United States General Accounting Office

GAO

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

July 2003

SUPPLEMENTAL SECURITY INCOME

SSA Could Enhance Its Ability to Detect Residency Violations

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Highlights

Highlights of GAO-03-724, a report to the Chairman, Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives

July 2003

SUPPLEMENTAL SECURITY INCOME

SSA Could Enhance Its Ability To Detect Residency Violations

Why GAO Did This Study

The Supplemental Security Income (SSI) program paid about $35 billion in benefits to about 6.8 million recipients in 2002. In recent years, the Social Security Administration (SSA) has identified a general increase in the amount of annual overpayments made to (1) individuals who are found to have violated program residency requirements or (2) recipients who leave the United States and live outside the country for more than 30 consecutive days without informing SSA. This problem has caused concern among both program administrators and policy makers. As such, GAO was asked to determine what is known about the extent to which SSI benefits are improperly paid to individuals who are not present in the United States and to identify any weaknesses in SSA's processes and policies that impede the agency's ability to detect and deter residency violations.

What GAO Recommends

GAO is making recommendations to the Commissioner of Social Security that will allow the agency to make optimal use of existing tools and new data sources to better detect potential residency violators. Social Security generally agreed with GAO's recommendations, but identified some challenges to their implementation.

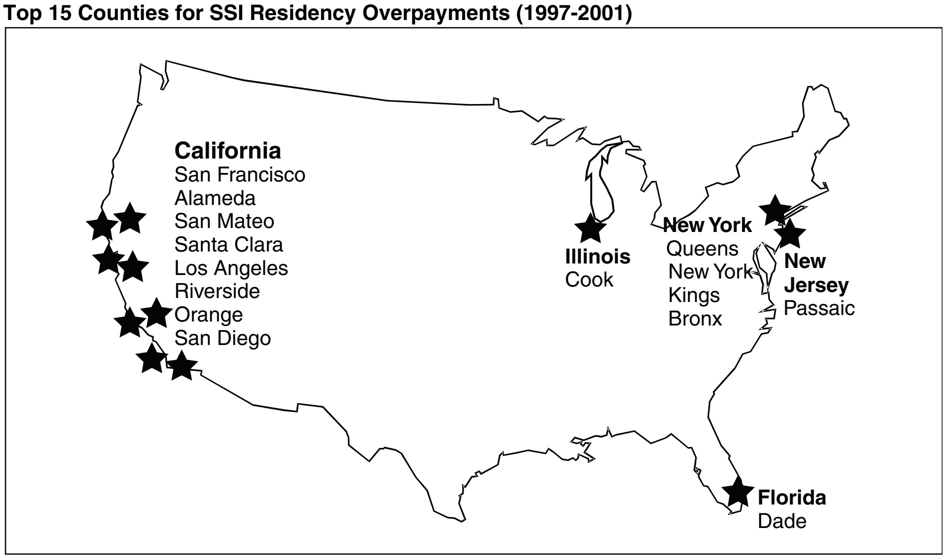
www.gao.gov/cgi-bin/getrpt?GAO-03-724.
To view the full report, including the scope and methodology, click on the link above.
For more information, contact Robert E. Robertson (202) 512-7215 or RobertsonR@gao.gov.

What GAO Found

Overpayments resulting from residency violations totaled about $118 million between 1997 and 2001. However, this figure, which represents only violations detected by SSA, likely understates the true level of the problem. Additionally, the extent of violations appears to vary by geographic region, with overpayments being more prevalent in several large metropolitan areas. GAO found that 54 percent of all overpayments detected by SSA during this period occurred in just 15 counties. In addition, GAO found that recipients born outside the United States accounted for at least 87 percent of all residency overpayments.

SSA's ability to detect and deter residency violations is impeded by three kinds of weaknesses. First, the agency relies heavily on self-reported information from recipients to determine domestic residency, often without independently verifying such information. Second, SSA makes insufficient use of existing tools to detect violations, such as its "risk analysis" system, redeterminations, and home visits. Finally, the agency has not adequately pursued independent sources of information from other federal agencies or private organizations to detect nonresidency of SSI recipients. GAO recognizes that the SSI program is complex to administer, and residency requirements are particularly difficult to enforce because they can necessitate time-consuming, labor-intensive verification checks, such as home visits. However, SSA has not employed a systematic, comprehensive approach to this problem that would allow the agency to use its available systems and procedures more efficiently and reduce the program's exposure to additional violations.

Top 15 Counties for SSI Residency Overpayments (1997-2001)



Source: GAO.

Contents

Abbreviations

ATM	automated teller machines
CMS	Centers for Medicare and Medicaid Services
DHS	Department of Homeland Security
INS	Immigration and Naturalization Service
OIG	Office of Inspector General
SSA	Social Security Administration
SSI	Supplemental Security Income

GAO
Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

July 29, 2003

The Honorable Wally Herger
Chairman, Subcommittee on Human Resources
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

The Supplemental Security Income (SSI) program is the nation's largest cash assistance program for the poor. The program paid about $35 billion in benefits to about 6.8 million aged, blind, and disabled recipients in 2002.[1] Most SSI recipients are also eligible to receive medical benefits under the Medicaid program.[2] Benefit eligibility and payment amounts for the SSI population are determined by complex and often difficult to verify factors such as an individual's living arrangements, including whether an individual resides in the United States. Individual circumstances such as permanent residence may change frequently, requiring staff to regularly reassess recipients' eligibility for benefits. Thus, the SSI program tends to be difficult, time-consuming, and labor-intensive to administer. The program's complexity has also made it susceptible to overpayments.[3] In recent years, the Social Security Administration (SSA) has identified a general increase in the amount of annual overpayments made to (1) individuals who are found to have violated program residency requirements or (2) recipients who leave the United States[4] and live outside the country for more than 30 consecutive days without informing

[1]This figure includes $30 billion in federal funds and $4.7 billion in state funded supplemental funds.

[2]In a 1999 report, we estimated that the combined federal cost for SSI and Medicaid benefits is $122,000 per recipient over the next 10 years. U.S. General Accounting Office, *Supplemental Security Income: Additional Actions Needed to Reduce Program Vulnerability to Fraud and Abuse*, GAO/HEHS-99-151 (Washington, D.C.: Sept. 15, 1999).

[3]In 2001, outstanding SSI debt and newly detected overpayments for the year totaled $4.7 billion.

[4]For SSI eligibility purposes, the United States is defined as one of the 50 states, the District of Columbia, and the Northern Mariana Islands. Residents of Puerto Rico are not eligible for SSI.

SSA. This problem, which we refer to as a “residency violation,” has caused concern among both program administrators and policy makers.[5]

Because of your interest in the SSI program’s potential vulnerability to residency violations, you asked us to (1) determine what is known about the extent to which SSI benefits are improperly paid to individuals who are not present in the United States and (2) identify any weaknesses in SSA’s processes and policies that impede the agency’s ability to detect and deter residency violations. To answer these questions, we reviewed SSI performance data, prior reports by SSA and its Office of Inspector General (OIG), and our prior work on the SSI program. We analyzed SSI payment data over a 5-year period between 1997 and 2001 and examined cases in which SSA identified recipients who were residing outside the country. In addition, we developed and tested a statistical model to help predict whether certain SSI recipients were more likely than others to have residency violations. Finally, we conducted in-depth interviews with more than 150 management and line staff from SSA’s headquarters; its regional offices in Atlanta, Chicago, Dallas, New York, and San Francisco; 17 field offices; as well as officials from other federal agencies, including the former Immigration and Naturalization Service (INS)[6] and the Centers for Medicare and Medicaid Services. During our meetings, we documented management and staff views on how extensive residency violations are in the SSI program; the effectiveness of current procedures and processes for detecting and preventing residency violations; and potential improvements to existing program processes, policies, and systems. We performed our work from September 2002 through May 2003 in accordance with generally accepted government auditing standards.

[5]For purposes of this report, we do not distinguish between two related statutory requirements for SSI eligibility—presence in the United States and United States residence. The presence requirement states that a recipient is not eligible for SSI if the recipient is outside the country for 30 consecutive days or more. However, a recipient may retain eligibility if they are temporarily outside the country for less than 30 consecutive days. The residency requirement states that an individual must establish a dwelling in the United States with the intent to continue to live in the country. The rules for determining whether an individual meets the physical presence requirement are outlined at 20 C.F.R. § 416.215 and § 416.1327. The rules for determining whether an individual meets the residency requirement are outlined at 20 C.F.R. § 416.202(b), § 416.1329, and § 416.1603.

[6]The INS is currently being divided into three separate bureaus within the Department of Homeland Security.

