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United States Government Accountability Office
Washington, DC 20548

December 14, 2005

The Honorable Charles E. Grassley
Chairman
The Honorable Max Baucus
Ranking Minority Member
Committee on Finance
United States Senate

Subject: *Federal Programs with a Financial Eligibility Component*

Each year, federal benefit programs make billions of dollars of improper payments,¹ in some cases, due to inaccurate personal and financial information provided by applicants.² For federal agencies administering those programs, getting reliable personal and financial information is vital for making good decisions about whether an individual or business is eligible for federal benefits. As one of the largest repositories of personal and financial information in the United States, IRS has a number of data-sharing relationships with federal agencies to help verify applicant-provided information. This letter conveys information you requested as a part of work we conducted on verifying financial information at federal agencies, including the IRS.³ As agreed with your offices, we (1) compiled a listing of federal benefit programs with a financial eligibility component and (2) described documentation requirements to qualify for these programs.

To identify federal programs with a financial eligibility component, we searched federal programs found within the General Service Administration's (GSA) online Catalog of Federal Domestic Assistance (CFDA).⁴ The CFDA is a database of federal benefit and service assistance programs compiled with information self-reported by agencies. We reviewed the eligibility requirements and financial information of 1,238 financial assistance programs in the CFDA as of December 2005 to determine if they

¹Improper payments include payments that should not have been made or were made for incorrect amounts.

²GAO, *Financial Management: Challenges in Meeting Governmentwide Improper Payment Requirements*, GAO-05-907T (Washington, D.C.: July 20, 2005).

³See GAO, *Taxpayer Information: Options Exist to Enable Data Sharing Between IRS and USCIS but Each Presents Challenges*, GAO-06-100 (Washington, D.C.: Oct. 11, 2005); *Taxpayer Information: Data Sharing and Analysis May Enhance Tax Compliance and Improve Immigration Eligibility Decisions*, GAO-04-972T (Washington, D.C.: July 21, 2004); and *Taxpayer Information: Increased Sharing and Verifying of Information Could Improve Education's Award Decisions*, GAO-03-821 (Washington, D.C.: July 18, 2003).

⁴Users can access the CFDA online at <http://www.cfda.gov>.

met three criteria we applied for identifying benefit programs with a financial eligibility component: (1) eligible applicants must have included an individual, business, or non-profit entity, (2) the applicant or beneficiary was required to provide financial information as a condition of eligibility, and (3) the benefit program's fiscal year 2003 financial obligation had to equal or exceed \$1 million. We conducted our work from October 2005 through December 2005 in accordance with generally accepted government auditing standards.

The types of financial assistance offered by agencies included grants, loans, direct payments, and insurance. As defined within the CFDA,

- Grants include fellowships, scholarships, and a variety of grants for research, training, technical assistance, surveys, and construction with funding for fixed periods for specific projects.
- Loans include direct loans and guaranteed/insured loans. Direct loans are for a specific period of time with an expectation of repayment. They may or may not require the payment of interest. The federal government arranges to indemnify a lender against part or all of any defaults by those responsible for repayment of a guaranteed/insured loan.
- Direct payments are provided directly to recipients from the federal government, and there may or may not be restrictions imposed on the recipient as to how the money is spent.
- Insurance is a type of financial assistance provided to assure reimbursement for losses sustained under specified conditions. The coverage may be provided directly by the federal government or through private carriers and may or may not involve the payment of premiums by recipients.

Results in Brief

We found 74 federal benefit programs that met our criteria. The financial obligations for fiscal year 2003 varied by financial assistance type with approximately \$16 billion in grants, approximately \$158 billion in loans, approximately \$62 billion in direct payments, and approximately \$3 billion in insurance.⁵ More than half of these programs were offered by the U.S. Department of Agriculture (USDA). Federal benefit programs varied in the level of documentation required to support financial eligibility. Most required applicants or beneficiaries to provide financial information on an application plus additional supporting documentation. They generally allowed discretion in the type of supporting documentation applicants or beneficiaries could provide such as financial statements, payroll documents, and/or tax documents according to the eligibility requirements reported in the CFDA. One agency, the Small Business Administration (SBA), required applicants to complete an IRS form

⁵ In this report, a financial obligation is different from a budgetary obligation. In the CFDA, financial obligations for grants and direct payments represent the dollar amounts provided to awardees in fiscal year 2003 according to a GSA official and a Department of Commerce official. Insurance amounts represent the federal government's maximum coverage or commitment to those who file a claim. There is no insurance payment unless a claim is filed and an amount is paid out. The dollar amounts of loans represent either amounts that have been paid out to recipients or amounts of loans for which the federal government has guaranteed repayment.

requesting that tax information be sent directly to the agency in addition to providing other financial documentation.

