a part of these agreements, SSA and the agencies agree on what the agency will pay for receiving the data, among other things. SSA has statutory authority to require reimbursement to cover the reasonable cost of sharing the data,<sup>19</sup> and the amount varies by agency. According to SSA officials, although the cost is generally related to the volume of data SSA provides, other factors may affect what agencies pay. For example, the Department of Veterans Affairs does not reimburse SSA for the DMF because it is statutorily exempted from doing so.<sup>20</sup> The Office of Personnel Management similarly does not reimburse SSA because it

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<sup>17</sup> GAO, while not a benefit-paying agency, also receives the full DMF from SSA.

<sup>18</sup> Centers for Medicare & Medicaid Services administers the Medicare Fee-For-Service program, which reported the highest improper payment estimates of all federal programs for fiscal year 2012.

<sup>19</sup> See 42 U.S.C. § 405(r)(3)(A).

<sup>20</sup> 38 U.S.C. § 5106. Under this section, the cost of providing information to the Secretary of Veterans Affairs for the purposes of determining eligibility for or amount of veterans benefits shall be borne by the agency providing the information.

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provides other data to SSA, and the agencies have agreed that the expenses involved in the exchanges are reciprocal. In contrast, the Defense Manpower Data Center pays over \$40,000 annually for monthly updates, while CMS officials told us it pays about \$10,000 per year for weekly updates.

A number of other federal agencies purchase only the partial DMF that is publicly available from NTIS. Several of these pay federal benefits, including the Department of Labor's Energy Employees Occupational Illness Compensation Program, which provides compensation and health benefits to eligible Department of Energy workers and certain survivors. In addition, the Department of Agriculture's Farm Service Agency administers several programs that pay benefits to farmers. Other agencies include, for example, the Department of Homeland Security, the Department of Justice, and the Department of the Treasury office that administers the Do Not Pay Initiative.<sup>21</sup> According to SSA officials, the partial DMF has about 10 percent fewer records than the full DMF due to the removal of state-reported deaths. As more states submit records via EDRS, SSA officials expect this difference to grow over time.<sup>22</sup> As a result, any benefit-paying agency relying on the partial DMF to help identify deceased program participants may be missing death records for some of its beneficiaries because it has access to only about 87 million of the 98 million records in the full DMF.

Although SSA officials make the determination about which agencies are eligible to receive the full DMF, they told us agencies must first formally request it. In response to agencies' requests, SSA makes determinations about agencies' statutory eligibility on a case-by-case basis. However, SSA officials said they were not aware of written standards or guidelines to follow in determining which federal agencies meet statutory requirements. SSA officials said that Offices of Inspectors General at benefit-paying agencies would likely be eligible to receive the full DMF for the purpose of ensuring proper payments of benefits. In contrast, SSA

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<sup>21</sup> The Improper Payments Elimination and Recovery Improvement Act of 2012 established the Do Not Pay Initiative and set forth a requirement for federal agencies to review a number of databases, as appropriate, including the DMF, for individuals' eligibility information prior to making payments with federal funds. Pub. L. No. 112-248, § 5, 126 Stat. 2390, 2392 (2013).

<sup>22</sup> Officials noted that in 2012 alone, SSA removed about 40 percent of records for death reports received in that year because the deaths were state-reported.

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officials said that the agency has determined that the Department of the Treasury would not be eligible to receive the full DMF for the purposes of administering the Do Not Pay Initiative. Even though this initiative is designed to help agencies prevent improper payments, SSA officials explained that under the Do Not Pay Initiative, Treasury would share state death information with agencies that do not pay benefits, which would put SSA in violation of the Social Security Act and its agreements with the states.

In summary, SSA's death information can serve as a helpful tool in preventing improper payments, but can only do so if it is accurate and accessible to federal agencies that need it. As we continue our work, we will explore these and other issues in more detail and look forward to providing a final product later in 2013.

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Chairman Carper, Ranking Member Coburn, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

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## **Contacts and Staff Acknowledgments**

For further information about this testimony, please contact me at (202) 512-7215 or [bertonid@gao.gov](mailto:bertonid@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony. Other key contributors to the testimony include Keira Dembowski, Holly Dye, Joel Marus, Sara Pelton and Lori Rectanus.



Hearing  
Before the  
Committee on  
Homeland Security & Governmental Affairs

U.S. SENATE

Curbing Federal Agency Waste and Fraud: New Steps to  
Strengthen the Integrity of Federal Payments

MAY 8, 2013

Statement of  
Marianna LaCanfora  
Acting Deputy Commissioner for Retirement and Disability Policy  
Social Security Administration

**Statement of Marianna LaCanfora,  
Acting Deputy Commissioner  
for Retirement and Disability Policy,  
Social Security Administration  
before the Committee on Homeland Security & Governmental Affairs**

**May 8, 2013**

Chairman Carper, Ranking Member Coburn, and Members of the Committee:

Thank you for inviting me to this important hearing on steps to strengthen the integrity of Federal payments. I will discuss the death information that we maintain to administer our programs and the death information we share to help curb improper payments in other Federal programs. I am Marianna LaCanfora, the Social Security Administration's (SSA's) Acting Deputy Commissioner for Retirement and Disability Policy.

We wholeheartedly support the Federal government's effort to do everything we can to combat fraud and curb improper payments. Program integrity and stewardship of trust fund and tax dollars has long been a cornerstone of SSA's business processes. In addition to discussing what we currently do in providing death information to other agencies, I will also describe the legislative proposal in the President's budget that, if enacted, would enhance the Federal government's ability to combat fraud and curb improper payments.

Program Overview

Let me begin by describing the scope of the work we do at SSA. Our core mission is to administer the Old-Age, Survivors, and Disability Insurance (OASDI) program, commonly referred to as "Social Security," which protects insured persons and their families against loss of earnings due to retirement, death, and disability. Workers, their employers, and self-employed persons finance Social Security through payroll taxes. We also administer the Supplemental Security Income program, funded by general revenues, which provides cash assistance to aged, blind, and disabled persons with very limited means.

In addition to administering these programs, we handle lesser-known but critical services that bring millions of people to our field offices or prompt them to call us each year. For example, we help administer the Medicare low-income subsidy program and verify information for other Federal and State programs.

The responsibilities with which we have been entrusted are significant. In fiscal year (FY) 2012, we:

- Paid over \$800 billion to almost 65 million beneficiaries and recipients;
- Handled over 56 million transactions on our National 800 Number Network;
- Received over 65 million calls to field offices nationwide;
- Served about 45 million visitors in over 1,200 field offices nationwide;

- Completed over 8 million claims for benefits and 820,000 hearing dispositions;
- Handled almost 25 million changes to beneficiary records;
- Issued about 17 million new and replacement Social Security cards;
- Posted over 245 million wage reports;
- Handled over 15,000 disability cases in Federal District Courts;
- Completed over 443,000 full medical continuing disability reviews (CDR); and
- Completed over 2.6 million non-medical redeterminations of SSI eligibility.

Few government agencies touch as many people as we do. The programs we administer provide a financial safety net for millions of Americans, and many consider them the most successful large-scale Federal programs in our Nation's history. We have demonstrated throughout the years that we are effective stewards of program dollars and administrative resources. Moreover, we take great pride in securing the sensitive data and personal information that we maintain as required by the Social Security Act, the Internal Revenue Code, and privacy statutes.

#### Collecting Death Information to Administer Our Programs and the History of the Death Master File

We collect death information so that we can timely stop paying beneficiaries who have died and pay benefits to survivors of insured persons. Each year, we receive about 2.5 million reports of death primarily from family members, funeral homes, financial institutions, and States. When we receive information from an individual, we update our records, including the Numident file.<sup>1</sup>

Over time, individuals and entities became aware that we were gathering this high-value information. In 1978, Ronald Perholtz filed a lawsuit against us under the Freedom of Information Act (FOIA) to gain access to the death information in our files. In 1980, we entered into a court-approved consent decree that required—and still requires—the agency to release to Mr. Perholtz death information maintained by the agency. The Department of Justice advised us that Congress had not provided an exemption to the FOIA or the Privacy Act that would permit us to withhold the data requested by Mr. Perholtz.

In 1983, Congress added subsection (r) to section 205 of the Social Security Act to require us to collect death information from States to update our program records. This subsection also describes the circumstances under which certain government agencies may receive such information from us. In addition, it specifies that the death information we receive from States is otherwise exempt from disclosure under the FOIA and the Privacy Act. However, the 1983 amendment did not exempt from disclosure death information that we obtain from sources other than the States.

Following the consent decree in the Perholtz litigation, we began to receive additional requests for the same death information that we were providing to Mr. Perholtz. Because we had no legal basis to withhold that death information, we created a file that we could make available to requesters. The file—now commonly known as the public Death Master File (DMF)—contains the non-State death information we maintain to administer our programs.

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<sup>1</sup> The Numident contains identifying information associated with a Social Security Number, including a death indicator and parents' names.

Since 1992, due to the growing number of individuals and entities seeking the DMF, we have provided the file to the Department of Commerce's National Technical Information Service (NTIS) to distribute. We chose NTIS because it functions as a national clearinghouse for a wide array of Government data. NTIS's customers include life insurance companies, State agencies, and financial institutions that need death information to stop paying benefits to deceased individuals and pay benefits to survivors of insured persons.

Over the years, we have made use of technology to more efficiently administer our programs, including the timely and accurate collection of death information. Since 2002, we have worked with States to increase the use of Electronic Death Registration (EDR). EDR automates our receipt of death information and is highly accurate because the States first verify the name and Social Security Number of deceased individuals against our records before they issue a death certificate or actually transmit the death report to us. Currently 33 states, the City of New York, and the District of Columbia participate in EDR. The use of EDR ensures that our death records include the most accurate and most current information.<sup>2</sup>

It is important to note here that the death information we collect through EDR is State information, which under section 205(r), we are authorized to disclose only for specific purposes. Under section 205(r), we provide, to Federal benefit-paying agencies, on a regular basis, an electronic file containing all of our death information including the death information we receive from the States. Section 205(r) of the Act requires us to provide State death data to agencies to ensure proper payment of federally-funded benefits. The HHS Centers for Medicare & Medicaid Services, the Department of Defense, and IRS are among the agencies that receive these data. In addition, we provide death information to State agencies administering federally-funded programs. Like us, these benefit paying agencies need death information to ensure the accuracy of their benefit payments and prevent fraud, waste, and abuse. In addition, we send certain agencies, including the IRS, a weekly update to the electronic file of all our death records. Finally, we provide data to Federal agencies for strictly statistical and research purposes.

As noted above, section 205(r) prohibits us from including State death information in the public version of the DMF. Additionally, under the law as it now stands, we may not provide State death information to the Department of Treasury for Do-Not-Pay purposes. This is because section 205(r) authorizes us to disclose State death information only to agencies to ensure proper payment of federally funded benefits. The important Do-Not-Pay portal will be used, as appropriate, to check all payments issued by Federal agencies, not just payments for federally funded benefits. However, I am pleased to report that the President's FY 2014 Budget includes a proposal which would allow us to disclose our entire death file, including state data, to the Do-Not-Pay portal for purposes specified in the proposal.

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<sup>2</sup> Although not an SSA legislative proposal, the President's FY 2014 Budget includes an increase of \$22 million in Public Health Service Evaluation transfers for the Vital Statistics System supported within the Department of Health and Human Services (HHS) Centers for Disease Control and Prevention (CDC). One purpose of the provision would allow CDC to gradually phase in electronic death records in the 21 remaining jurisdictions over 4 years.

Legislation To Use Death Information to Combat Fraud and Curb Improper Payments and To Limit Access to Death Information

Over the past year and a half, we have worked closely with an inter-agency group, led by the Office of Management and Budget, to develop a legislative proposal on the DMF. Through an amendment to section 205(r), the Administration's proposal would allow additional Federal agencies to access our death information—including State death information—to combat fraud and curb improper payments. Under our proposal, we would be permitted to share our entire death file, via Do Not Pay, with Federal agencies for the purposes of public health or safety, law enforcement, tax administration, health oversight, debt collection, payment certification, disbursement of payments, and for the prevention, identification, or recoupment of improper or erroneous payments.

However, we must remain aware that just as access to accurate death information helps agencies reduce improper payments, the public availability of death information could contribute to fraud. We believe that this information should no longer be accessible to those entities or individuals who might misuse it. However, we are mindful that many institutions, such as financial institutions, legitimately need our publicly available death information to combat private sector fraud. As I said earlier, we currently do not have a legal basis to withhold non-State death information under FOIA. Even if we could withhold death information, FOIA does not allow us to withhold death information from certain entities while making it available to others who legitimately need it. Only Congress can strike the proper balance between restricting access to death information and making it available to those entities that legitimately need the information to combat fraud.

