



Highlights of [GAO-08-645](#), a report to the Ranking Member, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

Traditionally, federal agencies made benefit payments by paper check, but they faced increased pressure to reduce costs and increase the convenience, security, and timeliness of payment delivery. In response to a 1996 congressional mandate, the U.S. Department of Agriculture's Food Stamp Program implemented Electronic Benefit Transfer (EBT) to distribute food stamps. According to agency evaluations, EBT has reduced program costs and fraud and offered recipients a quick, secure way to receive payment. These results spurred interest in using electronic payment methods for other benefit programs. GAO was asked to report on (1) the extent to which federal benefit programs are using electronic payments, and factors agencies consider for their use and (2) options for increasing the use of electronic payments, particularly the Department of the Treasury's (Treasury) actions to that end. GAO surveyed federal benefit programs identified from two federal databases; reviewed documents, reports, and studies on electronic payments; and interviewed federal and state agency, industry, and consumer representatives.

What GAO Recommends

GAO recommends that Treasury consider conducting outreach to federal agencies regularly, particularly those that may not use or fully use electronic payments. Treasury did not comment on the recommendation, but generally agreed with the report's findings.

To view the full product, including the scope and methodology, click on [GAO-08-645](#). For more information, contact Yvonne Jones at (202) 512-8678 or jonesy@gao.gov.

ELECTRONIC PAYMENTS

Many Programs Electronically Disburse Federal Benefits, and More Outreach Could Increase Use

What GAO Found

Most federal benefit programs GAO surveyed (34 of 42) reported using 1 or more electronic payment methods, and the majority of those programs also indicated that most of their recipients received their benefits electronically. Less than half (18 of 42) of the programs surveyed provided data that would allow GAO to determine the percentage of payments made electronically, in part because state agencies disburse payments for many programs. For the 5 largest, by dollar value, programs that provided data, about 54 to 100 percent of payments were made electronically (see figure below). Agencies consider various factors, including financial burden to recipients, program and recipient characteristics, program costs, and fraud and security risks, when making a decision to use an electronic payment method for the delivery of benefits.

Various options exist for agencies to increase electronic distribution of federal benefits, including (1) mandating that recipients receive benefits electronically, (2) making electronic payment the default option upon enrollment, (3) promoting electronic payments through public outreach, (4) piloting electronic distribution programs, and (5) using electronic payment cards in new ways. Treasury has introduced key initiatives in its efforts to support and increase the use of electronic payments, particularly programs for which Treasury disburses payments, such as Social Security benefits. However, Treasury does not disburse payments for all federal benefit programs. In 2006 and 2007, Treasury met with federal Chief Financial Officers (CFO) to discuss Treasury's cash management initiatives, such as increasing electronic payments. Treasury also discussed electronic payments with program staff from larger agencies for which Treasury disburses payments. However, Treasury has no plans to conduct these meetings regularly with CFO agencies and other smaller agencies. Treasury's role as the federal government's leader for payments and its experience with electronic payment methods suggest that it could provide valuable information and assistance to smaller agencies with less experience or expertise. Regularly scheduled outreach efforts to other agencies could provide opportunities for Treasury to increase the use of electronic payments.

Percentage of Electronic Payments for the Top 5, by Dollar Value, Programs That Provided Data

Name of program	Total dollar value of benefit payments (FY 2006)	Percentage of payments made electronically (FY 2006)
Social Security Retirement Insurance	\$418,056,535,776	87.9%
Social Security Disability Insurance	77,846,049,345	76.7
Supplemental Security Income	41,547,968,487	53.8
Food Stamp	30,187,346,987	100.0
Social Insurance for Railroad Workers	9,934,658,062	88.0

Source: GAO analysis of responses to a survey of federal benefit programs.