Over Seventy Federal Benefit Programs Had a Financial Eligibility Component and Each Varied in Required Documentation

Of the 74 programs with a financial eligibility component, USDA accounted for the most with 38 programs or 51 percent, and the U.S. Department of Housing and Urban Development (HUD) offered the second largest number with 9 programs or 12 percent. Fiscal year 2003 obligations for the programs ranged from about \$1 million to \$69 billion, as shown in table 1. Table 1 also shows the type of documentation required. In addition to completing an application, a majority of programs allowed applicants to provide financial documents and/or information provided at their discretion (indicated with a letter A in table 1); some programs required applicants to provide specified documents and/or information (indicated with a letter S in table 1); and a few programs required applicants to fill out an IRS form in addition to other documents in some cases (indicated with a letter I in table 1).

Table 1: Federal Benefit Programs with a Financial Eligibility Component, Fiscal Year 2003

CFDA Identifying Number and Program Name	Eligible Applicant	Assistance Type	Assistance Amount	Documents Required ^a
USDA				
10.054 Emergency Conservation Program	Individuals	Direct payments	\$4,071,721,000	A
10.056 Farm Storage Facility Loans	Individuals and businesses	Loans	\$140,480,633	S
10.064 Forestry Incentives Program	Individual, group, association, corporation	Direct payments	\$1,877,013	A
10.066 Livestock Assistance Program	Individuals	Grants	\$429,867,460	A
10.073 Crop Disaster Program	Individuals	Direct payments	\$1,808,000,000	A
10.077 Livestock Compensation Program	Individuals and businesses	Grants	\$886,000,000 ^b	A
10.081 Lamb Meat Adjustment Assistance Program	Individuals and businesses	Direct payments	\$10,000,000	A
10.404 Emergency Loans	Individuals and businesses	Loans	\$95,698,000	A
10.405 Farm Labor Housing Loans and Grants	Individuals and businesses	Grants	\$4,382,000	A
		Loans	\$55,862,000	
10.406 Farm Operating Loans	Individuals and businesses	Loans	\$1,974,658,000 ^b	A
10.407 Farm Ownership Loans	Individuals and businesses	Loans	\$1,448,170,000 ^b	A
10.410 Very Low to Moderate Income Housing Loans	Individuals and households	Loans	\$4,124,628,459 ^b	A
10.411 Rural Housing Site Loans and Self-Help Housing Land Development Loans	Nonprofits	Loans	\$1,165,000	A