Results in Brief

SSA detected overpayments of $118 million for residency violations between 1997 and 2001, but interviews with OIG and agency officials suggest that the agency detects only a portion of the violations that occur each year, at least in some parts of the country. Prior studies and special projects by SSA and its OIG show that residency violations are a pervasive problem in some field offices. Additionally, the extent of violations appears to vary by geographic region, with overpayments being more prevalent in several large metropolitan areas. In particular, we found that 54 percent of all overpayments detected by SSA during this period occurred in just 15 counties in five states—California, Florida, Illinois, New Jersey, and New York. Finally, we found that recipients born outside the United States accounted for at least 87 percent of all residency overpayments.

Three kinds of weaknesses impede SSA's ability to detect and deter residency violations: The agency (1) relies heavily on self-reported information from recipients to verify domestic residency; (2) makes insufficient use of its existing tools to detect violations; and (3) has not pursued independent sources of information to detect nonresidency of SSI recipients. First, in asking SSI recipients about their current residence, field staff often rely on recipients' own assertions and may accept only minimal documentation from them, such as rent receipts and statements from neighbors or clergy. Recipients who wish to misreport their residency can manipulate such documents. Second, the agency makes limited use of tools at its disposal to detect possible violators. For example, while SSA routinely employs a risk analysis system to identify SSI recipients who are more likely to incur overpayments, it does not use this tool to specifically consider and target potential residency violators. A model we developed and tested to predict residency violations–that includes characteristics such as prior violations, use of post office boxes, and birth outside the United States–suggests that SSA could, in fact, make better use of its risk analysis system to detect and prevent residency violations. Additionally, while we found that home visits are being utilized as part of redetermination reviews in some of the offices we visited and are cost-effective, SSA has not systematically implemented this tool in other offices. Other tools the agency has made only limited use of are monetary penalties and administrative sanctions, such as loss of benefits. Several field staff told us they rarely employ either, because monetary penalties are too small to deter potential violators, and administrative sanctions involve a time-consuming and cumbersome process. Finally, SSA has not adequately pursued the use of independent, third-party data such as recipient bank account information to help detect residency violations. Although SSA is currently working with an independent contractor to obtain access to SSI recipients' financial data, the agency plans to use the information only to verify their financial resources. It does not plan to use the information to detect those who may be living and making financial transactions outside the United States for extended periods of time.

Detecting residency violations in a cost-effective manner presents particularly difficult challenges. However, we believe that there are a number of opportunities that SSA can take advantage of, and accordingly, we are recommending that the Commissioner of Social Security direct the agency to make optimal use of existing tools while exploring new data sources to better detect potential residency violators.

Social Security generally agreed with our recommendations, but also identified some challenges to their implementation.

Background

SSI provides financial assistance to people who are age 65 or older, blind or disabled, and who have limited income and resources. The program provides individuals with monthly cash payments to meet basic needs for food, clothing, and shelter. In 2002, about 6.8 million recipients were paid about $35 billion in SSI benefits.

Individuals may apply for SSI benefits at any of about 1,300 SSA field offices. During the initial interview, SSA staff solicit information on applicants' financial situation and the disability being claimed. Applicants are required to report any information that may affect their eligibility for benefits, such as income, resources, and their living arrangements (including current residence). Similarly, once individuals receive SSI benefits, they are required to report changes in their address or residence to SSA in a timely manner. The Social Security Act (Section 1614 (a)(1)(B)(i)) requires that an individual be a resident of the United States to be eligible for SSI payments. SSA guidelines define a resident of the United States as a person who has established a dwelling in the United States with the intent to live in the country. Section 1611(f) of the act also stipulates that no individual is eligible for SSI payments for any month during all of which the individual is outside the United States. Further, an individual who is outside the United States for 30 consecutive days cannot be eligible for SSI benefits until he or she has been back in the United States for 30 days. Recipients who fail to establish residency in accordance with SSI program guidelines, or do not report absences of 30 consecutive days or more, may be subject to overpayments, monetary penalties, and administrative sanctions such as suspension of benefits. Similarly, SSI recipients who become ineligible for SSI benefits because they violate SSI residency guidelines may also be ineligible to receive Medicaid benefits.

To a significant extent, SSA depends on program applicants and current recipients to accurately report important eligibility information. To verify this information, SSA may use computer matches to compare SSI records against recipient information in records of third parties such as other federal agencies. SSA also periodically conducts "redetermination" reviews to verify important eligibility factors such as income and resources to determine whether recipients remain eligible for benefits after the initial assessment. Recipients are reviewed at least every 6 years, but reviews may be conducted more frequently if SSA determines that changes in eligibility are likely. To determine which recipients should receive more frequent reviews, SSA uses a risk analysis system[7] to identify recipients who may be more likely to incur overpayments. Those identified as "high-risk" generally have a redetermination conducted at least annually by SSA field office staff who contact the recipient in person or by phone, while lesser-risk redetermination reviews (such as those designated "low-risk") may only be conducted once every several years by mail. In addition, SSA uses "limited issue" redetermination reviews to review a specific factor that may affect a recipient's eligibility, such as income or current residence. These reviews tend to be less time-consuming and labor intensive for field staff to perform than "full" redetermination reviews, which often require an examination of numerous eligibility factors.

In recent years, detected overpayments from residency violations increased from about $13.7 million in 1995 to about $22 million in 2001, reaching a high of almost $27 million in calendar year 2000.[8] In addition, the number of individuals SSA detected receiving SSI benefits while outside the United States increased from about 44,000 recipients in 1997 to almost 49,000 recipients in 2001.

[7]We use the term "risk analysis system" to describe SSA's statistical redetermination profiling system used to identify SSI recipients who are more likely to incur overpayments.

[8]SSA reported about $13.7 and $15.5 million in residency overpayments for 1995 and 1996, respectively. However, the 1995 and 1996 total dollars of residency overpayments were reported on a fiscal year basis. SSA reported overpayment data for 1997 to 2001 on a calendar year basis for our report. While a direct comparison cannot be made because of differences in reporting periods, the data show that residency overpayments have been increasing over time.

SSA Detected Overpayments of $118 Million for Residency Violations over 5 Years, but More May Go Undetected

SSA detected overpayments of $118 million for residency violations between 1997 and 2001, but interviews with OIG and SSA officials suggest that the agency detects only a portion of the violations that occur each year, at least in some parts of the country. Special initiatives of limited duration conducted by SSA and its OIG have uncovered additional residency overpayments. According to our own analysis of SSA's data, residency overpayments appear to vary by geographic region, with the majority of overpayments having been detected in several large metropolitan areas. Finally, we determined that most of the overpayments detected during this period were attributable to recipients who were born outside the United States.

Residency Violations May Be More Prevalent than SSA Currently Detects

SSA detected an average of about 46,000 recipient residency violations annually between 1997 and 2001, resulting in $118 million in overpayments. While SSA's data show that less than 1 percent of all SSI recipients violate residency requirements annually, SSA field staff and OIG officials suggest that the problem may be more prevalent. For example, staff and managers from field offices in several SSA regions estimated that over 40 percent of all recipients are in violation of residency requirements at some point. A small number of staff told us that as much as 90 percent of recipients served by their office may be involved in such violations. Other staff said that while the problem is more pervasive than SSA currently detects, it is difficult to estimate the true extent of the problem because the agency relies heavily on recipients to self-report absences from the country. In addition, a number of OIG officials we spoke with told us that residency violations are significantly higher than SSA currently detects; one official familiar with this problem estimated that as much as 70 percent of SSI recipients in some areas close to the southern border of the United States improperly receive benefits outside the country.

Over the past few years, SSA and its OIG have initiated a number of projects that uncovered additional residency violations and overpayments. Although there is no empirical data to determine the true level of residency violations nationwide, these studies have estimated that residency violations in certain regions of the country may represent as much as 26 percent of SSI cases in those areas. These initiatives, which were limited in duration and were performed within specific geographic areas, include the following:

- A 1997 SSA and OIG joint study of SSI residency used home visits in southern California to identify potential residency violations. The study concluded that about 25 percent of SSI recipients in 1 field office were living outside of the country. The study also determined that 47 percent of

SSI recipients from this field office could not be located at their reported residence, an indication that they may be violating residency requirements.

- A 1998 OIG eligibility study in El Paso, Texas, found that about 26 percent of recipients investigated were violating residency requirements. This project identified a total of about $3 million in residency overpayments.