For this reason, the President's FY 2014 Budget proposal would also restrict access to the public DMF. Specifically, the proposal would delay the release of a deceased individual's information on the public DMF for 3 years after he or she dies. This would significantly reduce the ability of criminals to use death information to commit tax fraud. Only private entities that the Commissioner certifies as having a legitimate need for the information—and sufficient protections in place to safeguard the information—would be permitted to receive the public DMF. We look forward to working with Congress, the Administration, and other parties to refine this legislation.

Conclusion

We appreciate Congress' interest in working with us to protect our fellow Americans and their resources. We are committed to continuing to share death information with our Federal partners and appreciate that other parties that, with vigilant oversight, have reasonable and responsible purposes for obtaining death data. We stand ready to assist Congress to take the next steps to curb improper payments and fraud.

“Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of Federal Payments” May 8, 2013

**Post-Hearing Questions for the Record  
Submitted to the Honorable Daniel I. Werfel  
From Senator Kelly Ayotte**

- (1) Only agencies that pay beneficiaries currently have access to the complete file, while some agencies that manage beneficiaries do not have access. What is the benefit in distinguishing between federal agencies that pay beneficiaries and federal agencies that manage them?

Response:

OMB does not make the distinction between Federal agencies that pay beneficiaries and those that manage them. Rather, these distinctions are statutory, pursuant to 205(r)(3) of the Social Security Act, which permits sharing of the data with Federal and state agencies providing benefits funded in whole or in part with Federal funds, and OMB lacks any discretion in this area. Moreover, the President’s Fiscal Year (FY) 2014 Budget proposal to provide all agencies access to the full Death Master File (DMF) through the Do Not Pay portal for program integrity and other limited purposes reflects the Administration’s commitment to improving program integrity across programs and agencies.

- (2) What is the downside to eliminating such a distinction and granting wider access to the complete file to more federal agencies?

Response:

The proposal in the President’s Budget would provide Government-wide access to the complete DMF through Do Not Pay. If enacted, the proposal could result in approximately \$1 billion in savings over 10 years. Under current practice, state vital records jurisdictions charge SSA and other entities for the death data that they provide and that appear in the complete DMF. Some states have suggested that they may increase charges to SSA for death data if more Federal entities use the data without reimbursing states directly.

- (3) Do the same or similar reasons given in your answers to question (1) apply with distributing the complete file to state agencies?

Response:

State agencies administering Federally-funded benefits already have access to all the death information in SSA’s records under current law. They currently receive all these data through the Social Security verification process, which is free to the states. If these agencies wish to access the actual DMF separately, they would be required to reimburse SSA for the cost of providing the information. In addition, note that state agencies may be able to access their own state death data by working through their vital records departments.

“Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of Federal Payments” May 8, 2013

**Post-Hearing Questions for the Record  
Submitted to the Honorable Daniel I. Werfel  
From Senator Thomas R. Carper**

- 1) Currently, not all agencies that need access to the complete Death Master File (DMF) maintained by the Social Security Administration (SSA) have access to the complete file. In fact, many of these agencies are instead purchasing a less complete version made available through the Department of Commerce.
  - a) Pending a statutory remedy that gives all federal agencies access to the more comprehensive DMF, what specific steps will OMB take to ensure that agencies are able to access and use the complete DMF as they are permitted to do under current law? For example, will OMB facilitate discussions and decisions with SSA, and other agencies, to ensure that those agencies which have statutory authority gain access to the complete Death Master File, and under what timeline?

Response:

OMB will continue working with SSA to ensure that agencies know that they may be eligible to access SSA’s full death information. SSA is ready to work with any agency to determine whether it is eligible for full access under section 205(r) of the Social Security Act. In addition, Treasury plans to develop an implementation guide for Do Not Pay, which will include instructions for conducting a risk assessment to evaluate the adequacy of current processes that check Federal payment against relevant databases, including the DMF.

- b) What plans, if any, does OMB have to help agencies use the new authority under the Improper Payments Elimination and Recovery Improvement Act for access to other agencies’ data, including the DMF?

Response:

The new authority provided by the Improper Payments Elimination and Recovery Improvement Act (IPERIA) has reinforced and accelerated the Administration’s Do Not Pay efforts already underway. IPERIA expanded the mission of an existing OMB-led interagency working group, organized in 2012 to ensure agency adoption of Do Not Pay complied with all privacy laws, regulations, and policies. The President’s Budget requests access to additional databases to increase the robustness of Do Not Pay. In addition to the proposal for expanded access to the full Death Master File for program integrity purposes, the Budget proposes increased access to SSA’s and IRS’s prisoner data and to the National Directory of New Hires for certain agency programs. OMB’s approach to integrating additional databases, including those named above, into Do Not Pay is laid out in greater detail in a letter to Congress from OMB Director Sylvia Burwell, dated May 31, 2013.

“Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of Federal Payments” May 8, 2013

**Post-Hearing Questions for the Record  
Submitted to the Honorable Daniel I. Werfel  
From Senator Tom Coburn**

- 1) What changes in law are required to provide agencies and the Do Not Pay Initiative with access to the full Death Master File, including the state records?

Response:

To effectuate the President’s Budget proposal, the Congress should amend the Social Security Act to strike a balance between increased government access to the DMF for program integrity purposes and limits on the distribution of death information furnished to or maintained by the Social Security Administration (SSA) to deter identity theft and related tax fraud.

- 2) Should any government agency be prohibited from entering into an agreement to access the full Death Master File?

Response:

As the President’s Budget proposes, all agencies should have access to the DMF for limited and appropriate purposes including program integrity. However, the President’s FY 2014 Budget proposal is an attempt to strike a balance between this increased government access and appropriate restriction of public access to DMF in order to deter identity theft and related tax fraud.

- 3) Regarding the public Death Master File distributed by NTIS, what does OMB propose to prevent identity theft and other fraud?

Response:

The President’s FY 2014 Budget proposal would prevent identity theft by allowing the Commissioner of SSA to release the public DMF, which does not include information submitted by states, to “certified” public and private sector subscribers upon application and to “noncertified” entities—no earlier than three years after the date of death of the individual.

- 4) In your testimony, you touted CMS’s new Fraud Prevention System (FPS) which you said was designed to “analyze all Medicare Fee-for-Service claims using risk-based algorithms developed by CMS and the private sector, prior to payment.” You also claimed that the “current approach to fighting health care fraud is paying off” and described an “average return-on-investment over the last three years of \$7.90 for every \$1.00 expended” for the Health Care Fraud and Abuse Control program. However, please clarify whether or not you are including FPS in that total.

- a. Do you acknowledge that the FPS should not count toward the HCFAC return-on-investment, since the Inspector General’s office at HHS has said

“Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of Federal Payments” May 8, 2013

- that CMS’s claims of savings and avoided losses due to FPS are not validated, and in some cases, are highly questionable?
- b. Moreover, the Government Accountability Office has pointed out in the last HCFAC report that the return-on-investment at CMS was unsupported based on the facts. What has CMS done to correct this?

Response:

The HCFAC ROI represents the return on investment for health care fraud and abuse control activities funded through the HCFAC account. While all mandatory HCFAC Account funding are included in the ROI calculation of the HCFAC report, only certain portions of discretionary HCFAC funding are included. Only the portion of CMS Medicare discretionary HCFAC funding that supports law enforcement is included in the HCFAC report ROI. The remainder of CMS’s HCFAC Medicare discretionary funding supports activities in the Medicare Integrity Program (MIP) that are included in the MIP ROI, which is calculated separately and outside of the HCFAC report.

The FPS marks a significant shift from a “pay and chase” approach to preventing fraud before it happens. The FPS ROI is calculated and reported separately from the HCFAC ROI. In the first year, the FPS ROI was 3.3 to 1. The FPS generated leads for 536 new fraud investigations, provided new information for 511 pre-existing investigations, and triggered thousands of provider and beneficiary interviews to verify legitimate items and services were provided to beneficiaries.<sup>1</sup>

In addition, the OIG found that in its first year of implementation the complex analytic models that CMS and its contractors have developed through the FPS produced “valuable data that [CMS contractors] have used in ongoing investigations and in initiating investigations that have identified potential recoveries and costs that could be avoided.”<sup>2</sup>

- 5) As you know, the National Directory of New Hires (NDNH) is a national database of wage and employment information that is only available to authorized entities for authorized purposes. The NDNH files contain the following information: (1) New Hires for the government (W-4); (2) Quarterly Wage information; (3) Unemployment Insurance data. For purposes of program integrity and reducing improper payments, would it be constructive and helpful for CMS, HHS OIG, and the Do Not Pay Initiative to have access to the National Database of New Hires?

<sup>1</sup> Department of Health and Human Services, Centers for Medicare & Medicaid Services, *Report to Congress Fraud Prevention System First Implementation Year 2012*, available at <http://www.stopmedicarefraud.gov/fraud-rtc12142012.pdf>.

<sup>2</sup> *The Department of Health and Human Services Has Implemented Predictive Analytics Technologies But Can Improve Its Reporting on Related Savings and Return on Investment* (A-17-12-53000), page 8.

“Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of Federal Payments” May 8, 2013

Response:

The NDNH includes information about all employees in the country, including those that work in government, as well as those that work in the private sector. The President’s Budget proposes to give the “Do Not Pay” portal (DNP) access to the NDNH database, which is located at HHS. The proposal would give those agencies that already have NDNH access, including IRS, SSA, and HUD, access to NDNH via DNP in order to perform an eligibility check. Access to the NDNH database will help to increase the effectiveness of the portal and further reduce Government-wide improper payments.

- 6) The President’s Fiscal Year 2012 Budget for the Department of Health and Human Services includes a Budget proposal to encourage the strengthening of penalties for the knowing distribution of Medicare, Medicaid, or CHIP beneficiary identification numbers.<sup>3</sup> The Carper-Coburn Medicare and Medicaid “FAST” Act also includes such a provision. In your view, would such a policy help curb waste, fraud, and abuse in these programs?

Response:

The President’s Budgets for FYs 2012, 2013, and 2014 have each included a proposal that would strengthen penalties for the knowing distribution of Medicare, Medicaid, or CHIP beneficiary identification numbers. These penalties would help deter fraud rings from purchasing, selling, or distributing beneficiary identification numbers or provider billing privileges. Please note that the President’s Budget proposal would also include protections to exempt beneficiaries from penalties.

- 7) A new estimate released by CMS estimates the cost of obscuring the first five digits of the SSN on a Medicare card is \$255 million. Alternatively, the cost of replacing the SSN with a new beneficiary number was estimated to cost \$317 million. The estimate is a 62 percent reduction from CMS’s prior estimate of \$850 million. GAO has previously criticized the methods used by CMS in prior estimates regarding the removal of the SSN from Medicare cards. Do you believe this estimate to be an accurate estimation of costs? Why or why not?
- a. Many suggest that the SSN on a Medicare card is of little utility in actual practice. My office has heard from many stakeholders suggesting that very rarely is the SSN on the Medicare card an important or determinative data point that identifies a beneficiary’s eligibility for services and benefits within the program. In your view, is a SSN on a Medicare card truly necessary?

Response:

The Administration considers the risk of identity theft for Medicare beneficiaries to be a very serious matter. CMS has recently taken a number of

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<sup>3</sup> Department of Health and Human Services, Budget in Brief for fiscal year 2012

“Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of Federal Payments” May 8, 2013

steps to protect the identity of beneficiaries, including removing SSNs from Medicare Summary Notices mailed to beneficiaries, prohibiting private Medicare health and prescription drug plans from using SSNs on enrollee insurance cards, and providing beneficiaries with information on how to prevent medical identity theft and Medicare fraud.

The CMS report to which you refer includes cost estimates for an option to reduce the threat of identity theft by creating a new Medicare Beneficiary Identifier that would not be related to the SSN. The House Ways and Means Committee requested this report. Any specific questions regarding the costs of removing the SSN from Medicare cards should be presented directly to CMS.

- 8) What provisions of the Carper-Coburn Medicare and Medicaid “FAST” Act does OMB support –either in specifics, or in concept--to help curb waste, fraud, and abuse in Medicare and Medicaid?

Response:

Several provisions in the “FAST” Act align with proposals in the President’s Budget, including requiring prepayment review for certain high-risk medical equipment and strengthening penalties for illegal distribution of beneficiary identification or provider billing numbers. The Administration is committed to working with Congress to find ways to prevent waste, fraud, and abuse in the Medicare and Medicaid programs while protecting beneficiary access to medically necessary services and reducing administrative burdens on legitimate providers.

- 9) Regarding the Do Not Pay Initiative, what steps has OMB taken to ensure that agencies are complying with the law and clearing their payments through Do Not Pay?

Response:

Through Do Not Pay, agencies have already begun comparing payment files submitted to Treasury during the normal payment process to specific lists of entities potentially ineligible to receive Federal payments. Payments disbursed by the Department of Defense (DoD) were among the first to be matched in a prepayment environment with Do Not Pay, and Treasury is working with other agencies that disburse their own payments to make sure that, as appropriate, all payments will be checked.

- 10) Has OMB provided any guidance to agencies regarding their business rules for canceling payments flagged by Do Not Pay as improper?

