

GAO

Report to the Chairman, Subcommittee  
on Human Resources, Ways and Means  
Committee, House of Representatives

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March 1998

# SUPPLEMENTAL SECURITY INCOME

## Opportunities Exist for Improving Payment Accuracy



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**United States  
General Accounting Office  
Washington, D.C. 20548**

**Health, Education, and  
Human Services Division**

B-278829

March 27, 1998

The Honorable E. Clay Shaw, Jr.  
Chairman, Subcommittee on Human Resources  
Committee on Ways and Means  
House of Representatives

Dear Mr. Chairman,

In 1996, the Supplemental Security Income (SSI) program paid almost \$29 billion to more than 6.6 million aged, blind, and disabled individuals. As administrator of this program, the Social Security Administration (SSA) is responsible for ensuring that only those who are eligible receive benefits and that payment amounts are correct. However, SSA's overpayment data show that approximately \$1.6 billion of these benefits were paid in error.

To determine SSI eligibility and payment amounts, SSA relies on applicants and recipients to accurately report their income and assets. Where possible, SSA verifies these reports with independent information once individuals begin receiving benefits. In a previous report,<sup>1</sup> we discussed how SSA could directly access state data on earnings and government benefits to identify clients—both applicants and recipients—who do not disclose to SSA income that they received from these sources.<sup>2</sup> Since that time, new databases have been created to assist the Department of Health and Human Services' Office of Child Support Enforcement (OCSE) in its work. SSA has agreed to house and maintain these databases, which can provide SSA more current and comprehensive information on earnings than could be obtained by directly accessing state data. Technological advances have also made it possible for SSA to obtain more current and comprehensive information on the financial accounts of SSI clients.

In light of these developments, you asked us to conduct a follow-up study on the feasibility of SSA using new data sources on earnings and obtaining better financial account information. Specifically, you asked us to determine (1) the extent to which overpayments occur because SSI clients fail to disclose their earnings and financial accounts, (2) whether SSA could obtain more current and comprehensive earnings information to detect undisclosed earnings, and (3) whether the agency could obtain more

<sup>1</sup>Supplemental Security Income: Administrative and Program Savings Possible by Directly Accessing State Data ([GAO/HEHS-96-163](#), Aug. 29, 1996).

<sup>2</sup>Nondisclosure can take two forms. Clients may fail to disclose to SSA that they have any income at all, or they may fail to disclose the full amount of their income.

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current and comprehensive information on undisclosed financial accounts.

To accomplish these objectives, we interviewed officials from SSA, the Internal Revenue Service (IRS), the Department of the Treasury, the Office of Management and Budget (OMB), and the Federal Reserve and obtained relevant documentation. We also interviewed executives from the financial institution industry and network providers regarding the computer network that electronically links U.S. financial institutions together. We analyzed SSA data on SSI overpayments that resulted when SSA did not have adequate financial information on clients. We performed our work between October 1996 and January 1998 in accordance with generally accepted government auditing standards. (See app. I for more information on our scope and methodology.)

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## Results in Brief

Unreported or underreported earnings and financial accounts continue to result in significant overpayments in the SSI program. According to SSA's overpayment data, the failure of SSI clients to disclose earnings and financial accounts was responsible for approximately 40 percent of the \$1.6 billion in overpayments identified for fiscal year 1996. Specifically, about \$379.5 million in overpayments was the result of SSI clients not fully disclosing their earnings, and \$268.1 million was the result of clients not disclosing financial account information.

More current and comprehensive information is now available to detect undisclosed earnings. Today, SSA detects overpayments resulting from undisclosed earnings primarily by matching information provided by SSI clients with earnings data used in the administration of other government programs. However, computerized matches, which are not done until individuals are on SSI's rolls, have built-in delays in detecting overpayments that range from 6 to 21 months. Two databases developed for use by OCSE could provide SSA with more current and comprehensive earnings information: the New Hire Data Base and the Quarterly Wage Data Base. The New Hire Data Base lists all new hires within a month of their hiring; the Quarterly Wage Data Base—which will soon be operational—will contain quarterly earnings information on nearly all employees.<sup>3</sup> SSA could check these databases prior to placing applicants on the rolls and thereby prevent overpayments caused by applicants failing to disclose earnings at the time of application. These databases would also

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<sup>3</sup>States vary in who is required to report quarterly earnings information. For example, the earnings of self-employed individuals and those of agricultural and domestic workers are not reported in many states. Their earnings may be reported in the annual IRS form W-2, however.

allow SSA to detect occurrences of undisclosed earnings to ongoing recipients within 4 to 6 months and thereby reduce the number and duration of the corresponding overpayments. SSA officials acknowledged that these databases would provide field staff with more current and comprehensive earnings information. However, at the time of this report, the agency had put minimal effort into incorporating the use of these databases into the claims handling process, citing competing priorities as the reason why they had not done more.