- In 1998 and 1999, joint SSA/OIG studies examined 32,641 recipients in New York and California who had not used their Medicaid benefits for at least 1 year.[9] Using redetermination reviews, these studies found that 1,281 recipients (about 4 percent) were living outside the United States.[10]

- A 2002 SSA residency verification project in 5 South Florida field offices used a targeted sample of 750 noncitizen recipients that uncovered a total of over $107,000 in additional residency overpayments. Staff performed special redetermination reviews in which recipients were required to produce a valid passport as proof of continuing residency in the United States and found 46 recipients (6 percent) violating residency requirements.

- A 2002 OIG address verification project in New York uncovered 205 recipients violating SSI residency requirements resulting in a total of about $262,000 in overpayments. These recipients were found to be receiving both SSI and Title II Social Security benefits at addresses in two different countries. The study also found that SSA's automated controls and special projects did not identify SSI recipients who had their benefits direct deposited into banks in Puerto Rico or the U.S. Virgin Islands.

While the results of these projects suggest that the problem is more pervasive than the 1 percent of recipients that SSA's data show, SSA has not systematically implemented similar projects in other areas that might benefit from these efforts.

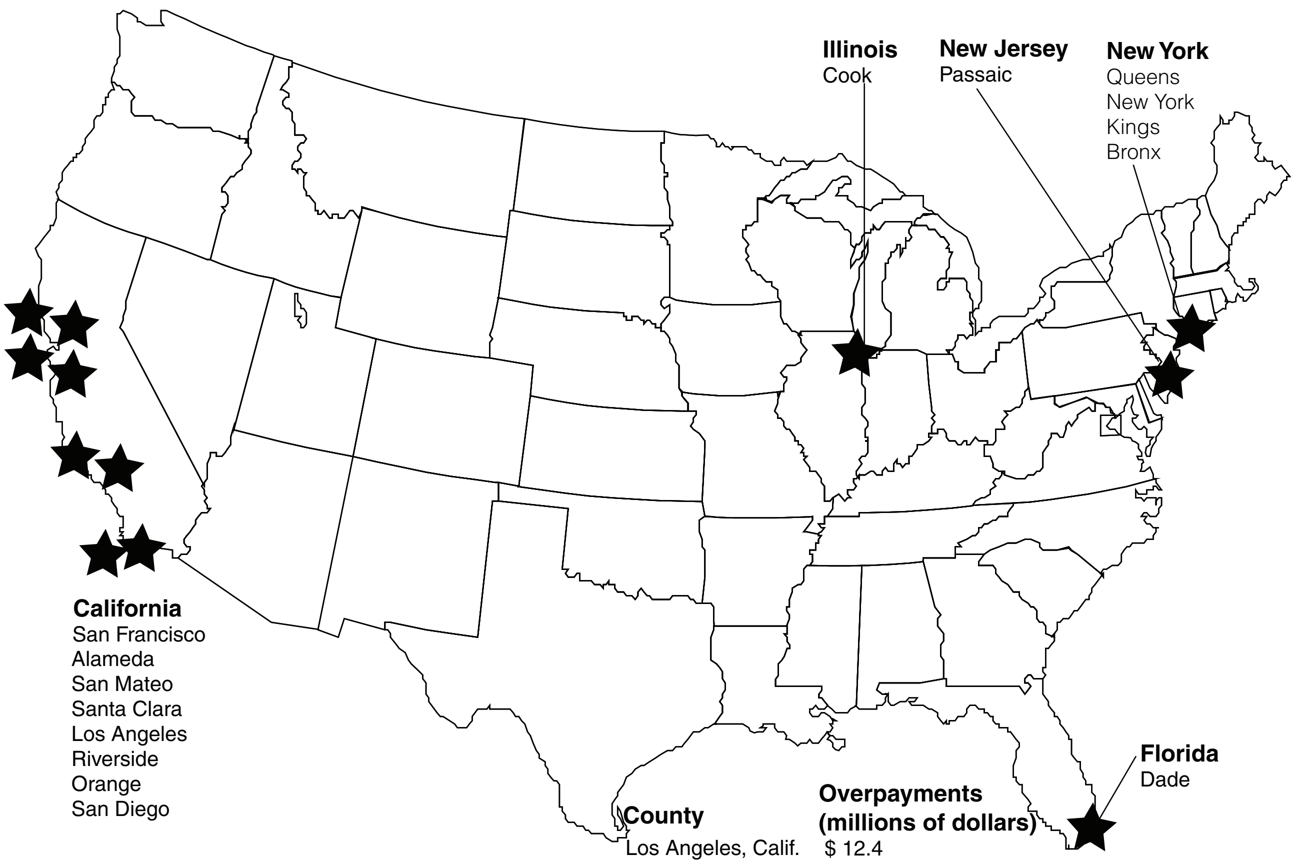
[9]The rationale for targeting these cases was that financially needy individuals who were aged or disabled are likely to use Medicaid services on a regular basis. Thus, SSI recipients who have not used Medicaid for long periods of time may have left the United States or died.

[10]These studies considered the effect of only one potential indicator on residency violations—Medicaid nonutilization.

Many Violations Are Geographically Concentrated

Our analysis of SSA's data also shows that overpayments due to residency violations are more prevalent in a number of large metropolitan areas. For example, overpayments from violations detected in Los Angeles County, California, represented 10.5 percent of the nation's SSI residency overpayments between 1997 and 2001. Overall, our analysis indicates that just 15 counties in five states—California, Florida, Illinois, New Jersey, and New York—accounted for 54 percent of all residency overpayments detected by SSA during this period. (See fig. 1.) In addition to Los Angeles County, other counties with a significant percentage of SSI residency overpayments include Queens County, New York (5.2 percent); New York County, New York (5.0 percent); Kings County, New York (4.8 percent); San Diego County, California (4.1 percent); and Bronx County, New York (3.5 percent). Moreover, of approximately 3,000 counties in the United States, 50 accounted for 77 percent of all residency overpayments detected by SSA during this time.

Figure 1: Top 15 Counties for SSI Residency Overpayments, 1997-2001



County	Overpayments (millions of dollars)
Los Angeles, Calif.	$ 12.4
Queens, N.Y.	$ 6.2
New York, N.Y.	$ 5.9
Kings, N.Y.	$ 5.7
San Diego, Calif.	$ 4.9
Bronx, N.Y.	$ 4.2
Orange, Calif.	$ 3.9
Santa Clara, Calif.	$ 3.9
Dade, Fla.	$ 3.3
Cook, Ill.	$ 2.9
San Francisco, Calif.	$ 2.7
Alameda, Calif.	$ 2.5
Passaic, N.J.	$ 2.2
San Mateo, Calif.	$ 1.6
Riverside, Calif.	$ 1.5

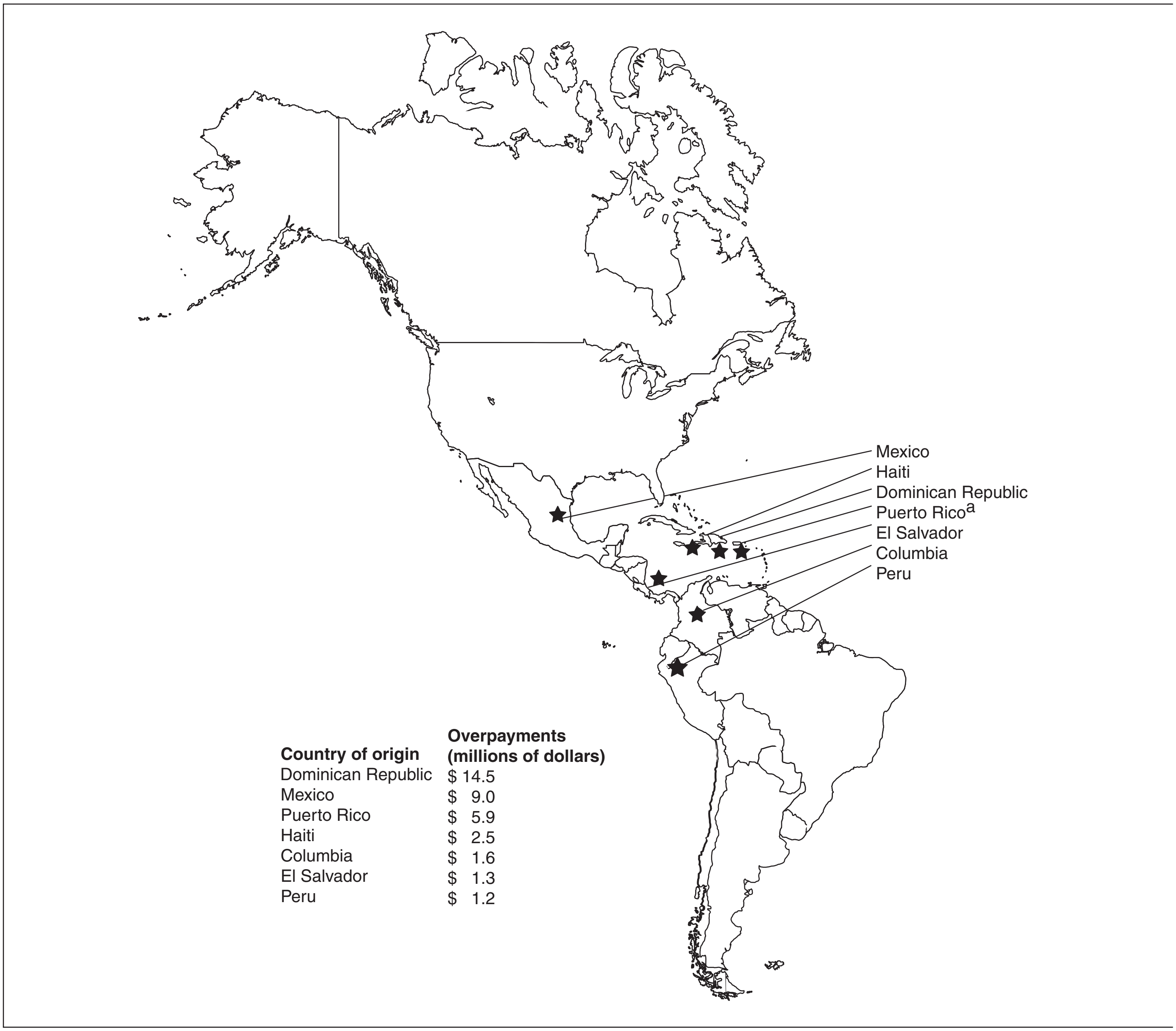
Source: GAO.