Response:

As a part of Do Not Pay, Treasury has begun sending reports to agencies containing payments that are potential matches against the Death Master File and the Excluded Parties List System. Upon receiving these reports, agencies are expected to

“Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of Federal Payments” May 8, 2013

adjudicate the potential matches and provide Treasury with information summarizing which of these matches were false positives (meaning that the payments were actually proper), and which matches were definitively improper. In addition, where possible, agencies are expected to provide business rules that Treasury can use to exclude false positives from future reports. For example, a false positive may occur if an agency payment file includes the social security number of a deceased individual even though the payment is directed to a survivor. A business rule can enable Treasury to recognize the true recipient of the payment and therefore filter out such false positives, making sure that eligible beneficiaries receive the payments. Because payment file structures differ by agency and eligibility rules vary by program, these business rules may be unique to each agency. Since agencies possess all of the relevant information to develop and specify these rules, they must work closely with Treasury to define the most effective rules to minimize false positives while flagging payments likely to be improper. As agencies adjudicate the first round of reports, their experience working through specific cases is helping them to identify and hone business rules with greater specificity.

As this process matures, agencies will help Treasury identify the most appropriate business rules to ensure that Do Not Pay hits are accurate. Based on these refinements, agencies can then work with Treasury to find similar business rules that Treasury can apply to stop payments before they are made. Importantly, agencies will establish business rules to stop payments that are improper, and Treasury will then apply these rules on behalf of agencies. Agencies are proceeding with care to ensure that any business rules would not stop proper payments that indeed should be paid to rightful recipients.

- 11) What recommendations does OMB have to make Do Not Pay a more valuable tool for preventing improper payments before they happen?

Response:

The President’s FY 2014 Budget includes important proposals to incorporate into Do Not Pay databases that agencies have identified as high priorities to promote program integrity. Specifically, these databases include the full DMF, SSA’s Prisoner Update Processing System, and the National Directory of New Hires.

- 12) How can Congress measure the performance of Do Not Pay?

Response:

Pursuant to IPERIA, OMB will submit annual reports to Congress that describe the impact of Do Not Pay on the identification, prevention, and recovery of improper payments.

“Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of Federal Payments” May 8, 2013

**Post-Hearing Questions for the Record  
Submitted to the Honorable Daniel I. Werfel  
From Senator Claire McCaskill**

1. I was pleased to see the President’s Budget includes a proposal that will allow the Do Not Pay Initiative to broaden access to include the full Death Master File managed by SSA. This proposal will go a long way toward meeting many of our concerns. However, I am still curious about the new process and if all federal agency barriers to accessing this information will be addressed. Will federal agencies be required to provide any type of payment for access to the Do Not Pay portal? If so, what is the estimated cost?

Response:

Agencies do not pay for access to the Do Not Pay portal. The Department of the Treasury currently purchases the public DMF from the Department of Commerce’s National Technical Information Service, which sells the DMF to various public and private entities. If the DMF proposal in the President’s Budget were enacted to give the Do Not Pay portal access to the full DMF, Treasury would be required to pay SSA for the file.

2. Would agencies currently paying SSA for the full DMF be able to access this information through the Do Not Pay portal and avoid paying SSA for the information?

Response:

As you know, under current law agencies cannot access the full DMF from the Do Not Pay portal (DNP); the DNP itself only contains the publicly available DMF and cannot receive the full file. If Congress enacts some version of the legislative proposal that allows the DNP to obtain and use the full file, agencies could access the full file through DNP or SSA. Since many agencies also ask SSA to verify other data, they may choose to continue to access DMF through SSA. Pursuant to section 205(r) of the Social Security Act, SSA would continue to be reimbursed for the reasonable cost of supplying the full file to any agency, including Treasury’s DNP.

3. Would agencies still be required to complete a computer matching agreement with SSA to get access to this information through the Do Not Pay portal? If so, can you explain why and the role OMB will play in ensuring this process moves expeditiously? How will OMB ensure that the DMF will be accessible in a timely manner, as opposed to the years of time that is now common?

Response:

The computer matching requirements of the Privacy Act would apply to a “matching program,” as defined in the statute. In some cases, an agency may engage in computer matching activities that do not qualify under this definition;

“Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of Federal Payments” May 8, 2013

thus, the agency would not need to satisfy the computer matching requirements. For example, if an agency matched records from a system that did not include information about “individuals,” the system would presumably not meet the definition of a “system of records” and the matching activity may not be covered by the Privacy Act (depending on the circumstances).

Because deceased persons are not “individuals” under the Privacy Act, it is our understanding that SSA has determined that it need not – and does not – enter into computer matching agreements with agencies seeking access to information that exclusively relates to deceased persons. Rather, we understand that SSA has information exchange agreements with such agencies. If a legislative proposal is enacted granting access to the full DMF, SSA has indicated that it would likely enter into such an agreement with Treasury, as the agency responsible for administering the DNP. The agreement would describe the purposes for which DNP could disclose the death information.

Although it is our understanding that SSA has determined that a computer matching agreement is not needed for information about deceased persons, OMB is nonetheless working to help agencies satisfy the computer matching requirements for other DNP data sources. For example, OMB is currently working with agencies on guidance related to computer matching agreements as required in IPERIA.

4. Under this proposal, would Inspectors General have access to this information through the Do Not Pay portal? Could OMB provide leadership so that Inspectors General, and other agencies that would not be able to use the Do Not Pay portal such as the Department of Homeland Security, have access to DMF in a timely and efficient manner?

Response:

The proposal in the President’s Budget allows law enforcement access to the full DMF, which would cover certain DHS and OIG activities. We certainly would be willing to work with the Committee on appropriate access for Inspectors General more broadly. The proposal in the Budget also provides access to the full file for DoD for the purpose of identifying previously unidentified remains of servicemen and women.

**OIG** Office of the Inspector General  
SOCIAL SECURITY ADMINISTRATION

June 21, 2013

The Honorable Tom Coburn, M.D.  
Committee on Homeland Security  
and Governmental Affairs  
United States Senate  
Washington, DC 20510

Dear Senator Coburn:

This is in response to your questions for the record, further to my testimony on May 8, 2013 before the Committee on Homeland Security and Governmental Affairs, at the hearing, “Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of Federal Payments.” I appreciate the opportunity to provide additional information regarding these critical issues. Below are responses to your specific questions.

**1. In a recent report, the Social Security Administration Office of Inspector General (SSA OIG) found that people applied for jobs and registered to vote in the names of people who were dead, but did not appear on the Death Master File.**

To clarify, we issued two audit reports in the last year that found about 1.2 million deceased Title II beneficiaries<sup>1</sup> and 182,000 deceased Title XVI recipients<sup>2</sup> deaths were not in SSA’s Death Master File. In addition, we identified 101 instances in which employers made E-Verify inquiries, and 183 instances in which States made voter-verification requests, for deceased individuals whose information was not on the .

**a) Did SSA OIG determine if income tax returns were filed in the names of these individuals?**

We did not determine if the Social Security number of the individuals we identified had been used to file fraudulent income tax returns, because SSA records do not contain that information. This review specifically targeted two initiatives—the Help America Vote Verification system and E-Verify—that utilize data from SSA’s records.

<sup>1</sup> SSA, OIG, *Title II Deceased Beneficiaries Who Do Not Have Death Information on the Numident* (A-09-11-21171), July 9, 2012.

<sup>2</sup> SSA, OIG, *Title XVI Deceased Recipients Who Do Not Have Death Information on the Numident* (A-09-12-22132), May 3, 2013.

**b) Did SSA OIG provide the information to the IRS?**

We did not provide this information to the IRS because tax-related issues were not within the scope of this particular review. We have not assessed whether we could legally provide the information. If requested, we could work with SSA to determine whether Federal law permits 1) providing the E-Verify inquiries for deceased individuals to the IRS or the Department of Homeland Security, or 2) referring the individuals who registered to vote under deceased individuals' SSNs to the Department of Justice or State election agencies.

**c) Was there any evidence that any of these individuals were receiving any other types of federal benefits?**

Of the 284 deceased individuals we reviewed, we found evidence in SSA's records that three may have received Department of Veterans Affairs (VA) benefits, two may have received Aid to Families with Dependent Children (AFDC) benefits, and one may have received a State or local government pension. However, we note that although these deaths were not on the Death Master File, the deaths may have been reported to the relevant Federal, State, or local agencies.

**d) Have these errors been corrected by SSA?**

SSA has corrected 4 of the 284 cases. We recommended that the Agency determine whether it can efficiently correct any of the 182,165 Title XVI recipient records identified by our audit. SSA agreed with our recommendation, stating, "We are devoting systems and human resources to develop a plan to analyze a redesign of the Death Alert, Control, and Update System (DACUS). Our goal is to incorporate into the redesign an efficient way to correct any discrepancies between our payment records and the Numident."

**e) How much did it cost for SSA OIG to run this analysis?**

Since this was only part of our audits, our cost to identify the 284 cases was minimal.

**2. As the improper payments leader in the inspectors general community, please explain any challenges you identify in using the Do Not Pay Initiative as a tool for preventing improper payments before they happen.**

The Do Not Pay Initiative is a great step forward in preventing benefits to individuals or entities ineligible for specific government programs. The development of a "one-stop" database would minimize the current agreement or memorandum of understanding process individual Federal agencies have implemented to access pertinent data. We list several challenges below, but as the initiative matures, these may be reduced or eliminated.

- The Do Not Pay business center/portal does not have full access to the New Hires database, SSA's Death Master File, the database of incarcerated individuals, etc. Although the portal provides access to several other databases, such as the Excluded

Parties List system and Debt Check, the databases are critical when trying to prevent ineligible recipients from receiving taxpayers' dollars. For example, the version of SSA's Death Master File that is used for the Do Not Pay Initiative does not include death information SSA receives from the States because these records cannot be disclosed under section 205(r) of the Social Security Act. The President's FY 2014 budget includes a proposal which would allow SSA to disclose the entire Death Master File, including State death records, to the Do No Pay portal to combat fraud and curb improper payments. Therefore, we encourage Congress to take action on this proposal so all of SSA's death information can be used to identify and prevent improper payments to deceased individuals.

- Some data sources that are included in the Do Not Pay Solution require formal computer matching agreements to use the batch matching and continuous monitoring functions. Executing such agreements can be a lengthy and resource intensive process.
- In addition to access to the data, agencies must ensure that the data is reliable, accurate, and current. The Do Not Pay portal and those databases that feed into them should be periodically reviewed for accuracy and efficiency.
- Many Federal benefits are administered through State agencies. To truly reduce improper payments using this tool, Federal agencies as well as States would have to integrate this portal into its process prior to payments going to the entity or individual. Although State agencies that administer federally funded programs can access the Do Not Pay Solution, they do not currently have access to the same database resources as Federal agencies, which may affect the States' use and associated benefit of the tool.

### 3. What else can Congress do to help agencies reduce improper payments?

The *Improper Payments Elimination and Recovery Act of 2010* (IPERA) included a provision for recovery auditing in which 25 percent of improper payments recovered could be used by the agency and 5 percent by its OIG to carry out activities related to identifying and preventing improper payments. However, this provision only applies to discretionary funding. We encourage Congress to expand this provision to non-discretionary funding.

Additionally, Congress could pursue legislation that would (1) allow agencies more access to data, such as the IRS delinquency data and SSA Master Death File; and (2) give Federal agencies more authority to recover improper payments and hold officials and/or recipients accountable for proper payments.

Also, the Congress could work with the Department of Health and Human Services (HHS) to help it overcome a perceived limitation so that a valid improper payment rate can be established for the Temporary Assistance for Needy Families (TANF) program, which had over \$16 billion in outlays in FY 2012 and has been deemed risk susceptible to improper payments. Identifying the nature and extent of improper payments in a program is critical to developing targeted remediation plans to reduce improper payments. However, HHS does not report a TANF error rate. HHS' FY 2012 Annual Financial Report states that:

Statutory limitations prohibit HHS from requiring states to participate in a TANF improper payment measurement. As a result, the TANF program is not reporting an error rate for FY 2012. Despite statutory limitations, HHS continues to explore options that will allow for a future error rate measurement.

**4. What is your plan for reducing the \$8.9 billion in improper payments at SSA?**

The primary reasons that overpayments occur in the Title II program are that disabled beneficiaries who return to work frequently fail to advise SSA of their changed status and internal delays in processing work information. Additionally, under the Supplemental Security Income (SSI) program, eligibility and monthly payments are highly sensitive to fluctuations in monthly income, resources, and living arrangements. Improper payments often occur if SSI recipients, or their representative payees, fail to timely report changes in any of these factors.

We will continue to focus on the main issues related to improper payments in SSA's programs and recommend improvements. We will also continue to follow-up with SSA on prior audit recommendations. Below are a few examples of the work we plan to do in FY 2013 and beyond.