Opportunities for improved financial account information also exist. Currently, SSA detects undisclosed financial accounts by conducting computer matches once a client's eligibility has been established. This match, however, can only detect undisclosed accounts that existed 9 to 21 months before. SSA could obtain up-to-date information on the financial accounts of SSI clients from financial institutions by accessing the nationwide telecommunication network, which links all financial institutions. Such information would help ensure that applicants whose bank accounts would make them ineligible for the program do not gain eligibility. By eliminating ineligible individuals at the point of application, SSA could avoid the expense of determining medical and vocational disability and other processing costs for invalid claims. The agency could also reduce the number and duration of overpayments to ongoing recipients who are overpaid because of newly acquired financial accounts or increases in existing ones.

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## Background

SSI provides monthly cash benefits to qualified aged, blind, and disabled persons. Because it is a program based on need, monthly changes in the amount of non-SSI income that clients receive can increase or decrease the amount of SSI benefits to which they are entitled or make them completely ineligible for benefits. Resources, including financial accounts, that exceed \$2,000 for an individual or \$3,000 for a couple make that individual or couple ineligible for the program. To minimize occurrences of over- and underpayments, the program requires clients to promptly report to SSA any fluctuations in their income or assets.

As part of the application process, SSI clients are required to disclose all of their income and resources to SSA field staff who process their applications. SSA policy requires that field staff obtain documentation to verify the amount of income and resources that applicants report. It does not require, however, that field staff check for unreported income and resources unless they suspect that applicants are not fully disclosing them.

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Thus, at the time of application, SSA normally relies on applicants to portray their financial situations accurately.

To ensure that newly eligible recipients have accurately portrayed their financial condition and that ongoing recipients continue to do so, SSA uses both financial eligibility reviews, known as redeterminations, and computer matching to verify income and resource levels. During redeterminations, recipients report their income on mail-in questionnaires or in face-to-face or telephone interviews. The method used to contact the client and the frequency of such contacts depend on the likelihood that a client's financial situation will change. Computer matches, which compare the individual's SSI record against data obtained from federal and state agencies, enable SSA to detect some types of income and resources that clients have not reported.

The computer matching process to detect undisclosed income compares earnings income reported by clients to the earnings information contained on IRS form W-2s, which employers must file annually with SSA. SSA conducts this match annually.<sup>4</sup> The W-2 match is supplemented twice a year with quarterly earnings information provided by 45 states and the District of Columbia.<sup>5</sup> To do this, SSA sends computer tapes or cartridges containing the names of SSI recipients to each state. The states in turn append to the bottom of these tapes any earnings information pertaining to the SSI recipients residing in their states and then mail the tapes back to SSA. Once SSA receives the tapes, it matches them against the agency's own records to determine if recipients have disclosed all of their earnings to the agency.

In order to detect unreported financial accounts, information reported by clients is compared to IRS form 1099s, which are filed annually by financial institutions and contain the amount of interest earned on financial accounts. Because form 1099 data only contain interest accrued on financial accounts, this match can detect only interest-bearing accounts. Each September, SSA conducts this match using data from the previous year, which covers most SSI recipients from that year.

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<sup>4</sup>SSA also conducts one make-up match using the same year's W-2 information to detect unreported earnings of recipients who were not in pay status at the time of the first match.

<sup>5</sup>The remaining five states have chosen not to participate in the state earnings match for various reasons, including the belief that it would be too time-consuming to do so.

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## Nondisclosure Causes Millions of Dollars in Overpayments

A primary cause of SSI overpayments has been that clients do not always disclose their earnings and financial accounts when they apply for benefits or once they are receiving such payments. For example, SSA's fiscal year 1996 payment accuracy study shows that out of a total of \$1.6 billion in overpayments, approximately 40 percent (nearly \$647.6 million) was the result of nondisclosed earnings and financial accounts.<sup>6</sup> About \$379.5 million of these overpayments occurred because SSI clients did not disclose their earnings and \$268.1 million occurred because SSI clients did not disclose their financial accounts. Many of these overpayments could have been prevented or more quickly detected if more timely and comprehensive information on the earnings and financial accounts of SSI clients had been available.

SSA conducts a second annual payment accuracy study, which contains more detailed information on the amount of overpayments in the SSI program. However, neither study accurately estimates for the entire SSI population the amount of overpayments made because of nondisclosure at the time of application versus the amount made because of nondisclosure after clients began receiving benefits. Regardless, both studies have consistently shown over the years that hundreds of millions of dollars in overpayments occur at both of these junctures. Such findings, in turn, indicate that the agency needs to address systemwide weaknesses in both the application and post-entitlement procedures it uses to determine program eligibility and payment amount.