Most Overpayments Were Made to Recipients Born outside the United States

SSA's data also show that individuals born outside the United States accounted for at least 87 percent of all SSI residency overpayments between 1997 and 2001.[11] Residency overpayments were most common among recipients who were born in Latin America, the Caribbean, and South/Southeast Asia, but included other areas as well, such as the Middle East. (See fig. 2.) Recipients from the Philippines accounted for the greatest amount of residency violations or $24 million of all SSI residency overpayments during this period. SSA data also show that recipients from just 14 countries and one United States territory accounted for about 73 percent of all residency overpayments during this period. In addition to the Philippines (20.2 percent), these include the Dominican Republic (12.3 percent), Mexico (7.6 percent), Puerto Rico (7.5 percent), India (7.1 percent), and Iran (3.4 percent). Moreover, a prior study by SSA's OIG found that SSI residency violations are more prevalent among recipients born outside the United States than for native-born citizens. Specifically, the OIG found that more than 20 percent of the recipients born outside the United States had periods of ineligibility because of absences from the United States, compared with 0.2 percent for native-born recipients.

[11]The percentage of total residency overpayments attributed to recipients born outside of the United States may be higher than 87 percent because SSA could not identify a specific country of birth for recipients that represent about $10 million in SSI overpayments.

Figure 2: Top 15 Countries of Origin for SSI Residency Overpayments, 1997-2001



Source: GAO.

[a]Puerto Rico is a United States territory.

Country of origin	Overpayments (millions of dollars)
Philippines	$ 24.0
India	$ 8.4
Iran	$ 4.1
Vietnam	$ 3.5
China	$ 3.4
Korea	$ 2.0
Pakistan	$ 1.3
Taiwan	$ 1.3

Reliance on Self-Reported Information and Other Vulnerabilities Impede SSA's Ability to Detect and Deter Violations

SSA's ability to detect and deter residency violations is impeded by three kinds of weaknesses: dependence on self-reported information by clients, insufficient use of existing compliance tools, and a failure to pursue independent data sources for its verifications. First, the agency relies heavily on self-reported information from recipients to determine domestic residency, often without independently verifying such information. Second, to detect and deter residency violations, SSA makes insufficient use of its existing tools for program integrity, such as its risk analysis system to screen for high-risk cases. To test the feasibility of using the agency's system to screen for residency violations, we developed and tested, with some success, a statistical model of factors that may be associated with such violations. SSA has also not made optimal use of redetermination reviews, home visits, monetary penalties, and administrative sanctions. Finally, the agency has not employed the use of independent data sources from other federal agencies or private organizations to detect nonresidency of SSI recipients.

SSA Relies Heavily on Self-Reported Information That Can Be Manipulated

SSA relies heavily on self-reported information, such as documents and statements from recipients to establish proof of U.S. residency. According to SSA and OIG officials, however, this practice increases the SSI program's vulnerability to residency fraud and abuse. Our prior work has shown that about 77 percent[12] of all payment errors in the SSI program were attributable to recipients who do not comply with reporting requirements.[13] In our current review, about half of SSA field staff we interviewed reported that they rely on recipients to self-report important information with respect to travel outside the United States. SSI program guidelines generally direct SSA staff to accept recipients' assertions concerning residency unless they have reason to question the accuracy of their statements. SSA staff also have discretion with respect to the types of documents they can accept to confirm that a recipient resides at a given address. For example, program guidelines direct field staff to obtain a combination of two or more documents as proof of initial residency. Acceptable documentation includes such things as rent receipts, utility bills, driver licenses, pay stubs, or mail addressed to the recipient. If SSA field staff have reason to believe that a recipient has been outside the

[12] This figure represents data from fiscal years 1991 through 1995.

[13] U.S. General Accounting Office, *Supplemental Security Income: Action Needed on Long-Standing Problems Affecting Program Integrity*, GAO/HEHS-98-158 (Washington, D.C.: Sept. 14, 1998).

country for more than 30 days, or information in SSA records conflicts with recipients' statements, they may request additional documentation such as an airline ticket, passport (or similar evidence that establishes date of entry into the United States), or a signed statement from one or more U.S. residents, such as neighbors, clergy, or others who may have knowledge of the individual's whereabouts. In general, program guidelines do not require field staff to perform any additional verification steps to establish recipients' residency during initial or post-entitlement eligibility reviews.[14]

We were also told that some of the documents accepted by SSA as proof of residence are subject to manipulation or forgery. For example, staff in 1 field office noted that documents such as rent receipts can be purchased from a local drugstore and easily forged. Other field staff said that statements from neighbors could be falsified or manipulated to support assertions that an individual has not traveled outside the country. Field staff also reported that recipients may use multiple passports in order to conceal extended stays outside the country. For example, staff in two SSA regions we visited said that SSI recipients sometimes use a foreign passport to exit and reenter the country while maintaining a separate, "clean" U.S. passport for evidence of continuing residency. One field office staff reported that some recipients have even paid foreign customs officials not to stamp their passport to conceal evidence that they were outside the country.

Given the agency's heavy reliance on self-reported information, we found that SSA field staff often relied on their personal experience, judgment, and ad hoc interviewing procedures to detect potential residency violations. In particular, SSA field staff look for inconsistencies in recipient's statements or their inability to answer simple questions about where they live. For example, recipients may be asked about the names of people living in their household, or basic facts about their neighborhood such as the location of a well-known landmark. Field staff may also ask whether a recipient owns property outside the United States. Questionable

[14]SSI program guidance allows field staff to use home visits in selected circumstances, such as in response to a report from a third party that a recipient is outside the United States. In addition, home visits may be employed if a recipient fails to provide information requested by SSA staff, or if a recipient does not respond to letters and/or telephone calls from staff asking them to appear at the local office. However, program guidelines give field office managers discretion in determining when to use home visits and allow them to take into consideration factors such as the safety of staff who perform such visits.

or inconsistent answers to such questions may result in requests to provide additional documentation. However, the ability of staff to effectively identify violators often depends on the experience and persistence of individual staff. This is particularly true in the case of recipients who are "coached" by advocacy groups or others to provide false information to SSA in order to obtain or retain SSI benefits. For example, one official told us that they recently identified an SSI applicant who apparently was coached to provide false information to SSA regarding her residence in the United States. Upon further questioning, the recipient admitted that she was not residing continuously in the United States and had misreported her residency to SSA in order to obtain SSI benefits. In addition, field staff who were familiar with this problem told us that they sometimes look for suspicious documents that recipients may reveal during the course of an office visit, such as a foreign driver license or foreign voter registration card. One manager in a field office close to the Mexican border also noted that some field staff check address listings in Mexican telephone books or check the parking lot for cars with foreign license plates.