- *Work Continuing Disability Reviews (CDR) for Disabled Title II Beneficiaries with Earnings.* Our objective is to determine whether SSA is evaluating earnings reported to the Master Earnings File (MEF) for disabled individuals receiving Title II benefits. This is a follow-up review of two prior audits we issued in 2004 and 2009 where we identified an estimated \$1.37 billion and \$1.34 billion in overpayments, respectively. To conduct our current review, we have identified 27,383 disabled Title II beneficiaries (from 1 Social Security number segment) with earnings reported on the MEF that may impact their entitlement to benefits. We randomly selected 275 cases from this population for detailed analysis.
- *Supplemental Security Income Telephone Wage Reporting.* Our objective is to review the SSI Automated Telephone Wage Reporting system process to determine: (1) the systems effectiveness in receiving and processing accurate wage reports, (2) the systems effect on the reduction of improper payments, and (3) the Agency's recruiting efforts for participation in the use of the system.
- *SSA's Access to Financial Institution (AFI) Initiative.* AFI is an electronic process that assists SSA in verifying bank account balances for purposes of determining Supplemental Security Income eligibility. AFI also enables detection of undisclosed accounts by searching for accounts at five banks based on the individual's geographical location. For our audit, we will evaluate the initiative to determine how successful it is at identifying and prevent improper payments.
- *Spousal Beneficiaries Whose Government Pension Offset Has Stopped.* Government Pension Offset (GPO) reduces monthly benefits for spouses, divorced spouses, and surviving spouses who receive a pension based on their own work for a Federal, State or

Page 5 – The Honorable Tom Coburn, M.D.

local government not covered by Social Security. Our review will determine whether SSA has adequate controls to ensure that it does not improperly stop GPO for spousal beneficiaries. Our preliminary review of a random sample of 50 beneficiaries found that SSA overpaid 13 beneficiaries about \$437,000 because it improperly stopped GPO.

- *Beneficiaries with Disabilities Who are Not Using Medicare.* Our objective is to determine whether SSA could use Medicare information to identify beneficiaries who are receiving disability benefits, but may be deceased or not truly disabled.

Our FY 2013 audit work plan can be found at the following link, and we expect to issue our FY 2014 work plan on October 1, 2013.

<http://oig.ssa.gov/audits-and-investigations/audit-work-plans/FY2013>

Additionally, we plan to implement a phased approach to predictive analytics to combat fraud, waste, and abuse in SSA's programs. We will begin by using our own National Investigative Case Management System (NICMS). NICMS houses thousands of cases and allegations, and we know what was successful and what was not. We will use NICMS to assist in defining characteristics that could be employed against incoming allegations and the larger universe of incoming claims. Next, we will use internal SSA databases to add additional defining criteria. Third, we will add external database information that we already have access to, such as LexisNexis. Finally, we will explore additional external databases/information to which we currently do not have access. In the end, we plan to possess a very robust and comprehensive system of predictive analytics.

And finally, we continue to advocate expansion of the Cooperative Disability Investigations (CDI) Program, which for 15 years has been our most successful anti-fraud initiative. Through CDI, we work with SSA, State disability determination agencies, and State or local law enforcement to identify fraud in SSA's disability programs, preventing improper payments before they are made. For just the first half of FY 2013, CDI investigations resulted in projected savings to SSA programs of \$169.8 million; and projected savings to other agencies (e.g., Medicare) of \$122.5 million. We currently have 24 CDI Units in 21 States, and strongly support SSA's commitment to expanding the program to additional locations as funding becomes available.

##### **5. What can Congress do to help SSA reduce its total improper payments?**

Congress should consider the following items to help SSA reduce improper payments:

- The *Improper Payments Elimination and Recovery Act of 2010 (IPERA)* included a provision for recovery auditing in which 25 percent of improper payments recovered could be used by the agency and 5 percent by its OIG to carry out activities related to identifying and preventing improper payments. However, this provision only applies to discretionary funding. We would like to see this provision applied to non-discretionary funding. For example, at SSA, only about 1.5 percent of the agency's budget is discretionary spending, but the improper payments that occur are benefit payments from

the non-discretionary portion of the agency's budget (i.e., the Trust Funds and General Fund). The 1.5 percent that is discretionary funding at SSA is very low risk for improper payments (mostly consists of SSA payroll expenses).

A proposal for a program integrity fund could provide authority for Social Security to expend a portion of actual collections of improper payments on activities to prevent, detect, and collect improper payments. Specifically, to ensure the medical reviews are conducted timely, we believe the mechanism to provide their funding should not depend on annual appropriations, nor are subject to Social Security management's discretion. A permanent, indefinite appropriation would ensure that needed funds are available and the Agency cannot use those funds for other purposes.

Under the current Program Integrity Fund proposal, SSA would receive up to 25 percent and SSA OIG up to 5 percent of the overpayments recovered during a Fiscal Year. This funding would be used to supplement current funding and would provide additional resources to both SSA and SSA OIG to combat waste, fraud, and abuse within SSA's programs and operations. The three biggest areas where SSA could receive a return on investment are performing more work continuing disability reviews (CDR), medical CDRs, and SSI redeterminations (e.g., a review of the non-medical factors of SSI eligibility). Our audits have found that SSA could receive a return on investment of \$15 to \$1 by eliminating its backlog of CDRs when beneficiaries return to work; \$9 to \$1 by eliminating the 1.5 million backlog of medical CDRs; and \$7 to \$1 by conducting additional SSI redeterminations.

- We in OIG conduct data-matching efforts, but the *Computer Matching and Privacy Protection Act* requires formal computer-matching agreements that take time to complete. This prolonged process can delay or derail time-sensitive audit and investigative projects. In 2010, HHS obtained an exemption for data matches designed to identify fraud, waste, or abuse. The Council of Inspectors General for Integrity and Efficiency (CIGIE) supports similar exemption for all OIGs.

Another possible suggestion is to allow all Federal agencies to share information with each other without an agreement. In other words, view the Federal government as one entity and not as separate agencies that need agreements with one another.

When applicants file for benefits, they are usually advised on the application form of the *Privacy Act* and that SSA may obtain data to verify eligibility. For example, under the SSI program, applicants are told that they have to provide SSA access to their bank records and if they do not, it is a reason to deny the claim or stop the SSI payments. Also, SSA sends notices to beneficiaries before any adverse action is taken, and the notices typically include instructions for disputing/appealing the action. Therefore, the beneficiary should not be harmed in terms of having benefits cut off without notice.

- Some improper payments cannot be prevented based on the design of the program, current law, or Court decisions. For example, at SSA, SSI payments are made at the beginning of the month for that current month so if anything changes, it is an automatic

Page 7 – The Honorable Tom Coburn, M.D.

overpayment. Whereas, the OASDI program is designed differently, where the benefits received this month are for the prior month so there is an opportunity to prevent an overpayment if a change occurs during the month. SSA also has to continue benefits during an appeal based on the Goldberg-Kelly due-process Supreme Court decision. If SSA wins the appeal, all the benefits paid during the appeal become an overpayment. There is no way to prevent this type of overpayment since SSA is required to pay the benefits during the appeal process. We encourage Congress to act on legislative proposals submitted by SSA to simplify its programs or which would address improper payments. For example, the President's FY 2014 budget includes a proposal to provide a dedicated source of mandatory funding for SSA to conduct CDRs and redeterminations.

Again, thank you for the opportunity to elaborate on my testimony before the Committee. I trust that I have been responsive to your request. I am sending a copy of this response to Chairman Carper. Should you have further questions, please feel free to contact me, or your staff may contact Special Agent Kristin Klima, OIG Congressional and Intragovernmental Liaison, at (202) 358-6319.

Sincerely,



Patrick P. O'Carroll, Jr.  
Inspector General

cc:

The Honorable Thomas R. Carper

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**Do Not Pay Responses to Post-Hearing Questions**


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Post-Hearing Questions for the Record  
Submitted to Richard L. Gregg  
From Senator Tom Coburn

“Curbing Federal Agency Waste and Fraud:  
New Steps to Strengthen the Integrity of Federal Payments”  
May 8, 2013

- 1) Please provide a list of each database that the Do Not Pay Initiative needs to access. For each, explain why the database would be helpful to Do Not Pay and identify any hurdles to obtaining access.

**Response:** See Appendix A.

- 2) Can Do Not Pay keep track of the total outlays of the payments it processes?

**Response:** Yes. In May 2013, Treasury’s Do Not Pay program began tracking payments compared centrally to specific lists of entities potentially ineligible to receive Federal payments. Do Not Pay compared \$148.7 billion in payments disbursed in March 2013, against the public versions of the Death Master File and the Excluded Parties List System (EPLS) portion of the System for Award Management (SAM). Do Not Pay will track payments centrally compared to Do Not Pay data sources on a monthly basis going forward.

In addition, agencies may sign up to access relevant Do Not Pay data sources to verify applicant and payee information before an award or contract is granted and before a payment is made.

In the case of pre-award determinations, it is difficult to estimate the amount of payments that might potentially be processed since that amount depends on rules that differ from program to program and whether the payment is a one-time event or ongoing and for how long. We are developing reporting capabilities to capture this information centrally in the future.

- 3) Please provide a list of all agencies using Do Not Pay and which programs at that agency are participating. For each program, identify whether that program is processing all of its outlays or just a sample.

**Response:** See Appendix B.

- 4) When Do Not Pay prescreens a payment and identifies it as possibly improper, what happens next?

**Response:** Do Not Pay provides the results to the paying agency. The paying agency reviews the results to determine if the payment is improper in accordance with program statutory requirements and regulations. If so, the paying agency takes the appropriate action to stop or recover the current and future payments to the ineligible recipient.

- a. Does Do Not Pay have any authority to “stop” payments?

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**Do Not Pay Responses to Post-Hearing Questions**

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**Response:** Do Not Pay has no independent authority to stop payments. We are working with agencies to determine the feasibility of developing specific guidelines to allow Do Not Pay to stop payments, in the future, based on a paying agency's instructions.

- b. Can Do Not Pay keep track of the number and amount of improper payments it prevents?

**Response:** Do Not Pay is working with Federal agencies to develop a methodology to allow Do Not Pay and the Office of Management and Budget (OMB) to assess how agencies are using the results of Do Not Pay pre-payment matching.

- c. How can Congress measure the effectiveness of Do Not Pay?

**Response:** Do Not Pay is working with OMB to help agencies generate and to gather the data necessary to develop the annual report to Congress required by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). This report will allow Congress to measure the effectiveness of Do Not Pay.

- 5) Has Do Not Pay received any guidance from OMB regarding working with agencies to better understand their business rules for stopping payments?

**Response:** Do Not Pay is working closely with OMB and Federal agencies to identify business rules that programs use to determine whether a payment is proper or improper. Do Not Pay is currently using these rules, as they are developed, to provide more relevant matches to agencies. While Do Not Pay has no independent authority to stop payments, we are working with agencies to determine the feasibility of developing specific guidelines to allow Do Not Pay to stop payments, in the future, based on a paying agency's instructions.

- 6) What is Do Not Pay's plan for getting feedback from agencies on whether they're stopping the payments flagged as possibly improper?

**Response:** Do Not Pay is working with OMB and Federal agencies to develop a reporting mechanism to allow Do Not Pay and OMB to assess how agencies are using the results of the information they receive from matches conducted through Do Not Pay.

- 7) Are there any agencies required by law to process their payments through Do Not Pay that have failed to make any progress toward that goal?

**Response:** Treasury has integrated Do Not Pay matching reviews for the public versions of two of the data sources (Death Master File and System for Award Management) into its payment stream and is also conducting matching on payments disbursed by the Department of Defense. Treasury believes that the centralization of the Do Not Pay database matching satisfies the requirement that all Executive agencies comply with IPERIA. As part of its focused effort to reduce improper payments, Treasury will continue to expand the number of data sources available in Do Not Pay as well as matching with other non-Treasury-disbursed payments as appropriate.

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**Do Not Pay Responses to Post-Hearing Questions**

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- 8) Does SSA process benefit payments through Do Not Pay? Are they required to?

**Response:** Do Not Pay currently compares Social Security benefit payments with Do Not Pay data sources as part of Treasury's integration of Do Not Pay into the Treasury payment process. SSA also compares its benefit payments against the entire Death Master File.

- 9) Do the reported inaccuracies in the Death Master File cause concern for using it as a tool to stop payments to beneficiaries?

**Response:** Do Not Pay is assessing the feasibility of using other data sources to supplement and verify the information in the Death Master File (public and private versions) to ensure that agencies have access to the most accurate and timely information possible. Do Not Pay is working with agencies to develop business rules and validation processes to ensure that payments are not erroneously stopped.

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**Do Not Pay Responses to Post-Hearing Questions**


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**Appendix A: Do Not Pay Data Sources**

Question 1: Please provide a list of each database that the Do Not Pay Initiative needs to access. For each, explain why the database would be helpful to Do Not Pay and identify any hurdles to obtaining access.