Of the hundreds of millions of dollars in overpayments that have been made, SSA has gotten little of it back. SSA statistics show that, on average, the agency recovers only about 15 percent of all outstanding overpayments. The older the overpayment, the more difficult it is to recover. Moreover, when an individual is removed from SSI's rolls—which can happen when an overpayment is the result of a nondisclosed financial account—the overpayment will probably never be recovered because the individual no longer receives a monthly SSI benefit payment from which SSA can withhold funds. SSA's overpayment recovery rate is low partly because SSI recipients are poor and do not have the funds to repay this debt.

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<sup>6</sup>The other 60 percent were caused by such things as undisclosed state or federal government benefits; resources such as non-home real property and life insurance; and food, clothing, or shelter provided to recipients free of charge.

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## More Current and Comprehensive Information on Earnings Is Available

SSA's present data sources and procedures for detecting undisclosed earnings do not provide up-to-date and comprehensive information on the earnings of applicants and recipients. Such information is critical because earnings are a primary factor in determining both initial program eligibility and the amount of benefits recipients should receive each month. SSA could obtain such information by using new data sources on earnings and by enhancing its current computer-matching procedures.

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## SSA's Present Approach to Detecting Undisclosed Earnings Relies on Old Data

SSA uses data that are outdated and do not reflect the current earnings status of SSI clients. When individuals apply for SSI benefits, SSA field staff are required to check the agency's database that contains IRS form W-2 information to verify that applicants have accurately portrayed their work histories. How current this information is depends on when SSA enters an applicant's W-2 data and when the applicant comes in to apply for SSI benefits. For example, SSA began entering 1996 W-2 earnings information into its database in February 1997, shortly after it was reported by employers. By April, SSA had entered about 45 percent of the 1996 W-2s into its database, and by September, the agency had entered 98.5 percent of the earnings information. Thus, in April 1997, there was about a 45-percent chance that the 1996 earnings of an SSI applicant would be recorded in SSA's database. Earnings from December 1996 would be 4 months old, and earnings from January 1996 would be 16 months old. If an application were made in April 1998 and the individual's 1997 W-2 information had not yet been entered, the only earnings information available to SSA field staff would be 1996 W-2 information, which would then be 15 to 27 months out of date.

After clients have begun receiving SSI payments, SSA checks for undisclosed earnings in two computer matches: a semiannual match that uses quarterly earnings data that employers file with the states, and another that uses the annual W-2 information.<sup>7</sup> Because of the age of the data used in the match, these matches can detect only undisclosed earnings that were received 6 to 21 months in the past. For example, state quarterly data sent to SSA in March 1998 covers earnings through the quarter ending September 1997. If a client had earnings as of September 1997, the March 1998 match would only detect those earnings 6 months after they were received. Similarly, if the client's last earnings occurred as early as July 1997, the March 1998 match would not have detected them until 9 months after they were earned. Because state earnings information

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<sup>7</sup>SSA also conducts make-up matches using both the IRS W-2 data and the state data to detect undisclosed earnings of recipients who were not included in the primary match for various reasons.



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is not provided by all states, SSA supplements this match by conducting a computer match each September using W-2 information from the previous year. Thus, if a recipient had earnings in December of the previous year, they would not be discovered for 9 months, and if a recipient had earnings in January of the previous year, this match would not detect them for 21 months.

Although the state computer matches provide more current information than the W-2 data match, state data are not always as comprehensive as the W-2 data. First, states provide earnings information to SSA only for current SSI recipients, so this information cannot be used to verify the earnings reported by new SSI applicants. Also, only 45 states and the District of Columbia have agreed to provide SSA with this information.

Finally, the process of conducting the match can be unwieldy, and SSA is often not able to complete the match for all participating states. To perform matches, SSA must prepare and send computer tapes or cartridges containing the names of SSI recipients in each state to all participating states. The states in turn provide earnings information, if any, on these recipients to SSA. Often, however, the tapes get lost or damaged in the mail, or the state prepares the data in a format that SSA's computers cannot read. For example, in the first half of 1997, SSA was able to complete the match for only 37 of the 45 states that had agreed to provide the agency with this information. The process of SSA and the states exchanging computer tapes is so cumbersome that even though the states have new information four times a year, SSA only attempts to get it twice a year.

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## Better Sources of Earnings Information Exist

New data sources exist that could help improve earnings verification. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) requires that states report the names of newly hired employees as well as all of the quarterly earnings information reported for individuals working in their states to OCSE. OCSE uses this information to identify those parents who could make child support payments. SSA, which helped OCSE develop these databases, is responsible for housing and maintaining them at its National Computer Center and has authority under PRWORA to use the information contained in them. One of these data sources, the New Hire Data Base, identifies newly hired employees and their employers within a month of their hiring. The second database, the Quarterly Wage Data Base, will offer quarterly earnings information that is between 4 and 6 months old. The quarterly information that the states will submit for OCSE's use is the same data that the majority of states now submit to SSA via computer

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tapes or cartridges. However, the national OCSE database will be a more comprehensive and current information source because all states are required to participate; it will also contain all employees—not just those on the SSI rolls at the time of the match. It will allow SSA to check for earnings anywhere in the country for both applicants and recipients, and SSA will receive data quarterly instead of only biannually.