Our review also found that the procedures for documenting recipients' residency vary widely among the offices we visited. In particular, the number and types of evidentiary documents requested by staff differed across the field offices we visited. While staff in several offices reported that they often request only the most basic documentation required by SSI program guidelines, staff in other offices told us that they routinely ask for additional documentation for recipients. For example, some field staff we interviewed noted that they ask recipients to provide a second passport or other documents (such as travel documents from foreign consular offices) to determine whether the individual has been outside the country for more than 30 days. While these steps are not required by SSI program guidelines, some field staff reported that they have been effective in identifying potential violators and deterring future violations. SSA staff reported a number of reasons for different documentation requirements such as variance in individual office policies, personal preferences based on experience, time pressures to complete cases, and the inability to effectively verify supplied documentation.

SSA Does Not Fully Exploit Its Tools for Detecting Program Violations

SSA has not made optimal use of several tools that could be used to detect residency violations. These include its "risk analysis system" for screening cases more likely to result in overpayments, its "redetermination reviews" of recipients' eligibility, and home visits to verify recipients' whereabouts. Given its current focus on other types of program violations such as excess income or resources, some staff told us that SSA's risk analysis system is not entirely effective at identifying residency violators. SSA has used statistical risk analysis techniques for many years in the SSI program to identify recipients who are more likely to be overpaid. Since SSA lacks adequate staff resources to conduct an annual redetermination for every recipient, it routinely screens for and targets those participants who are most likely to have a change in their eligibility status or benefit amount.[15] Despite the proven effectiveness of its risk analysis system to help the agency detect cases with highest potential for overpayments, SSA has not used this tool to specifically identify residency violations. In fact, a number of field staff told us that, in their experience, residency violations frequently occur among SSI recipients who are designated as medium or low risk for payment errors by SSA's system. The agency may not discover these violations for several years (if at all) unless it detects a change in a recipient's circumstances that causes the individual to be designated as high risk.

To determine whether it is possible for SSA to target potential residency violators more effectively using its existing systems, we developed and tested a statistical model of factors possibly associated with residency violations.[16] Based on our field work and prior SSA and OIG studies, we selected the following factors for testing: recipients born outside the United States, prior residency violations, payments made to post office boxes, direct deposit payments, and lack of response to agency inquiries or recipients with unknown whereabouts.[17] Using this model as a screen, we identified all recipients who were currently in violation of residency

[15]SSA's risk analysis system incorporates about 48 different characteristics—or variables—to help the agency determine which recipients will be selected for annual redetermination reviews. Recipients identified as being at higher risk for overpayments are designated as high error profile cases and may be subject to more frequent reviews that entail personal contact with SSA field office staff. Those recipients identified as being less likely to incur an overpayment are designated as medium or low error profile and may only receive a redetermination conducted by mail rather than in person. Some low error profile cases are only examined once every 6 years.

[16]The variables used in our model are not an exhaustive list of potential variables that SSA could use in its risk analysis system. They represent just a few of the characteristics that were frequently cited by prior reviews as well as SSA and OIG staff as potentially good predictors of residency violations.

[17]Another variable frequently cited as a potential indicator of residency violations—Medicaid nonutilization—was not included in our model because SSA does not currently have automated data on Medicaid nonusage by SSI recipients. However, SSA is negotiating access to such data with the Centers for Medicare and Medicaid Services.

requirements as of April 2003.[18] We found that recipients born outside the United States—noncitizens as well as naturalized citizens—were more than 40 times as likely to be violating residency requirements than were native-born recipients. Similarly, recipients with prior residency violations were about 10 times as likely to be current violators compared with recipients who have no prior violations. We also found that recipients who used post office boxes were somewhat more likely to be receiving benefits outside the country than those without post office boxes. Some of the other factors we considered, however, such as recipients who use direct deposit, and lack of response of agency inquiries, were less likely to be residency violators. Given the potential usefulness of this limited modeling demonstration, it may be possible for SSA to expand and refine its risk analysis system to better target potential violators.

Beyond the targeting problems we identified with SSA's risk analysis system, we found that the agency was not using redeterminations as efficiently as it could despite the fact that SSA's data and our prior reviews have documented their effectiveness for verifying recipients' eligibility.[19] In particular, home visits are not used frequently enough during redetermination reviews according to staff in a number of offices we visited. Although a number of field staff who use home visits reported that it is a highly effective tool for verifying recipients' residency, SSA and OIG officials told us that this technique is not currently employed in some offices that could benefit from the practice. For example, while a number of field offices in two SSA regions we visited routinely use home visits, other offices in the same geographic area rarely use this tool. SSA officials and field office staff told us that a number of factors account for the variation in how frequently this technique is used. These include a lack of adequate staff resources in some offices, differences in the priorities of field office managers, and differences in how individual staff view the seriousness of the residency problem.

[18] SSI recipients with residency violations were compared against recipients with no violations.

[19] SSA data show that, in 1998, refining the case selection methodology increased estimated overpayment benefits—amounts detected and future amounts prevented—by $99 million over the prior year. SSA officials have estimated that conducting substantially more redetermination reviews would yield hundreds of millions of dollars in additional overpayment benefits annually. U.S. General Accounting Office, *Supplemental Security Income: Progress Made in Detecting and Recovering Overpayments, but Management Attention Should Continue*, GAO-02-849 (Washington, D.C.: Sept. 6, 2002).

Those field offices that do carry out home visits as part of their redetermination procedures have found them effective. About half of the field offices we visited (9 of 17) routinely employ home visits at least some of the time to verify whether recipients actually live at the address they report to SSA. For example, SSA's regional office in Dallas, Texas, currently contracts with a private investigation firm to conduct residency home visits. Using these investigators, field offices within the region performed 4,200 home visits that uncovered at least $2.1 million in additional overpayments between October 1997 and January 2003. According to SSA data, this project achieved a benefit-to-cost ratio of almost 8 to 1. Similarly, the California Department of Health Services has worked cooperatively with SSA field offices in the San Diego area by conducting residency home visits. Because Medicaid eligibility is often directly tied to SSI eligibility, identifying residency violations may save funds from both programs. Between October 2000 and September 2002, state Medicaid investigators identified about 1,600 SSI recipients with residency violations. SSI staff in participating offices refer recipients suspected of violating residency guidelines to the Medicaid investigators, who subsequently perform unannounced home visits to establish the recipient's residency. Both SSA and state officials we interviewed told us that this project has been effective at identifying residency violations that might not have been detected by the agency using standard verification procedures. For example, in April of 2002, state investigators discovered an SSI recipient who was using a residence in southern California as a mailing address. The investigators determined that this recipient had been residing in Tijuana, Mexico, for at least 8 years. Similarly, in June 2002, state investigators found an SSI recipient using a post office box in southern California as a mailing address. Upon further examination, the investigators determined that the recipient had been living in San Felipe, Mexico, since 1982. In addition, in July 2002, state investigators identified two SSI recipients who improperly received SSI benefits while residing in Tijuana, Mexico, between August 1999 and April 2002. SSA estimates that these recipients were overpaid more than $40,000 during this time. Finally, because the state provides this service to SSA free of charge, it is highly cost-effective.

In terms of deterring future violations, we found that monetary penalties and administrative sanctions are rarely, if ever, used in the offices we visited.[20] For example, about 72 percent of the field staff we interviewed

[20] Prior GAO reports indicate that monetary penalties and administrative sanctions may be underutilized in the SSI program. GAO-02-849.

said that penalties or sanctions are not used in their offices, or are only used occasionally. National data on SSA's use of monetary penalties and administrative sanctions also suggest that these tools are not routinely utilized for recipients who fail to report important information that can affect their eligibility, including absences from the country. For example, in a recent report, we estimated that at most about 3,500 recipients were penalized for reporting failures in fiscal year 2001.[21] Under the law, SSA may impose monetary penalties on recipients who do not file timely reports about factors or events that can affect their benefits. A penalty causes a reduction in 1 month's benefits. Penalty amounts are $25 for a first occurrence, $50 for a second occurrence, and $100 for the third and subsequent occurrences. The penalties are meant to encourage recipients to file accurate and timely information so SSA can adjust its records to correctly pay benefits. However, a large number of staff we interviewed noted that monetary penalties are too low to be an effective deterrent against future residency violations. In addition, the Foster Care Independence Act of 1999 (Pub. L. No. 106-169) gave SSA authority to impose administrative sanctions on persons who misrepresent material facts that they know, or should have known, were false or misleading. In these circumstances, SSA may suspend benefits for 6 months for the initial violation, 12 months for the second violation, and 24 months for subsequent violations. Despite having this authority, we found that administrative sanctions such as benefit suspension are rarely if ever used by field staff for residency violators. Consistent with the results of our field work, a prior review shows that administrative sanctions were only imposed in 21 cases nationwide as of January 2002.[22] A substantial number of staff told us that they rarely use this tool because the process for imposing administrative sanctions is often time-consuming and cumbersome. In addition, some staff reported that SSA management does not encourage the use of penalties or sanctions to deter residency violations. In response to recommendations we made in a recent report, SSA is currently evaluating its policies for imposing monetary penalties and administrative sanctions.[23]

[21]See GAO-02-849.