Response:

Do Not Pay provides Do Not Pay users with centralized access to the following data sources, as appropriate, or would be able to provide access based on proposals in the President's FY 2014 Budget:

1. *Social Security Administration's Death Master File (DMF) (public version)* provides information about deaths that have been reported to the Social Security Administration, excluding information reported by states. There are no legislative hurdles to obtaining access.
2. *Department of Health and Human Services Office of Inspector General's List of Excluded Individuals/Entities (LEIE) (public version)* provides information about individuals and entities currently excluded from participation in Federal healthcare programs, such as Medicare, Medicaid, and State Children's Health Insurance Program (SCHIP). There are no legislative hurdles to obtaining access.
3. *General Services Administration's System for Awards Management (SAM, previously the Central Contractor Registry (CCR) and Excluded Parties List System (EPLS))* provides information about current and potential government vendors eligible for Federal contract awards. SAM includes the *Excluded Parties List System (EPLS)* (public and private versions; the latter requires a Computer Matching Agreement) which provides information about parties excluded from Federal procurements and nonprocurements, individuals and firms excluded from receiving new Federal contracts, individuals and companies owned or controlled by targeted countries, and other individuals, groups, and entities, such as terrorists and narcotics traffickers. There are no legislative hurdles to obtaining access to the EPLS public version. EPLS private version records are subject to the Privacy Act of 1974, which requires that agencies take certain steps to access the data (e.g., CMA).
4. *Department of Treasury's Office of Foreign Assets Control's list (OFAC)* provides information about individuals or companies that U.S. citizens are not allowed to pay. There are no legislative hurdles to obtaining access.
5. *Equifax's The Work Number* provides employment and income information about individuals. This data source is currently being piloted with states through the Unemployment Insurance program. These records, when in the custody of a Federal agency, are subject to the Privacy Act of 1974 and other applicable laws governing the use of this data.
6. *Bureau of the Fiscal Service's Debt Check* provides information about delinquent child support obligations collected by state agencies and nontax debts owed to the United States. Debt Check records are subject to the Privacy Act of 1974 and require a CMA.

Do Not Pay is seeking access to the following data sources:

1. *Social Security Administration's Death Master File (DMF) (full version)* provides information about all deaths that have been reported to the Social Security Administration, including deaths reported by the states. Access to this database is restricted by statute and cannot currently be provided by Do Not Pay. The FY 2014 President's

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**Do Not Pay Responses to Post-Hearing Questions**

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Budget contains a legislative proposal which would authorize access to the full DMF for purposes of preventing improper payments, including Do Not Pay.

2. *Department of Housing and Urban Development's (HUD) Credit Alert Verification Reporting System (CAIVRS)* provides information about outstanding loans, loans in default, or judgments for the Departments of Housing and Urban Development, Veterans Affairs, Education, Agriculture, and Justice and the Small Business Administration. IPERIA lists CAIVRS as a database to be included in the Do Not Pay Initiative. The records are subject to the Privacy Act, and Do Not Pay is working with CAIVRS source agencies to ensure compliance.
3. *Department of Health and Human Services Office of Inspector General's List of Excluded Individuals/Entities (LEIE) (private version)* provides unique identifiers (taxpayer identifying numbers) that are not included in the public version. The records are subject to the Privacy Act and Do Not Pay is working with HHS to ensure compliance.
4. *Department of Health and Human Services' National Directory of New Hires (NDNH)* is a national database of wage and employment information that is only available to authorized entities for authorized purposes. It includes information about newly hired employees in the country, including those that work in government, as well as those that work in the private sector. The NDNH also contains Quarterly Wage and Unemployment Insurance data. This data is reported by 54 states and territories. Access to this database is restricted by statute and cannot currently be provided by Do Not Pay. The FY 2014 President's Budget contains a legislative proposal authorizing access for Do Not Pay for agencies with existing access to NDNH.
5. *Social Security Administration's Prisoner Update Processing Systems (PUPS)* provides information about Federal, state and local prisoners. Access to this database is restricted by statute and cannot currently be provided by Do Not Pay. The FY 2014 President's Budget contains a legislative proposal which would authorize access to Do Not Pay for the purpose of preventing improper payment.

### Do Not Pay Responses to Post-Hearing Questions

#### Appendix B: Current Do Not Pay Use by Agencies/Programs

**Question 3:** Please provide a list of all agencies using Do Not Pay and which programs at that agency are participating. For each program, identify whether that program is processing all of its outlays or just a sample.

**Response:** There are two ways in which Do Not Pay helps agencies prevent improper payments: 1) agencies may sign up to access relevant Do Not Pay data sources to verify applicant and payee information before an award or contract is granted and before a payment is made, and 2) Do Not Pay compares payment files submitted to the Department of the Treasury (Treasury) during the normal payment process to specific lists of entities potentially ineligible to receive federal payments.

- 1) *Agencies Using the Do Not Pay Portal:* The following agencies are accessing relevant Do Not Pay data sources through the Do Not Pay portal as of June 6, 2013. The programs are user access groups defined by the user agency. Do Not Pay has not independently verified or updated the estimated percentage of payments processed through Do Not Pay provided by agencies.

	Agency/Program	Agency's estimation of % payments through DNP
1	Department of Agriculture	63%
	Office of Inspector General	Not Available
	Risk Management Agency	Not Available
2	Department of Commerce	100%
	National Institute of Standards and Technology, Finance, OPER	100%
	National Oceanic and Atmospheric Administration (Finance)	100%
	National Technical Information Service	100%
	US Patent & Trademark Office	100%
3	Department of Defense	99%
	Defense Finance and Accounting Service (DFAS)	99%
	TRICARE Management Activity (TMA)	100%
	US Army Corps of Engineers Finance Center (USACE)	100%
	Navy—Enterprise Resource Management (Navy ERP)	100%
4	Department of Education	Not Available
	Contracts Acquisition Management (CAM) & Federal Student Aid Acquisition (FSAA)	100%
	State Formula Grants & Other Non-Student Aid Grant Programs	100%
	Federal Student Aid (FSA) Grant and Loan Programs	100%
5	Department of Energy	Not Available
	Oak Ridge Financial Services Center - (ORFSC)	100%
	Federal Energy Regulatory Commission (FERC)	100%
6	Department of Health and Human Services	Not Available
	Health Resources and Service Administration (HRSA), Bureau of Clinician Recruitment & Service	100%
	Health Resources and Service Administration, HSB	100%

## Do Not Pay Responses to Post-Hearing Questions

	Agency/Program	Agency's estimation of % payments through DNP
	Program Support Center (PSC), Division of Financial Operations	100%
	Program Support Center (PSC), Division of Payment Management	100%
7	Department of Homeland Security	Not Available
	Customs and Border Protection - Commercial Pay [Accounts Payable] (CBP - A/P)	Not Available
	Customs and Border Protection - Revenue (CBP - Revenue)	Not Available
	Customs and Border Protection - Treas Forfeiture Fund (CBP - TFF)	Not Available
	Federal Emergency Management Agency (FEMA)	Not Available
	Federal Law Enforcement Training Center (FLETC)	Not Available
	US Immigration and Customs Enforcement - Finance Center (USICE - FC)	Not Available
	US Secret Service (USSS)	Not Available
	U.S. Coast Guard/Finance Center/USCG FINCEN OPA	100%
	U.S. Coast Guard/Finance Center/USCG/TSA FINCEN CROSS SERV	100%
	U.S. Coast Guard/Finance Center/USCG/DNDO FINCEN CROSS SERV	100%
	U.S. Coast Guard/Finance Center/USCG FINCEN OPB	100%
	U.S. Coast Guard/Finance Center/USCG FINCEN FIA	100%
	U.S. Coast Guard/Finance Center/USCG FINCEN AP SYSTEMS	100%
8	Department of Housing and Urban Development	Not Available
	Department of Housing and Urban Development/Chief Finance Office/ HUD CFO	Not Available
9	Department of Justice (DNP portal figures exclude all confidential payments and payments to employees and inmates; PACER matching includes employee and inmate payments.)	100%
	Bureau of Alcohol, Tobacco, Firearms and Explosives	100%
	Bureau of Prisons	100%
	Drug Enforcement Administration	100%
	Federal Bureau of Investigation	100%
	Federal Prison Industries (UNICOR) (via PACER matching, only)	100%
	Office of Justice Programs	100%
	Offices, Boards, and Divisions	100%
	U.S. Marshals Service	100%
10	Department of State	100%
	Department of State/HQ/Global Foreign Affairs Compensation System - Annuitants/DOS CGFS CFACS	100%
11	Department of the Interior	90%
	Interior Business Center (IBC)	100%
	DOI Disbursements	100%
	Office of Natural Resource Revenue (ONRR)	10%
12	Department of the Treasury	60%
	Administrative Resource Center (ARC) - Procurement	100%
	Administrative Resource Center (ARC) - Accounts Payable	100%
	Administrative Resource Center (ARC) - DC Pensions and Payroll	100%
	Administrative Resource Center (ARC) - Accounts Receivable	100%
	Bureau of the Public Debt (BPD) - Investments	100%

**Do Not Pay Responses to Post-Hearing Questions**

	Agency/Program	Agency's estimation of % payments through DNP
	Office of DC Pensions (ODCP)	100%
	Office of Retail Securities (ORS)	100%
	Financial Management Systems(FMS) Automated Standard Application for Payments (ASAP)	100%
	Financial Management Systems(FMS) Invoice Processing Platform (IPP)	100%
	Internal Revenue Service (IRS)/Administrative Payment Office	80%
	Treasury Executive Office for Asset Forfeiture (TEOAF)	100%
	Financial Management Systems(FMS) Judgment Fund Branch	100%
	Financial Management Systems(FMS) Credit Accounting Branch	100%
	Community Development Financial Institutions Funds (CDFI) - Award and Allocation	100%
	Community Development Financial Institutions Funds (CDFI) - Contracts and Purchase Cards	100%
13	Department of Transportation	Not Available
	Enterprise Service Center (ESC)	80%
	Acquisitions	80%
14	Department of Veterans Affairs	Not Available
	<b>Veterans Health Administration (VHA) Programs &amp; Activities</b>	
	Activities with Other Federal Agencies	100%
	Beneficiary Travel	100%
	Caregiver Stipend	100%
	Communications, Utilities, & Other Rent	100%
	CWT / Incentive Therapy	100%
	Equipment	100%
	Foreign Medical Program	100%
	Grants - Homeless Per Diem Program	100%
	Grants - State Home Per Diem Program	100%
	Land and Structures	100%
	Non-VA Care CHAMPVA	100%
	Non-VA Care Fee	100%
	Other Services	100%
	Personal Services and Benefits	100%
	Pharmacy CMOP	100%
	Pharmacy Medical Facilities	100%
	Printing and Reproduction	100%
	Prosthetics	100%
	Spina Bifida Health Care	100%
	Supplies and Materials	100%
	Transportation	100%
	Canteen Service	100%
	DoD/VA Health Care Sharing Incentive Funds	100%
	DoD/VA Medical Facility Demonstration Fund	100%
	General Post Fund	100%

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**Do Not Pay Responses to Post-Hearing Questions**


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	Agency/Program	Agency's estimation of % payments through DNP
	Grants for Construction of State Extended Care Facilities	100%
	Grants for Construction of State Extended Care Facilities, Recovery Act	100%
	Medical and Prosthetic Research	100%
	Medical Care Collections Fund	100%
	Medical Facilities, Recovery Act	100%
	<b>Veterans Benefits Administration (VBA) Programs &amp; Activities</b>	
	Disability Compensation	100%
	Pension	100%
	Burial	100%
	Dependency and Indemnity Compensation	100%
	Montgomery GI Bill-Selected Reserve	100%
	Reserve Educational Assistance Program	100%
	Montgomery GI Bill	100%
	Post 9/11 GI Bill	100%
	Survivors and Dependents Educational Assistance	100%
	Post-Vietnam Era Veterans Assistance Program	100%
	State Approving Agencies	100%
	Reporting Fees	100%
	Loan Administration	100%
	Loan Portfolio	100%
	Loan Production	100%
	Loan Sales	100%
	Property Management	100%
	Special Adaptive Housing	100%
	VR&E Beneficiary Payments (reduced due to purchase card payments not being matched)	85%
	VR&E Contract Counseling	100%
	VBA General Operating Expenses (reduced due to purchase card and payroll payments not being matched)	20%
	Insurance	100%
	Automobile Grants	100%
	<b>National Cemetery Administration (NCA) Programs &amp; Activities</b>	
	Cemetery Grants	100%
	Burial	100%
15	Department of Labor	Not Available
	Black Lung Program	Not Available
	Employment & Training (Grants)	Not Available
16	Environmental Protection Agency	100%
	Las Vegas Finance Center (LVFC)/EPA Payments	100%
17	General Services Administration	100%
	GSA Finance Division	100%

