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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

APRIL 27, 1981

HUMAN RESOURCES  
DIVISION

B-203033

The Honorable Max Baucus  
Subcommittee on Health  
Committee on Finance  
United States Senate



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Dear Senator Baucus:

Subject: [HHS' Action to Implement GAO's Recommendations  
Concerning the National Recipient System Has  
Been Curtailed--A New System Is Being Proposed]  
(HRD-81-89)

On March 25, 1981, your office asked that we determine what actions the Department of Health and Human Services (HHS) has taken to implement recommendations in our May 29, 1979, report (HRD-79-88) to the former Secretary of the Department of Health, Education, and Welfare, 1/ Joseph A. Califano, Jr., concerning a proposal to implement a National Recipient System (NRS). NRS was to be a computerized system developed and maintained at the Federal level designed to help States and territories reduce fraud, abuse, and error in the Aid to Families with Dependent Children (AFDC) program.

Our report raised concerns about the need for a new system to perform functions which may be performed by existing Federal systems, and we questioned the adequacy of cost effectiveness assessments used to support the system. Accordingly, we recommended that HHS thoroughly assess the need for and cost of the proposed NRS before its implementation. In October 1979, HHS agreed to fully address our recommendations; however, according to HHS officials, NRS was subsequently abandoned and little effort was actually made to reassess the need for and cost of the system.

During our current review, we determined that HHS is evaluating the provision of a draft bill, referred to as the Social Welfare Amendments of 1981, that would establish a National Recipient Information System (NRIS). This proposal resembles the

1/On May 4, 1980, a separate Department of Education commenced operating. That part of the Department of Health, Education, and Welfare responsible for activities discussed in this report became HHS.

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previously proposed NRS, and if HHS is using the same justifications to support this proposal that were used for NRS, then it could present the same concerns raised in our May 1979 report. We requested details used to support the draft legislation on the NRIS, but HHS would not release the information for our review, stating that it was subject to change because it was still in draft and had not been sent to the Congress.

As agreed with your office, this letter describes our May 29, 1979, report recommendations and the status of HHS' action to implement them.

#### BACKGROUND

On December 15, 1978, HHS announced in the Federal Register a proposed regulation establishing under the Privacy Act of 1974, a new system of records entitled the National Recipient System. NRS was to provide a central respository of data at the Federal level on all applicants and recipients of AFDC benefits. The principal purpose of the new system was to assist in the reduction of fraud and abuse in the AFDC program administered by HHS and State agencies by identifying overpaid or ineligible program participants. The stated functions of the NRS were to:

- Provide an interjurisdictional search/match service.
- Provide verification of social security numbers.
- Transmit Federal payment information from other Federal record systems, all of which if requested by a State were to be used in its eligibility determination process.

Total estimated Federal and State systems costs for the first 5 years of NRS implementation and operations were about \$38 million, ranging from \$1.05 million for fiscal year 1979 to \$10.7 million for fiscal year 1983.

#### OUR MAY 1979 REPORT RECOMMENDED STEPS BE TAKEN BEFORE IMPLEMENTING NRS

In 1979, we reviewed HHS' proposal to establish NRS to determine whether HHS had adequately justified the need and cost of implementing a separate computerized system to perform the proposed functions. In May 1979, we issued a report to the Secretary of HHS, which questioned the need for a new system to perform functions which may be performed by existing Federal systems and concluded that the Social Security Administration (SSA) should prepare

a more complete cost-benefit analysis. We said that before the system was implemented, an expanded initial evaluation, more user input, and a reconsideration of NRS data searching techniques were needed.

We recommended that the Secretary of HHS direct the Commissioner of Social Security to:

- Assess the need for NRS to perform a nationwide search of AFDC rolls to detect duplicate payments rather than State-initiated matches with neighboring States or jurisdictions using the Interjurisdictional Data Exchange model or other appropriate techniques. In this regard, SSA should analyze the results of Project Match to determine the extent to which duplicate payments occurred in neighboring States.
- Fully assess the need for a new system, NRS, to verify social security numbers for the current AFDC caseload and consider alternate means of verifying such accretions as the Electronic Verification of Alleged Numbers system.
- Develop a detailed cost and feasibility comparison of developing, implementing, and operating NRS, as opposed to using information now available or, if needed, expanding current Federal/State data exchange systems (e.g., State Data Exchange and Beneficiary Data Exchange). Consideration should be given to the desire and need for a new and separate file being provided to the States that will duplicate currently provided information and burden the States with additional verification and records security responsibilities.
- Expand initial NRS implementation to include additional States with less optimum characteristics as well as all proposed Federal interfaces and test the complete process from systems implementation to verification of output. This test will provide more realistic and representative results for evaluation and better information for making a decision on full implementation.
- Provide States with enough information about NRS and associated costs so they can make their own cost and savings projections. These, combined with SSA's projections, will provide more representative cost/savings estimates.