[22]Ibid.

[23]Ibid.

SSA Has Not Actively Pursued Third-Party Data Sources to Detect Potential Violators

While SSA uses third-party information to verify certain aspects of recipients' eligibility such as income, we found that the agency lacks adequate outside data sources to detect potential residency violations.[24] SSA is planning to conduct periodic computer matches with immigration databases to identify noncitizen SSI recipients who voluntarily report their planned absences from the country[25] or are deported from the United States. The agency currently receives periodic paper reports from immigration officials on noncitizens who have current and planned absences from the United States and sends them to the appropriate SSA field offices for follow up. However, these procedures are only effective for recipients who voluntarily report their absence to immigration officials. Thus, SSA will remain limited in its ability to independently verify the residency of SSI recipients who deliberately seek to conceal extended periods outside the country. Over half of the SSA managers and field staff we interviewed told us that access to automated immigration data would help them to more accurately verify recipients' residency.

Despite this limitation, SSA has not adequately explored the potential for obtaining access to emerging data sources such as an entry-exit system being developed by the Department of Justice and the Department of Homeland Security (DHS).[26] This system is being implemented as a mechanism to monitor all major ports of entry/exit in the United States, including land crossings, seaports, and airports. Once operational, this system will allow authorized federal agencies to collect, maintain, and share information on selected individuals who enter and exit the United States to ensure border security, among other purposes. Our work suggests that this system may also provide information that could help SSA determine when noncitizen SSI recipients exit the country for extended periods of time. We acknowledge that such databases could have limitations that affect their accuracy and completeness—especially given

[24]For example, SSA routinely uses information from the Department of Health and Human Service's National Directory of New Hires to verify SSI recipients' income.

[25]SSA expects to save approximately $28 million annually by implementing these matches and suspending benefits for recipients who are identified.

[26]A new system called the United States Visitor and Immigrant Status Indication Technology system is currently being developed by DHS and will incorporate existing entry-exit databases.

problems that our prior work has identified with some immigration data.[27] Thus, SSA would likely have to determine the reliability and cost-effectiveness of accessing such data before negotiating data sharing agreements and using the information for detecting potential residency violations.

SSA has also not fully utilized its authority to obtain independent data from other sources, such as financial institutions, as a tool for detecting potential residency violations. The Foster Care Independence Act of 1999 granted SSA new authority to verify recipients' financial accounts. To implement this authority, SSA issued proposed regulations on its new processes for accessing financial data in May 2002.[28] These regulations, which were still in draft at the time of our report, may permit SSA to obtain a variety of financial records from banks, credit card companies, and other financial institutions, including those operating branches and automated teller machines (ATM) outside the United States. However, according to SSA officials, the agency only intends to use this information to verify recipients' bank account balances as a way of verifying their financial resources. SSA does not currently plan to use financial institution data more broadly to detect potential residency violations.

Given the relatively narrow scope of SSA's proposed use of financial data, the agency may be unnecessarily limiting its ability to detect residency violations. In particular, SSA may be missing potentially helpful sources of information such as data on recipients who conduct banking transactions outside the United States using ATMs. As noted previously, a large proportion of the residency overpayments SSA detected between 1997 and 2001 were tied to recipients who originated in various countries in Latin America and South/Southeast Asia. However, SSA currently has no way to identify recipients who withdraw SSI benefits from ATMs outside the United States. Information we obtained from a national financial data vendor indicates that it is now possible for authorized users to obtain detailed information on individuals' financial transactions from a large number of national and international institutions. Such data sources

[27]U.S. General Accounting Office, *Illegal Immigration: INS Overstay Estimation Methods Need Improvement*, GAO/PEMD-95-20 (Washington, D.C.: Sept. 26, 1995) and *Immigration Statistics: Information Gaps, Quality Issues Limit Utility of Federal Data to Policymakers*, GAO/GGD-98-164 (Washington, D.C.: July 31, 1998).

[28]See Access to Information Held by Financial Institutions, 67 *Fed. Reg.* 22021 (to be codified at 20 C.F.R. pt. 416) (proposed May 2, 2002).

include basic information such as bank account balances from banks in the United States, as well as more sophisticated information such as ATM activity that is transmitted on the international telecommunications networks. Our review suggests that such data could provide SSA with a potentially powerful tool to identify residency violations. For example, SSA may be able to obtain data for recipients whose SSI benefits are direct deposited into a U.S. bank and then withdrawn from ATMs outside the country for extended periods of time. However, SSA does not currently plan to obtain access to direct deposit data from financial institutions or ATM networks that operate in other countries.

Conclusions

SSA has made progress in addressing residency violations in recent years, especially through the special initiatives it has undertaken. However, many of these initiatives have been short-lived and limited to a small number of field offices. Thus, the agency's approach to this problem has been generally ad hoc and restricted in scope. As a result, our review suggests that SSA identifies only a portion of the violations and resulting overpayments that occur each year. We recognize that the SSI program is complex to administer and residency requirements are particularly difficult to enforce because they can necessitate time-consuming, labor-intensive verification checks, such as home visits. However, SSA has not employed a systematic, comprehensive approach to this problem that would allow the agency to use its available systems and procedures more efficiently and reduce the program's exposure to additional violations. In particular, SSA has not reengineered its current systems and processes to make better use of limited budgetary and staff resources. For example, our review shows that minor modifications of its risk analysis system could help the agency identify recipients who are most likely to violate residency requirements. Without such modifications, however, it will be difficult for the agency to effectively target its redetermination reviews and incorporate home visits in a cost-effective manner.

Additionally, SSA has not made sufficient use of independent, third-party data sources to help verify recipients' residency despite having successfully used such tools to verify other aspects of recipient eligibility, such as their income and other financial resources. SSA could improve SSI program integrity and reduce residency overpayments by exploring more creative use of technology, including the use of financial institution data to detect recipients who use ATMs for bank transactions outside the United States for extended periods of time. The agency may also benefit from pursuing other emerging data sources such as entry/exit systems being developed by the Departments of Justice and Homeland Security, although prior problems we have identified with immigration data may require SSA to determine the reliability of such databases.

Ultimately, failure to implement a more strategic approach to this problem and to reengineer its existing processes may compromise the agency's ability to use its limited resources in the most cost-effective manner. Moreover, failure to make optimal use of existing tools and access emerging data sources could leave SSI and other programs, such as Medicaid, vulnerable to continuing residency violations and additional overpayments.

Recommendations

In order to further strengthen and increase SSA's ability to detect SSI residency violations and reduce resulting overpayments due to recipient absences from the United States, we recommend that the Commissioner of Social Security take the following actions:

- Consider reengineering the agency's risk analysis system to more specifically target potential residency violators. The list of potentially high-risk characteristics we have developed and tested could provide a starting point for such refinements. To accomplish this, SSA may wish to test the idea on a one-time basis using methods the agency deems appropriate to assess its effectiveness.

- Consider expanding the use of unannounced home visits in some areas as a way of verifying the residency of recipients whom the agency identifies as potentially being at high risk for violations. To ensure that only cases with a high potential for success are selected, any potential profile of high-risk recipients that SSA develops could be a primary source of referrals. To maximize limited staff resources, SSA should apply a strategic approach to this problem, recognizing that violations are not equally prevalent in all areas of the country.

- Study the feasibility of expanding the type of information SSA obtains from financial institutions as authorized by The Foster Care Independence Act of 1999 (Pub. L. No. 106-169). Additional information to help identify violators could include bank and ATM withdrawal records to help identify SSI recipients who may be accessing their SSI benefits outside the United States for extended periods of time.

- Investigate the potential for obtaining access to emerging third-party data sources such as entry/exit databases being developed by DHS to help field staff more accurately verify whether SSI recipients are violating program regulations.

Agency Comments and Our Evaluation

We provided a draft of this report to SSA and DHS for review and comment.[29] SSA generally agreed with our recommendations, but noted some challenges to their implementation.