**Do Not Pay Responses to Post-Hearing Questions**

	Agency/Program	Agency's estimation of % payments through DNP
	GSA Acquisition	100%
18	National Science Foundation	Not Available
	Grant Group	90%
19	Office of Personnel Management	Not Available
	Health Benefits (FEHB)	100%
	OPM / HQ	100%
20	Small Business Administration	Not Available
	SBA Pilot Group (users from multiple programs) - SBA_USER_GROUP	Not Available
	SBA Pilot Group (users from multiple programs) - SBA_USER_GROUP_BATCH	100%
21	United States Agency for International Development	Not Available
	Payments	Not Available
22	Executive Office of the President (EOP)	Not Available
23	Farm Credit Administration (FCA)	Not Available
24	Farm Credit System Insurance Corporation (FCSIC)	Not Available
25	Federal Labor Relations Authority	75%
26	Government Printing Office	Not Available
27	Millennium Challenge Corporation	Not Available
28	National Archives and Records Administration	Not Available
	National Historical Publications and Records Commission (HPRC)	Not Available
29	National Endowment for the Humanities	Not Available
30	Office of the Director of National Intelligence	Not Available
	Defense Intelligence Agency (DIA)	Not Available
31	Office of Navajo-Hopi Indian Relocation	Not Available
32	Overseas Private Investment Corporation (OPIC)	Not Available
33	Peace Corps	Not Available
	Global Accounts/Acquisition and Contract Management/PEACE_CORPS_CAAM	Not Available
	Global Accounts/Acquisition and Contract Management/PEACE_CORPS_GA	Not Available
34	Pension Benefit Guarantee Corporation	Not Available
	Multiemployer Financial Assistance Payments (GAB)	Not Available
35	Public Defender Service for the District of Columbia (PDSDC)	Not Available
36	Railroad Retirement Board	Not Available
37	Recovery Accountability and Transparency Board	Not Available
38	Securities and Exchange Commission	Not Available
	Procurement	Not Available
39	U.S. Access-Board (US A-B)	Not Available

2) *Agency Payment Files Compared to Do Not Pay Data Sources*: Payment files for the following agencies are being compared by Treasury to Do Not Pay data sources, as appropriate:

1. Department of Agriculture
2. Department of Commerce

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**Do Not Pay Responses to Post-Hearing Questions**

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3. Department of Defense
4. Department of Education
5. Department of Energy
6. Department of Health and Human Services
7. Department of Homeland Security
8. Department of Housing and Urban Development
9. Department of Interior
10. Department of Justice
11. Department of Labor
12. Department of State
13. Department of Transportation
14. Department of the Treasury
15. Department of Veterans Affairs
16. Environmental Protection Agency
17. General Services Administration
18. National Aeronautics & Space Administration
19. National Science Foundation
20. Nuclear Regulatory Commission
21. Office of Personnel Management
22. Small Business Administration
23. Social Security Administration
24. United States Agency for International Development
25. American Battle Monuments Commission
26. Amtrak
27. Broadcasting Board of Governors
28. Bureau of Consumer Financial Protection
29. Chemical Safety & Hazard Investigation Board
30. Commodity Futures Trading Commission
31. Consumer Product Safety Commission
32. Corporation for National and Community Service
33. Court Services Offender Supervisory Agency
34. Denali Commission
35. Election Assistance Commission (AID 525-Managed by ARC)
36. Equal Employment Opportunity Commission
37. Executive Office of the President
38. Export-Import Bank of the US
39. Farm Credit Administration
40. Federal Communications Commission
41. Federal Housing Finance Agency
42. Federal Labor Relations Authority
43. Federal Maritime Commission
44. Federal Mediation & Conciliation Service
45. Federal Mine Safety and Health Review Commission
46. Federal Retirement Thrift Investment Board
47. Federal Trade Commission
48. Intelligence Community Oversight
49. Japan-United States Friendship Commission
50. Merit Systems Protection Board
51. Millennium Challenge Corporation
52. National Archives & Records Administration
53. National Capital Planning Commission

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**Do Not Pay Responses to Post-Hearing Questions**

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- 54. National Credit Union Administration
- 55. National Endowment for the Arts & Humanities
- 56. National Labor Relationship Board
- 57. National Mediation Board
- 58. National Transportation Safety Board
- 59. Navajo & Hopi Indian Relocation Commission
- 60. Occupational Safety & Health Review Commission
- 61. Office of Government Ethics
- 62. Office of Special Counsel
- 63. Overseas Private Investment Corporation
- 64. Presidio Trust
- 65. Public Defender Service
- 66. Railroad Retirement Board
- 67. Securities & Exchange Commission
- 68. Selective Service System
- 69. U.S. Access Board
- 70. U.S. Tax Court
- 71. Architect of the Capitol
- 72. Congress
- 73. General Accountability Office
- 74. International Trade Commission
- 75. Library of Congress
- 76. Smithsonian Institution
- 77. U.S. Court of Appeals for Veterans Claims
- 78. Shared Service Providers:
  - a. Administrative Resource Center
  - b. Enterprise Service Center
  - c. Interior Business Center



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.  
Washington, DC 20548

June 20, 2013

Thomas R. Carper  
Chairman  
Tom A. Coburn  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
U.S. Senate  
Washington, DC 20510-6250

Response to Post-Hearing Questions for the Record

Dear Chairman Carper and Ranking Member Coburn:

Enclosed are responses to the questions you sent following the hearing that was held May 8, 2013, titled, "Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of Federal Payments." If you have any questions regarding these responses, please contact me at (202) 512-7215 or [bertonid@gao.gov](mailto:bertonid@gao.gov).

Sincerely yours,

A handwritten signature in cursive script that reads "Daniel Bertoni".

Daniel Bertoni  
Director  
Education, Workforce, and Income Security Issues

Enclosure

cc:  
Barbara Bovbjerg  
Jeremy Cox  
Keira Dembowski  
Joel Marus  
Sara Pelton  
Lori Rectanus  
Almeta Spencer  
Tim Minelli

Post-Hearing Questions for the Record  
Submitted to Daniel Berton  
From Senator Tom Coburn

**“Curbing Federal Agency Waste and Fraud:  
New Steps to Strengthen the Integrity of Federal Payments”  
May 8, 2013**

- 1) **How expensive was it for GAO to identify the problems with the Death Master File identified at the hearing?**

While we have not estimated the cost, the time required for two analysts to identify the problems we included in the testimony statement did not exceed one hour.

- 2) **How much would it cost for SSA to analyze and fix these types of problems with their data?**

We know from our work with SSA staff that a variety of components and staff work on issues related to the maintenance of SSA's death information. However, accounting for the specific tasks and operations of these individuals is beyond the scope of our current review.

- 3) **What advice does GAO have for SSA to improve the Death Master File in general?**

As we noted in our testimony, our work is ongoing and we have no recommendations at this time. We plan to issue a final report later in 2013.

- 4) **As you know, the National Directory of New Hires (NDNH) is a national database of wage and employment information that is only available to authorized entities for authorized purposes. The NDNH files contain the following information: (1) New Hires for the government (W-4); (2) Quarterly Wage information; (3) Unemployment Insurance data. For purposes of program integrity and reducing improper payments, would it be constructive and helpful for CMS, HHS OIG, and the Do Not Pay Initiative to have access to the National Database of New Hires?**

We have recommended in prior GAO work that the Social Security Administration (SSA) should use the National Directory of New Hires (NDNH) to enhance its ability to detect and prevent overpayments in a timely manner for its Disability Insurance program.<sup>1</sup> In addition, SSA uses data in the NDNH to match against beneficiary information in its Supplemental Security Income program to detect and prevent overpayments. However, we have not conducted the work necessary to determine whether access to and use of NDNH would be feasible or useful for the agencies and program mentioned above.

- 5) **The President's Fiscal Year 2012 Budget for the Department of Health and Human Services includes a budget proposal to encourage the strengthening of penalties for the knowing distribution of Medicare, Medicaid, or CHIP beneficiary**

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<sup>1</sup> GAO, *Disability Insurance: SSA Should Strengthen Its Efforts to Detect and Prevent Overpayments*, GAO-04-929 (Washington, D.C.: September 10, 2004).

identification numbers.<sup>2</sup> The Carper-Coburn Medicare and Medicaid “FAST” Act also includes such a provision. In your view, would such a policy help curb waste, fraud, and abuse in these programs?

It would be difficult to assess the impact of these proposals without performing analyses that are beyond the scope of our current review.

- 6) **A new estimate released by CMS estimates the cost of obscuring the first five digits of the SSN on a Medicare card is \$255 million. Alternatively, the cost of replacing the SSN with a new beneficiary number was estimated to cost \$317 million. The estimate is a 62 percent reduction from CMS’s prior estimate of \$850 million. GAO has previously criticized the methods used by CMS in prior estimates regarding the removal of the SSN from Medicare cards. Do you believe this estimate to be an accurate estimation of costs? Why or why not?**

As we reported in 2012, the methodology CMS used to develop cost estimates for various options raised questions about the reliability of these estimates.<sup>3</sup> We recommended that CMS develop an accurate, well-documented cost estimate for removing the SSN from the Medicare card. CMS’ new estimate appears to be consistent with the spirit of our recommendations. Specifically, in developing its new estimates, CMS applied GAO’s Cost Estimating and Assessment Guide.<sup>4</sup> For example, CMS conducted an independent estimate of costs associated with the twenty information technology systems with the highest expected modification costs and a sensitivity analysis on the expected labor costs associated with removing all or part of the SSN from Medicare cards. CMS also expanded the scope of its data collection efforts for costs associated with changes to state information technology systems from 5 states for its 2011 report to 49 states and the District of Columbia in its updated report.

As we noted in our report, use of these procedures helps ensure that CMS’ cost estimates are comprehensive, well-documented, accurate, and credible. While we are pleased that CMS has used such guidance, we have not completed an independent assessment of the reliability of the estimates. Therefore, we cannot comment on their accuracy.

- a. **Many suggest that the SSN on a Medicare is of little utility in actual practice. My office has heard from many stakeholders suggesting that very rarely is the SSN on the Medicare card an important or determinative data point that identifies a beneficiary’s eligibility for services and benefits within the program. In your view, is a SSN on a Medicare care truly necessary?**

<sup>2</sup> HHS, *Budget in Brief* for fiscal year 2012

<sup>3</sup> GAO, *Medicare: CMS Needs an Approach and a Reliable Cost Estimate for Removing Social Security Numbers from Medicare Cards*, GAO-12-831 (Washington, D.C.: Aug 1, 2012).

<sup>4</sup> GAO *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*. GAO-09-3SP (Washington, D.C.: March 2009).

Regarding the placement of the SSN on the Medicare card, currently the SSN is displayed on the Medicare card because it is a key part of the Medicare identification number. As you noted, even if in practice individuals may not have to present the card for service, CMS maintains that having at least some part of the information on the card is necessary to establish eligibility and receive services. One of CMS's current options under consideration is to only display a part of the SSN on the Medicare card, which, as we note in our report, presents challenges for CMS, beneficiaries, and providers.

As a result, as we note in our report, we believe replacing the SSN with a new identifier not based on an SSN is the best approach for protecting against identity theft and provides fewest burdens for providers and beneficiaries. If CMS were to replace the SSN with a new identifier, there would be no need for an SSN on the Medicare card.



**SOCIAL SECURITY**  
Office of Retirement and Disability Policy

December 13, 2013

The Honorable Thomas R. Carper  
Chairman, Committee on Homeland Security  
and Governmental Affairs  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

Thank you for your May 24, 2013 letter requesting additional information in order to complete the record for the May 8, 2013 hearing on curbing Federal agency waste and fraud. Enclosed you will find the answers to questions, which appear in bold text, from you, Senator Coburn, and Senator McCaskill.

I hope this information is helpful. If I may be of further assistance, please do not hesitate to contact me, or your staff may contact Scott Frey, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

Sincerely,

Marianna LaCanfora  
Acting Deputy Commissioner

Enclosures

Enclosure 1 – Page 1 – The Honorable Thomas R. Carper – Questions for the Record

**Post-Hearing Questions for the Record  
Submitted to Marianna LaCanfora**

**“Curbing Federal Agency Waste and Fraud:  
New Steps to Strengthen the Integrity of Federal Payments”  
May 8, 2013**

**From Chairman Thomas R. Carper**

- 1) The SSA Office of Inspector General (OIG) has made recommendations to improve the accuracy and completeness of the DMF. For example, in its reports, *Title II Deceased Beneficiaries Who Do Not Have Death Information in the Numident*, (A-09-11-21171; July 2012), the SSA OIG detailed that approximately 1.2 million deceased beneficiaries were not captured on the DMF because SSA was unable to match the beneficiaries’ personally identifiable information in its records. An additional report, *Title XVI Deceased Recipients Who Do Not Have Death Information on the Numident*, (A-09-12-22132; May 2012), found that over 180,000 deceased individuals had not been added to the DMF, even though these same individuals had been reported as deceased to the SSA Supplemental Security Records. Further, the Government Accountability Office (GAO) in its testimony highlighted some specific DMF errors, including 130 records where the date of birth was after the date of death, and 1,295 records where the age of death was between 111 and 129, certainly a significant overstatement of the number of Americans who live that long.
- a) Please provide a timeline for actions SSA will take to implement the SSA-OIGs recommendations to improve the accuracy and completeness of the Death Master File.