The New Hire Data Base has been operating since October 1997, and as of mid-February 1998, it has received 13.7 million new-hire records, with all states except one transmitting this information electronically over SSA's dedicated, secure network.<sup>8</sup> State employees are already submitting queries to their state directories of new hires and are finding that this has helped them to accurately calculate eligibility and payment amounts for state programs. If SSA sets up its own queries to the New Hire Data Base, the agency could use the improved information to reduce the number of overpayments resulting from the nondisclosure of earnings. States began submitting earnings to the Quarterly Wage Data Base on February 1, 1998.

It may be possible to set up both of these databases to receive and respond to requests for information so that SSA field staff could check for undisclosed earnings at the time of application. This would prevent many overpayments that are the result of nondisclosure at the application stage, since these databases will contain earnings information that is between 1 and 6 months old. Such data are often current enough to contain earnings information for the same time period in which benefits are received by many newly eligible recipients. This is because it takes, on average, more than 3-1/2 months for a decision on an SSI disability claim, and newly eligible recipients receive benefits retroactively back to the date when they first applied.

SSA could also reduce the number and duration of earnings overpayments to ongoing recipients by using the new earnings data in a more fully automated computer matching process. According to officials from SSA and OCSE, the agency could develop an electronic interface with the New Hire Data Base that retains a continually updated list of SSI recipients and notifies SSA automatically whenever a new hire record is reported for one of those recipients. SSA field staff could then contact the employer listed in this database to verify the applicant's employment and the amount of his or her earnings. In addition, quarterly matching of the SSI rolls against the much larger Quarterly Wage Data Base could be used to detect

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<sup>8</sup>New Jersey is not required to submit new hire information until April 1, 1998. At that time this state will also transmit new hire information to OCSE electronically over SSA's dedicated, secure network.

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undisclosed earnings. An automated match could be done at SSA's National Computer Center, eliminating the need for SSA and the states to exchange computer tapes.

Under both the current computer matching procedures and these new procedures, field offices would still investigate undisclosed earnings before reducing a recipient's benefits, declaring an overpayment, or both. Recipients, therefore, would still have an opportunity to contest earnings that may not belong to them or that fall under program rules permitting the exclusion of certain income.

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## SSA Is Exploring Other Data Sources for Earnings

SSA policy officials acknowledge that more current and comprehensive sources of earnings data exist. According to these officials, SSA is focusing its efforts on developing a comprehensive policy that details which new data sources are the best to use in all of its programs and how they can be used most effectively. Even though the New Hire Data Base is available for immediate use and the Quarterly Wage Data Base will be available in April 1998, SSA is putting minimal effort into incorporating these two databases into its claims handling processes because it will take 1 year for the OCSE databases to contain enough earnings information to be useful for title II programs.<sup>9</sup> However, OCSE databases would be immediately useful to reduce SSI overpayments. In fiscal year 1996, more than twice as many overpayments were made in the SSI program as in the social security retirement program, even though SSI payments were only about one-tenth the size of the retirement program payments. By not using the OCSE databases at this time, serious problems with SSI payment accuracy may continue.

In the interim, SSA is focusing on developing access to two alternative data sources: a Department of Labor (DOL) network of states' earnings databases and state-agency maintained databases. The DOL network allows government employees in one state to check on-line for earnings in the earnings databases maintained by any or all of the other states in the network. At the time of our review, 33 states' earnings databases were linked to the network, and there are plans to add the earnings databases of 7 other states to this network in the near future. SSA is also pursuing direct access to state agency databases on earnings; government benefits; and vital statistics information on births, deaths, and marriages. In an earlier report, we recommended that SSA pursue direct access to state data to

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<sup>9</sup>In addition to the SSI program, the agency also administers the old age survivors and disability insurance programs under title II of the Social Security Act.

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improve SSI payment accuracy and program administration.<sup>10</sup> While we continue to recommend direct access to state data as the best approach for obtaining information such as state welfare payments and vital statistics information, especially when national databases do not exist, we consider the OCSE databases better sources for earnings information.

SSA's approach to obtaining earnings information from the DOL network and states has several shortcomings. First, the agency must negotiate and thereafter renegotiate separate data-sharing agreements with each state.<sup>11</sup> According to SSA officials, these tasks are both difficult and time-consuming. In the last several years, SSA has been actively seeking data-sharing agreements with states, but as of November 1997, only nine had agreed to provide direct access to their earnings data.