- Solicit States' opinions about the need for and cost effectiveness of NRS and determine their receptiveness to such a system.
- Fully assess the feasibility of using the social security number rather than the name for file searching in NRS.

STATUS OF HHS ACTIONS TO IMPLEMENT  
OUR RECOMMENDATIONS

On October 9, 1979, the Secretary of HHS told us that SSA would update its cost-benefit analysis and reexamine the design of the NRS pilot test, and that steps had been taken to cancel the solicitation for the pilot test. It was further stated that our recommendations and the issues raised in the report would be fully addressed during the reexamination.)

On January 30, 1980, SSA sent a status report to the HHS Office of the Inspector General on actions SSA had taken to implement our recommendations. According to SSA, the solicitation to conduct a pilot test on the NRS had been canceled and a comprehensive review had begun to determine the cost effectiveness, usefulness, and impact on State operations of SSA State/Federal information exchanges. The complete assessment was targeted for completion by August 1980.

Recommendations in SSA's March 1981 report entitled "Report on SSA Assessment of State/Federal Information Exchanges," indicate that existing SSA data exchanges should be improved and expanded. In April 1981, the Office of Family Assistance (OFA) 1/ provided comments to SSA's Office of Assessment on the results of SSA's comprehensive review. According to OFA, the expansion of existing SSA systems was both feasible and cost beneficial and responsive to our concerns about the high costs and questionable benefits that would result from NRS. However, a detailed feasibility and cost study on developing, implementing, and operating NRS, as opposed to using existing systems to combat fraud and abuse, had not been made as we had recommended.

Furthermore, OFA stated that modifications to expand SSA's Benefits and Earnings Data Exchange (BENDEX) system were underway. The improved BENDEX system will provide State welfare agencies

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1/OFA is responsible at the Federal level for providing program direction and technical assistance in the administration of the AFDC program nationwide.

with information on Retirement, Survivors, and Disability Insurance benefits as well as the earned income on welfare applicants and recipients. The system will also provide State welfare agencies with the capability to detect duplicate interstate grants and to validate welfare clients' social security numbers. In our view, these modifications of the existing BENDEX system should enable HHS to perform the first two of the three functions proposed under NRS. This raises further questions on the need for a separate computerized system--such as NRS or NRIS--to perform these functions.

DETAILED INFORMATION ON THE NRIS  
HAS NOT BEEN MADE AVAILABLE

On March 11, 1981, the current Secretary of HHS testified before the House Committee on Ways and Means Subcommittee on Public Assistance and Unemployment Compensation, in support of the draft bill to establish an NRIS at the Federal level to provide for the orderly collection, maintenance, and interchange of information among the various Federal and State agencies and to avoid duplication of administrative efforts by those agencies that provide benefits to individuals under public programs. NRIS is expected to serve as a deterrent to fraud and abuse.

We requested the detailed information used to support the proposed legislation on NRIS, but HHS officials would not release the information because, at the time of our request, the legislation was still in draft and subject to change. Also, OFA officials told us that changes are being made to the proposal, but a specific description of how it will change is not known at this time. We could not determine whether HHS had developed adequate information to justify the need and costs of establishing an NRIS. We did determine through discussions with HHS officials, that the cost estimates used to support the proposed NRIS were the same estimates developed for the previously proposed NRS adjusted only for inflation.

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In summary, (HHS has taken little action to implement the recommendations in our May 1979 report. However, it appears that NRS, as previously proposed, will not be implemented. Therefore, further action on our recommendations may not be warranted. With regard to HHS' proposal to establish an NRIS, detailed information on the system's development, uses, and costs was not available to us at the time of our review.) Consequently, we could not evaluate the merits of the new system. If we can be of any assistance when the details become available, please let us know.

As agreed with your office, unless the report's contents is publicly announced earlier, we plan no further distribution of this report until 30 days from the date of this report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

*Edward A. Hensmore*

for Gregory J. Ahart  
Director