Please see response below.

- b) Please provide a timeline for actions SSA will take to address the GAO findings.

We have implemented a number of initiatives and have others planned. These initiatives will improve the consistency of death data in our records, provide death reporting management information (MI), and ultimately result in a complete redesign of our death processing systems. We believe that these initiatives will address concerns raised by both OIG and GAO. We include a brief timeline and description of the completed and planned initiatives below.

Completed Initiatives

- On July 21, 2012, we began collecting information that provides reliable MI for State death reports, which will help us improve the death reporting process. This MI will allow us to thoroughly analyze State death data and identify patterns and trends. For example, we will be able to calculate the number of reports we receive by State, and how many of those reports are not Electronic Death

## Enclosure 1 – Page 2 – The Honorable Thomas R. Carper – Questions for the Record

Registration (EDR) reports. We will also be able to calculate the number of reports with errors and categorize those errors.

- On September 29, 2012, we implemented systems changes to prevent the adjudication of a claim if a discrepancy exists between the name/Social Security number (SSN)/date of birth/place of birth on the Numerical Identification File (NUMIDENT)<sup>1</sup> and the name/SSN/date of birth/place of birth shown on the claim. Our claims processing systems will not permit us to adjudicate a claim until we resolve the discrepancy and the identifying information, including death information, on the NUMIDENT and the claim match. This change improves the consistency between our payment records and the NUMIDENT, and, as the Death Master File (DMF) is an extract of the NUMIDENT, further increases the accuracy of the DMF.
- On December 8, 2012, we completed the first NUMIDENT death match to the Master Beneficiary Record (MBR) for Title II and the Supplemental Security Record (SSR) for Title XVI. This match compares death data on the NUMIDENT to all payment records contained in the MBR and SSR. The match helps ensure that we correctly terminate benefits when a beneficiary is deceased. Beginning June 17, 2013, we will perform this match monthly, and our field office personnel will resolve the discrepancies identified in the match and terminate benefits as appropriate.

Planned Initiatives

- Death Processing System Redesign – As resources allow, we will continue work on a complete redesign and modernization of our Death Processing Systems. In FY 2014, we will provide a new user interface for death reporting and collect new, comprehensive management information. While the match mentioned above will help us to clean up our current records, the new Death Processing Systems will help ensure—on the front end of the process—that death records are more consistent across our systems.
- Standard MI Reporting – Beginning in August 2013, we will release standard reports that will assist us in administering the reimbursable agreements under which the States share their death data with us. As resources permit, we will issue reports and maintain cumulative data that will help identify data anomalies (such as duplicate death reports) and errors.

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<sup>1</sup> The NUMIDENT is our electronic database of our records of SSNs assigned since 1936.

Enclosure 1 – Page 3 – The Honorable Thomas R. Carper – Questions for the Record

- c) **During the hearing, the SSA witness suggested that SSA should reach out to agencies to make them aware of the availability of the more comprehensive Death Master File that includes state supplied data. What steps to you plan to take to facilitate access to the complete DMF by the Department of Labor, the Department of Agriculture, and other benefit paying agencies that have statutory right to this data?**

We do not routinely reach out to other agencies to market the full DMF. However, as mentioned during the hearing, in November 2011 we did partner with the Department of Commerce's National Technical Information Service (NTIS) to notify the agencies that were purchasing the public file, distributed by NTIS, that they should contact us if they believed they should have access to the full file. (Please see Enclosure 2 for the notice we provided to NTIS to send to those agencies.)

Since that time, we have had discussions with numerous Federal agencies regarding access to the full file, including the Department of Labor (DOL) and the Department of Agriculture (USDA).

- In late 2011, we discussed the possibility of the Office of Workers' Compensation Programs (OWCP) at DOL procuring the full DMF. OWCP decided to continue its arrangement with NTIS, through which it obtains the publicly available death data, which we understand is sufficient for OWCP's purposes and is more cost effective than obtaining the full file from us.
- In January 2013, USDA's Farm and Foreign Agricultural Service requested access to the full DMF, and we approved this access. We are currently working to complete our exchange agreement.

The following Federal agencies listed below have also requested access to, or expressed an interest in receiving, the full DMF. Our status on these requests, as of May 2013, is provided below.

**Approved and Agreements Completed:**

1. Department of Defense (DoD), Manpower Data Center (MDC)
2. Railroad Retirement Board (RRB)
3. Department of Health and Human Services (HHS), Centers for Medicare and Medicaid Services (CMS)
4. Department of Veterans Affairs (VA)
5. Office of Personnel Management (OPM)
6. Internal Revenue Service (IRS)
7. Pension Benefit Guarantee Corporation
8. HHS, Health Resources and Service Administration (through an agreement with CMS)

Enclosure 1 – Page 4 – The Honorable Thomas R. Carper – Questions for the Record

**Approved but Agreement Not Completed:**

9. Federal Retirement Thrift Investment Board – The draft agreement is under review.
10. HHS, OIG – While we approved the request, HHS OIG determined it wanted to look for a way to obtain the information at a lower cost.
11. HHS, Centers for Disease Control and Prevention (CDC) – CDC is looking into whether it can obtain death information under an agreement between HHS and us.

**Still in Discussion or Not Pursuing:**

12. USDA, National Agricultural Statistics Service – On December 6, 2012, the National Agricultural Statistics Service requested access to the full DMF. We are reviewing the request.
13. U.S. Coast Guard, Retiree and Annuitant Services, Pay and Personnel Center – In August 2012, we requested additional information regarding the purpose for which the Pay and Personnel Center intended to use the full DMF. To date, we have not received a response.
14. HHS, National Institutes of Health (NIH) – While we advised NIH that we have authority to disclose the State death data for research conducted by NIH, we stated that NIH would not have authority to re-disclose State death information to grantees conducting research on behalf of the Federal Government. Our last conversation with NIH was in June 2012.
15. DoD, Defense Finance and Accounting Service (DFAS) – DFAS wanted us to modify the method we use to transmit the DMF data to them. On September 21, 2012, DFAS advised us it was withdrawing its request.

**Requests Not Approved:**

16. U.S. Coast Guard National Maritime Center – The National Maritime Center requested access to the full DMF to verify mariners' life/death status before responding to next of kin or third party requesters. Section 205(r) of the Social Security Act (Act) does not authorize us to disclose State death records for that purpose.
17. Department of the Treasury (Treasury), Bureau of Public Debt, now known as the Bureau of the Fiscal Service (Fiscal Service) – The Fiscal Service requested access for the Do Not Pay (DNP) program. Section 205(r) of the Act does not authorize us to disclose State death records for that purpose. The President's Fiscal Year (FY) 2014 Budget contains a legislative proposal to expand Federal agency access to the full file, not only for purposes of DNP, but also for purposes such as public health and safety and tax administration.

Any Federal agency that would like to explore accessing the full DMF, which includes State death records, should submit a request to [ogc.opd.controls@ssa.gov](mailto:ogc.opd.controls@ssa.gov). We would be happy to review the request, and, once our Office of General Counsel determines that the requirements of section 205(r)(3) of the Act are satisfied, our Offices of Data Exchange, Systems, and Policy, will work with the agency to establish an Information Exchange Agreement covering terms, conditions, and reimbursement for the exchange. In the

Enclosure 1 – Page 5 – The Honorable Thomas R. Carper – Questions for the Record

future, we expect that our newly formed Office of Data Exchange will be our first point of contact for agencies seeking a data exchange.

**From Senator Tom Coburn, M.D.****1) Is SSA required to prescreen beneficiary payments through the Do Not Pay Initiative? If so, has SSA signed up for that program?**

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) requires Federal agencies, including us, to prescreen their payments through the DNP program as appropriate. Currently, we meet the requirements under IPERIA because Treasury runs our payments through DNP and provides us with monthly reports of matches, which we then investigate.

We plan to enroll in DNP when the Fiscal Service's contract negotiations with The Work Number, a national payroll provider, are complete, and The Work Number is fully integrated in the DNP portal. We are interested in using wage information from The Work Number to prevent or detect improper payments for our benefit programs. We defer to Treasury, but understand it anticipates including The Work Number in the DNP portal in late calendar year 2015.

An additional complication is that Treasury has told us that each field office employee who needs access to The Work Number through the DNP portal—approximately 27,000 employees—would require separate access, and the portal cannot, at this time, handle that volume of users. Currently, we average about 62,000 hits per month against The Work Number. We need to ensure the DNP portal can accommodate both the volume of users, as well as the volume of requests per month.

**2) How much money has SSA paid to the states for Electronic Death Records in each of the last three fiscal years?**

We enter into contracts with the States to obtain EDR reports, and reimburse the States, on a per item basis and using a sliding scale, for each death report we receive through this process. We pay the most for the records we receive within just a few days of the individuals' deaths. We pay less for less timely records. We pay more for EDR records than for non-EDR records.

Below, we provide the total costs<sup>2</sup> paid to the States for EDR reports in FYs 2010, 2011, and 2012. These costs increase each year as more States begin using the EDR process and as the payments are adjusted upwards to reflect inflation.

FY 2010 - \$2,265,228.37  
 FY 2011 - \$3,055,449.54  
 FY 2012 - \$3,423,571.28

<sup>2</sup> We also pay the States for the death records they send to us outside of EDR.

**3) What specific changes in law would be required for SSA to provide the full Death Master File to other agencies, including Do Not Pay?**

Section 205(r) of the Act limits our authority to disclose the full DMF for certain Federal and State purposes. We cannot provide the full DMF to agencies beyond the purposes currently set forth in section 205(r) of the Act. Congress would have to amend section 205(r) of the Act to include the specific agency or purpose for which it requires us to disclose the full DMF. Alternatively, Congress could draft legislation that does not amend section 205(r) of the Act, but that specifically authorizes additional disclosure(s) and includes language that exempts us from the limitations of section 205(r) of the Act by using language such as “notwithstanding section 205(r) of the Social Security Act.”

**4) How much would it cost for SSA to ensure the accuracy of the Death Master File?**

No collection of data is going to be 100 percent accurate without the expenditure of large sums of money. At some point, the money spent to address the few remaining inaccuracies is far greater than the amount saved as a result of the corrections. As Mr. Werfel stated during the hearing, “There may be such inherent complexity in some of the Federal programs and operations that you get to a point where you start spending \$2 to save \$1 in order to weed out that final bit of error.”

We believe the most cost effective way to ensure the greatest possible accuracy in the death reporting process, and therefore, the DMF, would be to fully implement EDR. EDR is a web-based data exchange application designed to allow a State’s Bureau of Vital Statistics to verify decedent’s SSN’s using the internet prior to submitting reports of death. Through EDR, the reporting entity verifies the name and SSN of the deceased individual before sending the death information to us, ensuring that the death report is associated with the correct record. EDR results in more timely and accurate death reports. Although we reimburse the States for EDR reports, HHS has responsibility for funding EDR start-up costs. We discuss this process, as well the President’s FY 2014 budget request, which includes funding for implementation of EDR, in our response to the following question.

**5) How much would it cost to get EDR up and running in every jurisdiction?**

We understand that HHS, through CDC, has responsibility for funding the States to assist in establishing EDR. Within CDC, the National Center for Health Statistics (NCHS) is responsible for collecting and disseminating national vital statistics. The President’s FY 2014 budget request includes an increase for NCHS, a portion of which is to begin an effort to phase in full implementation of EDR in all States and other vital records jurisdictions. Although over half the States participate in EDR, implementation varies—some jurisdictions have no system, while others have a system with complete coverage. Therefore, we understand that the cost of full implementation in all jurisdictions is difficult to assess.

Enclosure 1 – Page 8 – The Honorable Thomas R. Carper – Questions for the Record

The National Association for Public Health Statistics and Information Systems, the professional association of State vital records and public health statistics offices, may be able to provide additional information.

- 6) If Congress delays the disclosure of death information to the public for three years, how will SSA comply with its requirements under FOIA to provide that information?**

As Congress develops legislation to delay disclosure of the publicly available DMF, which does not include State death information, for 3 years, we recommend that such legislation be drafted to specifically exempt this death information from disclosure under the Freedom of Information Act (FOIA). With a specific exemption from disclosure under section 552(b)(3) of title 5, United States Code, we would be able to deny FOIA requests until the 3-year period had expired. Without a specific exemption, we would not be able to deny such requests and would be required by law to provide the information. We note that under the OPEN FOIA Act of 2009, any legislation enacted after October 28, 2009 that exempts information from disclosure under FOIA must also cite to FOIA Exemption 3, 5 United States Code 552(b)(3). Therefore, the legislation must specifically cite to FOIA Exemption 3 in order for the information to be withheld under this exemption.

The proposal in the President's Budget for FY 2014 to limit the release of Social Security death information includes such an exemption and would protect our death information from disclosure to the public for 3 years.