Second, these alternative sources will not necessarily provide SSA with nationwide earnings information, which is essential for detecting the undisclosed earnings of clients who work in one or more states and apply for benefits in yet another. States are not required to participate in the DOL network or to grant SSA employees direct access to their data. Therefore, neither of these two alternative data sources ensures nationwide coverage. Further, of the nine states that have granted direct access to SSA field staff, none have done so for SSA staff located in other states. In contrast, all states are required by law to provide data to the New Hire Data Base and the Quarterly Wage Data Base. Moreover, because PRWORA gives SSA the authority to use these two databases in the administration of its programs, negotiation and renegotiation of data-sharing agreements with the states will not be necessary.

Third, and perhaps most significant, neither the DOL network nor direct access to state earnings data will provide employment information as current as that in the New Hire Data Base. The New Hire Data Base will allow SSA to determine within a period of weeks that an SSI recipient has taken a job, instead of waiting a minimum of 4 months, which generally is the delay for data obtained through on-line access or the DOL network.

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<sup>10</sup>Supplemental Security Income: Administrative and Program Savings Possible by Directly Accessing State Data ([GAO/HEHS-96-163](#), Aug. 29, 1996).

<sup>11</sup>The Privacy Act states that a data-sharing agreement may not exceed 30 months: 18 months for the original negotiated agreement and a subsequent negotiated 12-month extension. After this time, an entirely new agreement must be negotiated. Moreover, if the extension deadline is not met, the agreement lapses and a new one must be negotiated.

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## More Current and Comprehensive Information on Financial Accounts May Be Available

As is the case with earnings, SSA's present data sources and procedures for detecting undisclosed financial accounts do not provide up-to-date and comprehensive information on the accounts of applicants and recipients. Because undisclosed financial accounts are a major source of overpayments, obtaining such information is critical to ensuring program integrity. Detection of such accounts, both at the application stage and once recipients are on SSI's rolls, would prevent many of these overpayments and reduce the number and duration of others. Such detection may be possible because it is now technologically feasible for SSA to electronically obtain account information directly from the financial industry.

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## SSA's Present Approach to Detecting Undisclosed Financial Accounts Relies on Old Data

SSA's current approach to identifying financial accounts can result in ineligible individuals getting on SSI's rolls and remaining there for long periods of time. During the application process, SSA policy requires that field staff contact banks to verify the amount of money in the accounts of applicants who state that their accounts exceed \$1,250. However, when applicants state that they either do not have accounts or that their accounts are below the \$1,250 threshold, such verification is generally not required. Once applicants are placed on SSI's rolls, SSA checks for both unreported and underreported financial accounts through a computer match using IRS form 1099 data.

Computer matches using IRS form 1099 data can take months or even years to detect unreported bank accounts. These matches compare the financial account information reported to the IRS by financial institutions with the information concerning financial accounts reported by SSI recipients. SSA conducts this computer match every September.<sup>12</sup> However, at the time of this match, the IRS 1099 data are between 9 and 21 months old. For example, tax year 1997 data will not be available for use in these matches until September 1998. Thus, if an SSI recipient acquired an account in December 1997 that caused the recipient's assets to exceed SSI's resource limit, SSA would not be able to detect it for at least 9 months. If the account was acquired in January 1997, the recipient could have received monthly SSI payments to which he or she was not entitled for 21 months before the IRS 1099 match could detect the overpayment. In addition, if the account did not earn interest, this match would not detect it at all, since 1099 data only pertain to interest-bearing accounts.

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<sup>12</sup>SSA also uses the same tax year's 1099 data to conduct two additional matches to detect any undisclosed accounts of current or previous SSI recipients who were excluded from the primary match in September for various reasons.

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SSA field staff are required to verify the amount of financial accounts over \$1,250 that applicants and recipients disclose as well as those that are detected through the IRS 1099 computer match. This is done by submitting to the designated financial institution a paper request for verification of the account balance for all months during which the individual was receiving SSI payments. SSA submits about 1 million requests to financial institutions each year. Financial institution staff, in turn, manually search their records and mail a response, along with an invoice for this service, back to the requesting SSA field staff. Because this is very time-consuming for the financial institutions, they may charge up to \$25, and some may not respond at all.

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### Better Sources of Information Exist on Financial Accounts

The telecommunication network linking the financial industry together nationwide allows financial institutions to transfer funds among themselves and provide customer services such as automated bill payment and automated teller machines (ATM). SSA first began to use these networks to deposit benefit payments directly into the accounts of SSI recipients. Over the past few years, the agency has expanded its use of these networks to more fully automate direct deposits. For example, these networks are now used to notify a specific financial institution of the death of a customer who had a direct-deposit account for SSA program benefits. These networks are also used to set up direct-deposit accounts automatically for newly eligible recipients of SSA program benefits, eliminating the need for the recipient to contact the financial institution to set up an account.