While agreeing with each of our recommendations, SSA supplied additional information concerning its ability to implement these recommendations. With regard to our first recommendation to reengineer its risk analysis system to more specifically target potential residency violators, SSA agreed with the intent of the recommendation but expressed concern that including individuals born outside the United States as one risk factor could be considered discriminatory. As noted in our report, we suggest that this factor could be included as one of several different factors that the agency could use to refine its risk analysis system. We believe that such an approach could be implemented in a non-discriminatory manner and would help SSA use its limited resources more efficiently. Moreover, as discussed in the report, our analysis suggests that this factor is a potentially powerful indicator of possible residency violations.

With regard to our second recommendation to expand the use of unannounced home visits, SSA agreed that home visits are a useful tool for verifying SSI recipients' residency, but noted that costs and employee safety must be considered. We agree that these are important issues that SSA must consider as it studies how home visits can be used most effectively. Further, as we discuss in the report, some states have successfully used state personnel and private investigators to perform home visits. We also note that at least one state has found the use of private investigators to be cost-effective. Thus, we believe that SSA could look more closely at the experience of these states to identify potential best practices for conducting home visits.

SSA also agreed with our third recommendation that the agency study the feasibility of expanding the type of information it obtains from financial institutions. SSA noted some potential legal and technical issues that will require further study by the agency. For example, SSA noted that financial records may not be an accurate basis for identifying recipients who are outside the country for more than 30 days. While we agree that definitively determining whether a recipient is outside the country for 30 consecutive days or more presents a challenge for the agency, we only

[29]DHS did not provide formal comments.

suggest that SSA could use financial institution data as a potential indicator of residency violations.

Finally, with regard to our fourth recommendation, SSA agreed that there may be potential benefits to accessing external data sources to help verify recipients' residency. The agency indicated that it will explore the potential feasibility of using such data sources as part of its SSI Corrective Action Plan.

SSA's formal comments appear in appendix II. SSA also provided additional technical comments that we have incorporated in the report, as appropriate.

We are sending copies of this report to the House and Senate Committees with oversight responsibility for the Social Security Administration. We will also make copies available to other parties upon request. In addition, the report will be available at no charge on GAO's Web site at http//:www.gao.gov. If you have any questions concerning this report, please contact me at (202) 512-7215.

Sincerely yours,

Robert E. Robertson
Director, Education, Workforce,
and Income Security Issues

Appendix I: Scope and Methodology

This appendix provides additional details about our analysis of the Supplemental Security Income program's (SSI) residency violations, including potential weaknesses in the Social Security Administration's (SSA) policies and procedures. To meet the objectives of this review, we reviewed prior and ongoing projects by SSA and its Office of Inspector General (OIG), conducted independent audit work, and reviewed our prior work on the SSI program. We also reviewed SSA's policies and SSI program guidelines concerning eligibility determinations and procedures for detecting potential residency violations. In addition, we analyzed SSI payment data between 1997 and 2001 and examined studies in which SSA or its OIG identified recipients who were residing outside the country. We reviewed our past work on the SSI program to evaluate the current use of such tools as administrative sanctions and monetary penalties. Finally, we interviewed SSA and OIG officials at its headquarters in Baltimore, Maryland, and key regional and field managers and staff responsible for administering and monitoring the SSI program.

We conducted independent audit work in five states (California, Florida, Michigan, New York, and Texas) to identify common residency violation characteristics and examine SSA's processes to identify residency violations. We selected locations for field visits based on the following criteria: (1) geographic dispersion, (2) states previously included in a SSA or OIG special initiative, (3) states with large numbers of SSI recipients, (4) states with large dollars of SSI expenditures, and (5) states with large numbers of noncitizen SSI recipients. These states represented about 72 percent of the total noncitizen population potentially eligible for SSI benefits, about 41 percent of the total SSI recipients, and 45 percent of total SSI benefits paid in the United States. In total, we visited 17 field offices and interviewed 112 SSA field office managers and line staff responsible for the SSI program. We visited field offices more prone to having recipients with residency violations, especially offices near border crossings either by land, sea, or air. Where appropriate, we also visited offices that were involved with a prior or ongoing SSA or OIG special initiative to detect residency violations.

During our meetings with SSA and OIG officials, we documented management and staff views on how extensive residency violations are in the SSI program; the effectiveness of current procedures and processes for detecting and preventing residency violations; and potential improvements to existing program processes, policies, and systems. We also interviewed certain state officials knowledgeable about or involved with SSI residency verifications. In addition, we interviewed officials from other federal agencies, including the former Immigration and Naturalization Service, and the Centers for Medicare and Medicaid Services (CMS) to determine how these agencies could assist SSA in verifying recipients' residency. We also interviewed officials from a national financial data vendor to obtain information on currently available financial data. We conducted our work from September 2002 through May 2003 in accordance with generally accepted government auditing standards.

As part of our study, we developed and tested a logistic regression model to help predict whether certain SSI recipients were more likely than others to have residency violations. The factors we used in our model were recipients who (1) were born outside of the United States, (2) have their SSI benefits direct deposited into bank accounts, (3) use post office boxes to receive their mail, (4) have had a prior residency violation, or (5) could not be located by SSA for an extended period.[1] In deciding which variables to include in our regression analysis, we chose variables that were most frequently reported to us by SSA and OIG staff during our fieldwork. Additional potentially useful variables were also reported. (See table 1 for a more comprehensive list of the variables cited.) This is a partial listing of the factors reported to us; it does not include all responses.[2]

[1]An additional variable cited frequently by staff as a potentially effective tool to identify residency violations—Medicaid nonutilization information—was not included in our model because SSA does not currently have automated data on Medicaid nonusage by SSI recipients. However, SSA is currently negotiating access to such data with the CMS.

[2]In a prior study, SSA's OIG identified several factors as potential indicators that a recipient may be violating the SSI residency requirements. These factors include: (1) age when a recipient applies for SSI, (2) sex, (3) disability status, (4) citizenship, (5) use of commercial mailboxes, (6) excess resources or income, (7) questionable addresses, (8) failure to provide sufficient evidence to SSA staff, (9) lack of an in-person benefit review for an extended period of time, (10) direct deposit of benefits, (11) prior address changes, (12) residential address that differs from a recipients' mailing address, and (13) living in another person's household. The OIG noted that more than half of residency violators exhibited four or more of these characteristics.

Table 1: Variables That Indicate a Recipient May Potentially Be Out of the United States

Variable
Recipients with prior residency violations
Recipients who use direct deposit to receive their benefits
Recipients receiving mail at a post office box or commercial mail drop
Recipients who were born outside of the United States
Recipients who do not utilize their Medicaid benefits for an extended period of time
Recipients who SSA cannot locate or contact
Recipients reporting different residential and mailing addresses
Recipients living with family or friends without their own residency
Aged recipients
Multiple recipients using the same physical mailing address
Recipients with immediate family in another country
Recipients with excess resources or income

Source: GAO analysis.

Note: Factors in table 1 include all responses where at least 10 percent of the total staff interviewed cited that a specific variable would be a valid predicator that a recipient may be out of the country and thus violating SSI residency requirements.

Our model resulted in estimates of the relative likelihood (odd ratios) of a current residency violation depending on the absence or presence of the included five variables (see table 2). If there is no significant difference between the presence and the absence of one of the variables, with respect to a current residency violation, the odds would be approximately equal, and the ratio of the odds would be close to 1.00. The more the odds ratio differs from 1.00 in either direction, the larger the effect it represents. For example, if there were very little difference between those beneficiaries who did and did not use direct deposit, with respect to a current (as of Apr. 2003) residency violation, the odds ratio for direct deposit would be close to 1.00.

Table 2: Odds Ratios for the Variables in Our Logistical Regression Analysis

All of the following odds ratios are statistically significant

Variable	Odds ratio	Interpretation
Recipients who were born outside of the United States.	44.19	Recipients who were born outside of the United States are approximately 44 times more likely to be current residency violators.
Recipients who did use direct deposit to receive their benefits.	0.83	Recipients who did use direct deposit to receive their benefits are 1.2 times less likely to be current residency violators.[a]
Recipients receiving mail at a post office box.	1.77	Recipients receiving mail at a post office box are 1.8 times more likely to be current residency violators.
Recipients with prior residence violations.	9.80	Recipients with prior residence violations are about 10 times more likely to be current residency violators.
Recipients who SSA cannot locate or contact.	0.06	Recipients who SSA cannot locate or contact are 17 times less likely to be current residency violators.[b]

Source: GAO's analysis of SSA data on residency violation.

[a]For odds rations that fall between 0 and 1, the reciprocal of the odds ratio describes the odds of being less likely. Thus, the odds ratio of 0.83 is interpreted as 1 divided by 0.83, which is approximately 1.2 times less likely.