- 7) If instead, Congress limits the public disclosure to the last four digits of the deceased individuals' Social Security Number, would the provision of that information satisfy SSA's obligations under FOIA?**
- a. For example, if someone put in a FOIA request for the death records of a specific person, and SSA provided that information, but only included the last four digits of their SSN, would that satisfy its requirements under FOIA?**

Please see the answer to your question 6. If legislation were drafted to limit disclosure of a deceased individual's SSN to the last four digits and such legislation provided specific exemption under section 552(b)(3) of title 5, United States Code, then we would be able to satisfy a FOIA request in such a manner.

We would also note that legislation to limit the disclosure of the full SSN does not necessarily need to go in section 205(r) of the Act because, as it reads currently, section 205(r) of the Act mainly addresses State death information.

Enclosure 1 – Page 9 – The Honorable Thomas R. Carper – Questions for the Record

- 8) **How much does each agency that currently receives the full Death Master File from SSA pay for access? For each agency, provide the total cost, the frequency that the agency updates its file, and in cases where the agency does not pay for access, describe the reciprocal information that agency provides to SSA.**

In FY 2012, four Federal benefit-paying agencies paid a total of \$123,800 for access to the full DMF. The table below shows the FY 2012 costs by agency and the frequency with which we sent the data. We defer to the receiving agencies with respect to the frequency with which they update their files with the information we send them.

Agency	Reimbursement	Frequency
IRS	\$74,751	Full file annually and weekly updates
HHS, CMS	\$32,599	Weekly updates
DoD, MDC	\$8,225	Monthly updates <sup>3</sup>
RRB	\$8,225	Monthly updates

We also provide the full file to two additional Federal benefit-paying agencies that do not reimburse us.

- Pursuant to section 5106 of title 38, United States Code, we provide the full DMF annually and with weekly updates to the VA at no cost.
- The OPM does not pay for access to the full DMF file, which we provide annually and with weekly updates. Instead, information is exchanged between our two agencies in a reciprocal relationship using matching agreements. We have several matching agreements with OPM, including an agreement for our agency to disclose death information to OPM and OPM to disclose civil service benefit and payment data to us. Agreements such as the ones we have with OPM are beneficial to our program administration. For example, section 205(k)(5) of the Act requires us to offset certain Social Security benefits by a percentage of a non-covered pension, such as a civil service pension. We use the match results to meet these offset obligations. We also use information from OPM to verify an individual's self-certification of eligibility for the Extra Help with Medicare Prescription Drug Plan Costs program.

Finally, pursuant to section 716 of title 31, United States Code, GAO has authority to obtain the full file for investigative purposes. We provide the file to GAO upon request and without reimbursement.

<sup>3</sup> Although our agreement with DoD, MDC allows it to receive the full file annually plus monthly updates, its systems are not yet ready to receive the annual full file.

**9) Explain how SSA distributes the full Death Master File to beneficiary paying agencies. Does SSA create a new Death Master File from the Numident for each agency, every time that agency updates its file?**

We distribute the full DMF on a weekly, monthly, or annual basis based upon the agreements we have with each agency. When we create the weekly file, for example, we create one file and send it separately, via secure electronic connection, to the agencies that have opted to receive the weekly files. We follow the same process for the monthly and annual files. All agencies receiving the weekly file receive it on the same day. All agencies receiving the monthly file receive it on the same day. Agencies that receive the annual file generally receive it in June of each year.

The data for the annual file is an extract of all death records on our NUMIDENT file. Data for the weekly and monthly files are created from the death records we have successfully processed and posted to our NUMIDENT during the week or month prior to the creation of the file for that agency.

**10) How much did SSA spend creating the full Death Master File for beneficiary agencies for each of the last three fiscal years?**

We estimate that our total cost to create and distribute the full DMF to all six Federal benefit-paying agencies in FY 2012 would have been \$273,302. The following information explains how we derived that figure and why it can only be an estimate.

We provide the full DMF to six Federal benefit-paying agencies. Four of these agencies—DoD, MDC; IRS; RRB; and HHS, CMS—reimburse us. Our total reimbursable costs for those agencies for the last three fiscal years were:

FY 2010 - \$28,800  
 FY 2011 - \$31,917  
 FY 2012 - \$123,800

Our reimbursable costs increased significantly in FY 2012 because two agencies renegotiated their agreements with us to receive more data. We began sending IRS the full file, rather than the smaller, publicly available file, and we began sending CMS weekly, rather than monthly, updates of the full file.

As noted in our response to your question 8, we also provide the full DMF at no cost to two other Federal benefit-paying agencies—VA and OPM. As required by statute, we do not charge VA, and we provide the file to OPM as part of a reciprocal data exchange agreement.<sup>4</sup> VA and OPM do not reimburse us; therefore, we generally have no business reason to track our costs to create and distribute the file to them. However, they received the full file on the same schedule as the IRS in FY 2012, and our costs to create,

<sup>4</sup> The programmatic costs to us and OPM for these matches are borne by each agency and are offset by the value to each agency of the data exchanged; therefore, the expenses involved in providing the DMF to OPM is deemed to be paid for by the data provided by OPM to us.

Enclosure 1 – Page 11 – The Honorable Thomas R. Carper – Questions for the Record

verify, and transmit the data to each agency would probably have been the same. For purposes of this response, we can assume that we would have spent the same amount (\$149,502 total or \$74,751 each) to provide death information to VA and OPM last fiscal year. Because VA and OPM were the only agencies to receive the full DMF on a weekly basis in FY 2010 and FY 2011, we have no comparable costs for those two agencies for those fiscal years.

**From Senator Claire McCaskill**

- 1) According to your testimony, pursuant to your statutory authority you are required to seek reimbursement to cover the reasonable cost of providing the full Death Master File (DMF) to other beneficiary agencies. According to the GAO, the Defense Manpower Data Center pays over \$40,000 annually for monthly updates of the (DMF). I do not understand why it is reasonable for SSA to charge \$40,000 to pull a list from existing data twelve times per year.

Will you please provide to me a detailed explanation as to the types of costs for which you are seeking reimbursement from the Defense Manpower Data Center? For each type of reimbursement identified please cite the actual cost associated with the reimbursement. Please also include with this information on cost the number of staff assigned to operate the sharing of the data.<sup>2</sup>

For reimbursable activity, we follow the Office of Management and Budget Circular A-25, *User Charge*. In accordance with Circular A-25, our charges must be sufficient to cover the full cost to us for providing the services, resources, or goods as defined by the Federal Accounting Standards Advisory Board. Full costs include all direct and indirect costs of providing the data and are determined during the term of the agreement. Estimates are determined before the term of an agreement and may be higher or lower than actual costs.

We charged the DoD, MDC \$8,225 in FY 2012 for the actual costs, not \$43,000 as we originally estimated.<sup>5</sup> Below is a list of costs by type that we charged the DoD, MDC for FY 2012:

Type	Costs
Salaries <sup>6</sup>	\$ 3,586
Office Overhead	\$ 1,748
Agency Overhead	\$ 1,864
Information Technology (IT) Costs	\$ 562
IT Special Projects Charge	\$ 465
Total	\$ 8,225

For more information on what each type of cost represents, please see Enclosure 3, Explanation of Reimbursable Costs.

<sup>5</sup> Our original estimate for FY 2012 assumed that DoD, MDC systems would be able to start receiving the full file annually; however, DoD, MDC was not yet ready to start receiving the full annual file so we did not send it and did not charge for it.

<sup>6</sup> While this agreement, like all agreements, involves a number of employees from various staffs throughout the agency, the total number of hours used by these employees equals less than one full time employee.

Enclosure 1 – Page 13 – The Honorable Thomas R. Carper – Questions for the Record

- 2) Your testimony indicated that the DMF data is tailored to each agency. Does this tailoring only refer to the frequency of updates, or do different agencies receive different types or differently modified data?**

The data contained in the file varies only as far as the weekly and monthly files contain all of the added, deleted, and changed records created during the previous week or month respectively, while the annual file contains all of the death records that are present on our NUMIDENT. All agencies who receive the weekly file receive the same data; all agencies who receive the monthly file receive the same data; and all agencies who receive the annual file receive the same data.

Enclosure 2 – The Honorable Thomas R. Carper—Notice to National Technical Information Service

**IMPORTANT NOTICE FOR FEDERAL AGENCIES –  
CHANGE IN PUBLIC DEATH MASTER FILE RECORDS**

We receive Death Master File (DMF) data from the Social Security Administration (SSA). SSA receives death reports from various sources, including family members, funeral homes, hospitals, and financial institutions.

**Q: What change is SSA making to the Public DMF?**

**A:** Effective November 1, 2011, the DMF data that we receive from SSA will no longer contain protected State death data. Section 205(r) of the Social Security Act prohibits SSA from disclosing State death records SSA receives through its contracts with the States, except in limited circumstances. (Section 205r link - [http://www.ssa.gov/OP\\_Home/ssact/title02/0205.htm](http://www.ssa.gov/OP_Home/ssact/title02/0205.htm))

**Q: How will this change affect the size of the Public DMF?**

**A:** The historical Public DMF contains 89 million records. SSA will remove approximately 4.2 million records from this file and add about 1 million fewer records annually.

**Q: Is my agency eligible to receive State death data under section 205(r) of the Act directly from SSA because my agency pays federally funded benefits?**

**A:** SSA is required to disclose State death data to Federal agencies to ensure proper payment of “federally funded benefits” under section 205(r)(3) of the Act. If your agency administers income maintenance or health maintenance programs that are federally funded, your agency may be eligible to receive the State death data from SSA. If you believe your agency qualifies for State death data, SSA will accept requests by e-mail at [ogc.opd.controls@ssa.gov](mailto:ogc.opd.controls@ssa.gov). Your request should contain a detailed explanation of the “federally funded benefit” program that your agency administers.

**REMINDER:** DMF users should always investigate and verify the death listed before taking any adverse action against any individual.

**Explanation of Reimbursable Costs****Salaries**

The salary costs include pay for the time employees directly perform the reimbursable work. This cost does not include personnel benefits or cover salaries of employees not directly involved with the reimbursable work. The cost does not include time consumed in short-term, non-extensive preliminary discussions, nor does it include supervisory and support time accounted for in the component's overhead.

**Office Overhead**

The office overhead costs include the indirect costs incurred by the agency components that perform the reimbursable work. The costs listed below help support the staff directly involved with the work and include:

- Salaries of supervisors, secretaries, administrative assistants, and other staff who are indirectly involved in performing the reimbursable work;
- Direct and indirect personnel benefit costs, including earned leave and training costs;
- Administrative supplies, materials, printing, reproduction, travel; and
- Any other indirect costs not named above that would be applicable.

**Agency Overhead**

Agency overhead includes the costs of providing administrative support for the reimbursable work performed. These costs include work performed by components that are not directly involved with performing the reimbursable activity, but provide support services. Examples of support services include reviewing the agreements to ensure compliance with law and providing financial services such as billing and collecting. This overhead also covers agency costs such as rent, utilities, etc.

**Information Technology (IT) Systems Costs**

IT systems costs include any direct IT costs associated with the reimbursable job, which primarily consist of central processing unit time and any information technology costs associated with providing the data.

**IT Special Projects Charge**

IT special projects charge is a small fee to help cover costs directly associated with systems improvements for reimbursable workloads.

**Hearing Question for the Record  
Submitted to Marianna LaCanfora  
From Senator Claire McCaskill**

Senator McCaskill. And I could see it if this was a list that was going to somehow enhance the ability of someone else to provide a service. But what this list is for is to keep money from going out the door that should not be going out the door. I mean, to me, it seems like we should be falling all over ourselves, no matter what part of Government we are, to make sure this list is everywhere, complete, and no one is having to figure out whether or not it is really worth it for them to budget for it. Because, frankly, if this was their money, if these were private businesses, if you all were under one big private business and you were different divisions of a big business, do you really think these kind of artificial barriers would be put up if it all came down to the bottom line? Well, this is the bottom line for taxpayers.

So I would really like all of you to formally respond to whether or not you think it is a great idea that this should be a matter of if you want the good list, it is going to cost you more money in order to prevent paying out money that the Government should not be paying. I would like that from you.

Marianna LaCanfora. Pursuant to the Purpose Statute [31 U.S.C. 1301(a)], the Social Security Administration may spend appropriated funds only on objects that further the purpose stated in the appropriation providing the funds. Our annual appropriation provides funds from the Social Security Trust Funds for us to pay the necessary expenses of administering the Social Security programs as set forth in the Social Security Act (Act). This means that we may spend our appropriated funds only to further our mission, and thus we may not use our appropriated funds to further the mission of any other agency or entity without specific statutory authority. Congress recognized this limitation, and specifically mandated in section 205(r)(3)(A) of the Act that we may provide state death information to other Federal or State agencies only if the agencies reimburse us for our reasonable costs of providing such information. Therefore, our policy of charging agencies for state death information is mandated by our annual appropriation and the Act, and it helps preserve the integrity of the Social Security Trust Funds.