According to various experts—such as officials from SSA and the Department of the Treasury, financial industry executives, and network providers—it may be possible to further expand the use of these networks to enable SSA to contact financial institutions electronically and determine whether SSI clients have accounts that they have not disclosed as well as verify the amount in accounts that clients have disclosed. Detecting undisclosed accounts when individuals apply for SSI benefits would prevent ineligible applicants from being placed on SSI's rolls. In addition to preventing significant overpayments, the agency would save the costs associated with processing invalid claims and determining medical and vocational disability for ineligible applicants. According to financial institution officials we spoke with, handling requests electronically would also be less costly and easier for them than the current paper-based system and would provide the information to SSA more quickly than the current system allows.

Many of these experts also pointed out that financial industry networks could be used to verify account information for both SSI applicants and recipients. To identify accounts undisclosed by an applicant, SSA field staff could submit a query to financial institutions with the name, social security number, and other identifying information of the applicant over one or more of the networks. These institutions could then electronically provide applicant account information, including balances, if any. To identify current SSI recipients who have failed to disclose accounts, SSA could use the networks to periodically transmit a file of current SSI recipients to financial institutions selected according to criteria specified in computer profiles. Most financial institutions' computer systems have the capability to automatically check their files on account holders to see if there are any matches with the SSI recipient list. If matches are found, the system would send an electronic response to SSA containing the recipients' names and account balances.

Financial industry data would be much more current than the data used in the IRS form 1099 match because financial institutions maintain up-to-date records of their customers' accounts. This does not mean that an overpayment could be detected as soon as an undisclosed account came into existence because the earliest point of detection would depend on how frequently SSA conducted matches using these data. It does mean, however, that SSA, working with the financial institution industry, could design a system that optimally balanced how frequently undisclosed accounts were detected with the cost-effectiveness of such a procedure. It also means that SSA could identify undisclosed accounts much earlier than it currently does and thereby prevent many overpayments made as a result of nondisclosure.

For SSA to detect undisclosed accounts most effectively, every applicant and recipient would have to be checked against the records of every financial institution in the country. The extent to which complete coverage could be achieved would depend upon technological capabilities. According to executives who manage the financial industry networks, current technology is sufficient to permit very broad-based checks for applicants, with minimal cost and effort.

Financial institutions and human services departments in some states are already exploring ways in which technology can more efficiently provide the required information on the financial accounts of welfare clients. This is occurring in part because PRWORA requires financial institutions to report this information to the states for child support enforcement purposes. In

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its 1997 business plan, SSA acknowledged that it intends to look into expanding its use of these networks to check for undisclosed accounts, but the agency has yet to put together a proposal detailing when and how it will undertake such a study.

SSA already has a telecommunication link to the financial industry network and routinely uses that network to transmit information to financial institutions. However, programming would be needed for SSA to transmit requests for information and for financial institutions to notify the agency that it has an account holder who is an SSI applicant or recipient. SSA officials and executives from the financial industry with whom we spoke agreed that using the financial institution network to verify financial accounts is technically feasible but would require effort to implement. Because financial institutions use various types of computer operating systems and software, each institution would have to create, test, and implement programming specific to its system.

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### **Privacy and Security Concerns Must Be Addressed Before New Access Is Implemented**

States and the financial industry share concerns about privacy and security. Privacy concerns center around ensuring that personal information provided by an individual to a government agency or private institution is protected from being disclosed to those who do not have a legal right to it. Concerns about security center around having adequate computer security controls to ensure physical security and prevent inappropriate access.

SSA is required by law to take certain steps to ensure the privacy and security of data, whether that information is internal to SSA or is shared with other entities. These steps include developing a security plan, audit trails, automated alerts to prevent inappropriate requests for personal information, personal identification numbers and passwords, training, disaster recovery plans, and periodic internal and external evaluations of all privacy and security measures. An assessment of whether to institute additional measures may also be needed.

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### **Conclusions**

The two OCSE earnings databases, as well as data from the financial institution industry, would provide SSA with information needed to prevent or reduce overpayments resulting from undisclosed earnings and financial accounts. This information would be particularly valuable in processing applications because, for the first time, the agency would be able to verify with more current and comprehensive information the financial



allegations of applicants before initiating payments to them. Preventing overpayments or detecting them more quickly would bolster the integrity of the SSI program by more effectively ensuring that clients are receiving only those benefits to which they are entitled. We estimated that approximately \$647.6 million of the overpayments that occurred in fiscal year 1996 could have been avoided or more quickly detected if these data had been available for SSA to use both in the application process and at intervals after clients were on SSI's rolls.

SSA has authority to use the OCSE databases for the administration of its programs and is responsible for housing and maintaining them at its National Computer Center. The agency has not, however, directed adequate resources to developing computerized interfaces so that these data could be used in the SSI program. The agency also has authority to verify information on the financial accounts of clients from the financial industry but has not yet investigated the technical and economic feasibility of obtaining this information via computer to make it an effective verification tool. Such a system may be economically feasible, even though it would result in SSA verifying more financial accounts than they currently do. According to financial industry experts, computerized verification requests would cost much less than the financial institutions' current charge for such requests—which can be as much as \$25 per request. Moreover, if SSA were able to obtain financial account information free of charge, as is the case for most states, this system would be even more cost-effective.