[b]Similarly, the reciprocal of 0.06 is approximately 17.

Appendix II: Comments from the Social Security Administration

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

SOCIAL SECURITY

The Commissioner

June 27, 2003

Mr. Robert E. Robertson
Director, Education, Workforce and
Income Security Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Robertson:

Thank you for the opportunity to review and comment on the draft report "Supplemental Security Income: SSA Could Enhance Its Ability to Detect Residency Violations," (GAO-03-724). Our comments on the report are enclosed.

If you have any questions, please have your staff contact Trudy K. Williams at (410) 965-0380.

Sincerely,

Jo Anne B. Barnhart

Jo Anne B. Barnhart

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE GENERAL ACCOUNTING OFFICE (GAO) DRAFT REPORT, "SUPPLEMENTAL SECURITY INCOME: SSA COULD ENHANCE ITS ABILITY TO DETECT RESIDENCY VIOLATIONS" (GAO-03-724)

Thank you for the opportunity to review and comment on the subject draft report. As requested, below are our comments.

The report recommends that the Agency consider reengineering its risk analysis system to more specifically target potential violators of the residency and presence rules. One of the factors GAO tested and now recommends targeting is birth outside of the U.S. We commented on a similar recommendation to integrate foreign-born status into the redetermination case selection process as one of several high-risk factors in the Office of the Inspector General (OIG) report, "Effectiveness of the Social Security Administration's Special Project Reviews of Supplemental Security Income Recipients"A-09-99-62010. In our comments to the OIG, we cautioned that such profiling may not withstand an equal protection challenge.

Recommendation 1

SSA should consider reengineering the Agency's risk analysis system to more specifically target potential residency violators. The list of potentially high-risk characteristics we have developed and tested could provide a starting point for such refinements. To accomplish this, SSA may wish to test the idea on a one-time basis using methods the Agency deems appropriate to assess its effectiveness.

Comment

We agree with the recommendation's intent to refine SSA's risk analysis system to better target redetermination selections.

We conducted a study in 1997 in Southern California, where the primary suspicious characteristic was "born outside the U.S." Although this would seem to be an appropriate choice for any list of conspicuous characteristics, at the conclusion of the 1997 study, it was determined that using national origin, particularly for recipients that are now citizens, could be considered discriminatory. We, therefore, chose to discount use of national origin as a high-risk characteristic.

See comment 1.

The current SSI redetermination profiling system uses the existence of prior SSI nonpayment codes (absence from the U.S. and/or excess resources), along with other factors in selecting cases for redeterminations. Our experience has been that the two nonpayment codes have proven to be as effective an indicator of absence from the U.S. as "born outside the U.S."

2

Recommendation 2

SSA should consider expanding the use of unannounced home visits in some areas as a way of verifying the residency of recipients whom the Agency identifies as potentially being at high-risk for violations. To ensure that only cases with a high potential for success are selected, any potential profile of high-risk recipients that SSA develops could be a primary source of referrals. To maximize limited staff resources, SSA should apply a strategic approach to this program, recognizing that violations are not equally prevalent in all areas of the country.

Comment

We agree that unannounced home visits could assist SSA in detecting SSI residency violators. However, when we conducted the 1997 Southern California study, SSA employees were not sent on unannounced visits because of the expectation of potentially dangerous situations. Instead, a number of private detective agencies were contracted to conduct these potentially confrontational interactions. The private detective agencies identified a number of instances where the SSI recipients were not residing at the U.S. address where their payments were being sent and the recipients were found to be outside the U.S. Any thoughts of using SSA employees to conduct future unannounced visits must include strong considerations of employee safety. In addition, as GAO emphasized, these visits would require significant resources and increased funding.

Recommendation 3

SSA should study the feasibility of expanding the type of information SSA obtains from financial institutions as authorized by The Foster Care Independence Act of 1999 (Pub. L. No. 106-169). Additional information to help identify violators could include bank and ATM withdrawal records to help identify SSI recipients who may be accessing their SSI benefits outside the United States for extended periods of time.

Comment

We agree. As part of our overall effort to improve the integrity of the SSI program, we will explore the feasibility of expanding the type of information SSA obtains from financial institutions. The recommendation to identify SSI residency violators by accessing financial data seems to be a valid method to help prevent overpayments. We do, however, recognize that there are several unresolved legal, technological, and cost issues. Thus, we would need to further study the feasibility of the recommendation. We have identified below some of the unresolved issues involved with the recommendation:

-- It is not clear whether Section 213 of the Foster Care Independence Act of 1999 allows SSA to access ATM transactions or any type of international financial information.

-- The report refers to the fact that auditors were told by a vendor that detailed information on an individual's financial transactions can be obtained. That vendor is not identified. Section 213 only allows SSA to obtain financial information from the

See comment 2.

3

financial institution itself. Information compiled by a third party cannot be used to deny or suspend SSI benefits. Further information is needed such as who the vendor is and how the information is obtained.

-- The report indicates that financial data exists that could help SSA detect residency violations; however, it is not clear how the Agency could establish a system that would be cost effective. Depending on how it is designed, the process could have a huge workload impact on our Operations component.

There are also unresolved program policy issues with this recommendation. For example, SSI benefits cannot be suspended unless the SSI recipient is outside the U.S. for 30 consecutive days or more. This could create significant problems when trying to establish residency by using financial records. For example, if a recipient has a joint checking account, (i.e., with a non-eligible spouse) the non-recipient could potentially travel outside the U.S. for an extended period and access the account via an ATM machine. Additionally, it is certainly conceivable that an individual living along the U.S. border could travel outside the U.S. on a consistent basis for less than 30 days in duration while accessing their account in the foreign country. In both of these scenarios, an alert would be generated yet the recipient would not be ineligible.

SSA has identified a vendor to develop a proof of concept (POC) test to explore the feasibility of electronic verification of bank accounts to address unreported financial resources. At the conclusion of the POC phase, a decision will be made on whether to proceed to the fully-developed phase which would include systems development to automate the account verification and reimbursement processes to the financial institutions and nationwide expansion of the project.

GAO does not establish a correlation between a recipient's use of a bank account and avoidance of residency violations. In fact, GAO appears to indicate just the opposite with its conclusion that, "Recipients who did use direct deposit to receive their benefits are 1.2 times less likely to be current residency violators." Without the establishment of a link indicating that a recipient's use of a bank account is a contributing factor to residency violation, there is no support from a return on investment perspective to justify conducting a feasibility study as recommended in the report.

While this recommendation would be helpful, ATM and bank activity by itself cannot be considered as prima facie proof that a recipient is, in fact, outside the U.S. Nevertheless, it would be valuable as an indicator of a potential problem.

Recommendation 4

SSA should investigate the potential for obtaining access to emerging third-party data sources such as entry/exit databases being developed by the Department of Homeland Security to help field staff more accurately verify whether SSI recipients are violating program regulations.

4

Comment

We agree that there may be potential benefits to accessing external data sources. We have already had some discussions with some external sources and will explore the feasibility of using such sources as part of our SSI Corrective Action Plan.

We have not had discussions with the Department of Homeland Security (DHS) concerning possible uses of its entry/exit database for SSA purposes as it is still in the development stages. We do know, however, that there are some limitations to the usability of certain data files. Historically, the problem SSA has faced with obtaining third party data is that many other data sources do not use Social Security numbers (SSN), which makes data linkage difficult or impossible. Such is the case with the developing DHS entry/exit database. While the DHS entry/exit database will collect information that could be useful to SSA in detecting residency fraud, there are no plans to use SSNs as one of the identifiers.

As GAO mentioned on page 21 of its report, SSA has recently concluded a computer matching agreement to permit the automated exchange of deportation and departure data. With these data, SSA will be able to better enforce the provisions in the SSI program that prohibit payments to persons who are absent from the United States for a full month or more. We hope to begin matching with the deportation records of the Department of Justice in 2004.

GAO Comments

The following are GAO's comments on SSA's letter dated June 27, 2003.

1. Based on our analysis, we continue to believe that this factor—recipients born outside the United States—is a good indicator of a potential residency violation. Use of this factor may help SSA further refine its risk analysis system (see report page 18).

2. Our report does not state that direct deposit is a good indicator of a residency violation. Rather, we discuss the potential use of financial institution data such as recipients' banking transactions outside the United States using automated teller machines, which is currently unavailable to SSA (see report page 22).

Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Staff Acknowledgments

In addition to those named above, Jeff Bernstein, Sue Bernstein, Kriti Bhandari, Salvatore F. Sorbello, Vanessa Taylor, Wendy Turenne, and Shana Wallace made important contributions to this report.

Related GAO Products

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