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## Recommendations

We recommend that the Commissioner of SSA take the following actions:

- Develop computerized interfaces necessary to access OCSE's New Hire Data Base and Quarterly Wage Data Base, and use them in accordance with applicable security and privacy laws and regulations to detect undisclosed earnings during initial and subsequent determinations of eligibility for the SSI program.
- Study the feasibility of obtaining computerized information from financial institutions to detect financial accounts that SSI clients do not report during the application process and during subsequent determinations of eligibility. Such a study should include a comparison of the cost of obtaining and using such information and the program savings achievable as a result of that use. Security and confidentiality issues should also be addressed.

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## Agency Comments

In commenting on a draft of this report, SSA agreed that the two OCSE databases can be useful tools in reducing SSI overpayments and stated that they intend to begin using them by October 1, 1998. The agency objected, however, to our characterization that it is putting minimal effort into incorporating these databases into the verification process. At the time of our review, SSA was actively developing access to only one of these databases and only doing so to detect the undisclosed earnings of recipients once they are placed on SSI's rolls. Yet, overpayment prevention is equally or more important than overpayment detection because only a small fraction of overpayments that are made are recovered. Field staff could use these databases to prevent overpayments by checking for undisclosed earnings at the time of application. This requires that the agency develop the necessary computer interfaces between SSA field offices and these databases. At the time of our work, the agency had not begun developing these interfaces and did not appear to have any concrete plans to do so.

SSA also agrees with our recommendation to study the feasibility of using information from financial institutions to detect undisclosed financial accounts. The agency plans to undertake such a study and issue its first status report no later than September 1998. SSA's other comments to this report were incorporated where appropriate. The agency's comments are contained in appendix II.

We are sending copies of this report to relevant congressional committees, the Commissioner of Social Security, and other interested parties.

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If you have any questions about this report, please contact me on (202) 512-7215 or Roland Miller III, Assistant Director, on (202) 512-7246. Other major contributors to this report were Nancy Cosentino, Senior Evaluator, and Jill Yost, Evaluator.

Sincerely yours,

A handwritten signature in black ink, reading "Barbara D. Bovbjerg". The signature is fluid and cursive, with the first name "Barbara" being the most prominent part.

Barbara D. Bovbjerg  
Associate Director  
Income Security Issues



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## Abbreviations

|        |                                                                            |
|--------|----------------------------------------------------------------------------|
| ATM    | automated teller machine                                                   |
| DOD    | Department of Defense                                                      |
| DOL    | Department of Labor                                                        |
| IRS    | Internal Revenue Service                                                   |
| OCSE   | Office of Child Support Enforcement                                        |
| OMB    | Office of Management and Budget                                            |
| OPM    | Office of Personnel Management                                             |
| PRWORA | Personal Responsibility and Work Opportunity<br>Reconciliation Act of 1996 |
| SSA    | Social Security Administration                                             |
| SSI    | Supplemental Security Income                                               |
| VA     | Department of Veterans Affairs                                             |



# Scope and Methodology

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Originally, the requester of this work, Congressman E. Clay Shaw, Jr., asked that GAO investigate (1) the type of data that SSA now gets from federal agencies to identify SSI overpayments, (2) whether federal agencies have additional computerized information on the income of SSI clients that SSA is not receiving but would find helpful in reducing overpayments, and (3) whether direct access to the income data maintained by federal agencies is technically and fiscally feasible and would reduce overpayments. The agencies we examined were (1) the IRS, which provides form 1099 information to detect undisclosed financial accounts; (2) the Office of Personnel Management (OPM), which provides information to detect undisclosed federal pensions; (3) the Department of Veterans Affairs (VA), which provides information to detect VA compensation and pensions; and (4) the Department of Defense (DOD), which provides information to detect income from military pensions, military housing, and other incidentals.

The report details what we discovered about the manner in which SSA receives IRS form 1099 data and how obtaining these data electronically from the financial industry could prevent or reduce overpayments caused by undisclosed financial accounts. However, we found that the amounts of SSI overpayments that resulted from earnings and assets that clients receive from OPM, VA, and DOD either were not large enough to warrant a detailed study into how SSA could obtain information from these agencies more quickly or were obtained in such a way as to allow the detection of overpayments within 1 to 2 months after the time they were incurred.

In the course of our work, we also discovered that a new data source that could prevent or reduce overpayments caused by undisclosed earnings would soon be available. Given that the nondisclosure of earnings and financial accounts, unlike federal benefits, are major sources of SSI overpayments, we asked the requester whether he would like to change the objectives of the study. He responded in the affirmative, stating that he would like us to examine (1) the extent to which overpayments occur because SSI applicants and recipients fail to disclose their earnings and financial accounts, (2) whether SSA could obtain more current and comprehensive information than it does now to detect the nondisclosure of earnings, and (3) whether the agency could also obtain more current and comprehensive information on financial accounts.

We interviewed executives from four banks and four financial industry network providers. We also interviewed officials from SSA, OMB, IRS, OCSE, the Federal Reserve, and the Department of the Treasury and obtained

relevant documentation. From these interviews, we ascertained the feasibility of using financial industry data to verify bank account information supplied by SSI clients and how it could be done. We also interviewed government officials to determine to what extent the earnings information from the OCSE databases would be more current and comprehensive than the data presently used by SSA to verify earnings information reported by SSI clients. We examined (1) the comparative value of these new data sources versus the data sources currently used by SSA, (2) how SSA currently verifies client-supplied information on earnings and financial accounts, (3) how the new data sources could be most effectively used for verification purposes, and (4) the issues involved in implementing the use of the new data sources. Finally, we obtained nationwide aggregate data from SSA studies on the amount of overpayments that occurred in fiscal year 1996. We used these data to determine the amount of overpayments attributable to the nondisclosure of earnings and financial accounts.

# Comments From the Social Security Administration



## SOCIAL SECURITY

Office of the Commissioner

February 17, 1998

Ms. Jane L. Ross  
Director, Income Security  
Issues  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Ms. Ross:

Enclosed are two copies of the Social Security Administration's comments on the U.S. General Accounting Office's Draft Report, "Supplemental Security Income: Opportunities Exist for Improving Payment Accuracy" (GAO/HEHS-98-75) dated January 26, 1998.

The Social Security Administration (SSA) is committed to removing the Supplemental Security Income (SSI) program from GAO's list of programs at "high risk." The Agency is developing a comprehensive plan that incorporates a broad spectrum of activities which will respond to GAO's concerns regarding the management of the program. Timely and accurate verification of financial eligibility factors is one of the primary goals SSA expects to achieve as a result of its "high risk" plan. Expansion of data exchange alternatives available to SSA is a critical element for improving financial eligibility verification. SSA appreciates GAO's undertaking this study and we look forward to working with GAO and receiving GAO's ideas for improving management of the SSI program.

Thank you for providing us the opportunity to comment on the draft report. Please let me know if I may be of further assistance.

Sincerely,

Kenneth S. Apfel  
Commissioner  
of Social Security

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001



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**Appendix II**  
**Comments From the Social Security**  
**Administration**

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COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE  
GENERAL ACCOUNTING OFFICE (GAO) DRAFT REPORT, "SUPPLEMENTAL  
SECURITY INCOME: OPPORTUNITIES EXIST FOR IMPROVING PAYMENT  
ACCURACY" (GAO/HEHS-98-75)

Our comments on the recommendations and technical content of the report follow.

GAO Recommendation

Develop computerized interfaces necessary to access the Office of Child Support Enforcement's (OCSE) Directory of Newly Hired Employees and nationwide earnings data bases and use them in accordance with applicable security and privacy laws and regulations to detect undisclosed earnings during initial and subsequent determinations of eligibility for the Supplemental Security Income (SSI) program.

SSA Comment

We agree. Contrary to the language in your report that describes our actions as involving "minimal effort," SSA is aggressively developing computerized interfaces to access OCSE's data bases. However, the fact that the New Hire and Quarterly Wage databases exist as of October 1997 and February 1998, respectively, does not mean that the data are automatically available for use by SSA employees. Analysis, policy, procedure and software development work must be accomplished prior to the use of the data.

Systems development and the necessary Computer Matching and Privacy Protection Act and interagency agreements with the Department of Health and Human Services (DHHS) are scheduled for completion by the end of fiscal year (FY) 1998. We expect to begin using the databases by October 1, 1998.

GAO Recommendation

Study the feasibility of obtaining computerized information from financial institutions to detect financial accounts that SSI clients do not report during the application process and during subsequent determinations of eligibility. Such a study should include a comparison of the cost of obtaining and using such information to the program savings achievable as a result of that use and address security and confidentiality issues.

SSA Comment

We agree and will undertake such a feasibility review as an element within SSA's plan for removing SSI from GAO's list of programs at "high risk." Implementing the recommendations in the report related to obtaining computerized financial data will require several phases. For example, the network to request such

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**Appendix II**  
**Comments From the Social Security**  
**Administration**

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financial information requires banking industry approval, and the physical security of the requests are tied to encryption and other security standards under which SSA operates such a system. Moreover, a variety of privacy and confidentiality issues arise from GAO's proposal and must be addressed in the feasibility review. We will prepare a number of status reports, the first of which is expected to be completed no later than September 1998.

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