CFDA Identifying Number and Program Name	Eligible Applicant	Assistance Type	Assistance Amount	Documents Required ^a
10.415 Rural Rental Housing Loans	Individuals, cooperatives, nonprofits, corporations, trusts, partnerships	Loans	\$115,857,000	A
10.417 Very Low Income Housing Repair Loans and Grants	Individuals	Grants	\$31,135,058	A
		Loans	\$31,036,185	
10.427 Rural Rental Assistance Payments	Individuals/ organizations	Direct payments	\$721,148,000	A
10.438 Section 538 Rural Rental Housing Guaranteed Loans	Businesses	Loans	\$101,751,499	A
10.441 Technical and Supervisory Assistance Grants	Nonprofits, agencies, institutions, organizations, and other associations	Grants	\$1,113,282	A
10.444 Direct Housing-Natural Disaster Loans and Grants	Individuals	Grants	\$1,942,110	A
10.446 Rural Community Development Initiative	Organizations	Grants	\$6,000,000	A
10.451 Noninsured Assistance	Individuals and businesses	Direct payments	\$176,500,000	A
10.551 Food Stamps	Individuals	Direct payments	\$24,606,021,000	A
10.600 Foreign Market Development Cooperator Program	Nonprofit	Direct payments	\$34,500,000	S
10.606 Food for Progress	Organization/ agency	Grants	\$86,000,000	S
10.607 Section 416(B)	Organization/ agency	Grants	\$332,274,620	S
10.608 Food for Education	Organization/ agency	Grants	\$100,000,000	S
10.760 Water and Waste Disposal Systems for Rural Communities	Not-for-profit corporations	Grants	\$496,311,592	A
		Loans	\$767,174,249 ^b	
10.766 Community Facilities Loans and Grants	Corporations	Grants	\$18,486,513	A
		Loans	\$414,515,275 ^b	
10.768 Business and Industry Loans	Cooperative, corporation, partnership, trust	Loans	\$906,501,963	A
10.769 Rural Business Enterprise Grants	Nonprofits	Grants	\$51,403,000	A
10.771 Rural Cooperative Development Grants	Nonprofits and institutions of higher education	Grants	\$6,332,000	A
10.773 Rural Business Opportunity Grants	Nonprofits and cooperatives	Grants	\$3,109,000	A
10.775 Renewable Energy Systems and Energy Efficiency Improvements Program	Individuals and businesses	Loans	\$21,707,000	S
10.855 Distance Learning and Telemedicine Loans and Grants	Organizations	Grants	\$33,507,000	A

CFDA Identifying Number and Program Name	Eligible Applicant	Assistance Type	Assistance Amount	Documents Required^a
10.912 Environmental Quality Incentives Program	Individuals	Direct payments	\$39,820,568 ^b	S
		Grants	\$164,470,000	
10.918 Ground and Surface Water Conservation– Environmental Quality Incentives Program	Individuals	Direct payments	\$9,130,000	A
		Grants	\$44,814,000	
10.919 Klamath Basin– Environmental Quality Incentives Program	Individuals	Direct payments	\$1,724,800	A
		Grants	\$10,635,900	
10.961 Scientific Cooperation and Research	Institutions of higher learning and nonprofits	Direct payments	\$2,500,000	A
Commerce				
11.112 Export Promotion Market Development Cooperation	Nonprofits and trade associations	Grants	\$2,000,000	S
11.415 Fisheries Finance Program	Individuals and businesses	Loans	\$62,300,000 ^b	S
Housing and Urban Development				
14.157 Supportive Housing for the Elderly	Nonprofits	Direct payments	\$783,286,000	A
14.167 Mortgage Insurance-Two Year Operating Loss Loans, Section 223 (D)	Businesses	Loans	\$3,820,000	S
14.181 Supportive Housing for Persons with Disabilities	Nonprofit	Direct payments	\$250,515,000	S
14.195 Section 8 Housing Assistance Payments Program– Special Allocations	Individuals/ Businesses	Direct payments	\$4,718,248,246	A
14.197 Multifamily Assisted Housing Reform and Affordability Act	Individuals/ Businesses	Direct payments	\$504,373,000	A
14.235 Supportive Housing Program	Nonprofits	Grants	\$816,286,711	S
14.850 Public and Indian Housing	Public Housing Agencies	Direct payments	\$3,616,858,036	A
14.865 Public and Indian Housing-Indian Loan Guarantee Program	Individuals (Native American)	Loans	\$40,305,000	S
14.871 Section 8 Housing Choice Vouchers	Public Housing Agencies	Direct payments	\$11,272,905,390	A
Interior				
15.113 Indian Social Services– Welfare Assistance	Individuals	Direct payments	\$63,534,180	A
Labor				
17.262 Employment and Training Administration Evaluations	Open	Grants	\$9,038,863	A
State				
19.425 Benjamin Gilman International Scholarship	Individuals, nonprofits, institution/ organizations	Direct payments	\$1,575,000	A
Transportation				

CFDA Identifying Number and Program Name	Eligible Applicant	Assistance Type	Assistance Amount	Documents Required^a
20.802 Federal Ship Financing Guarantees	Individuals	Loans	\$20,655,270	A
20.901 Payments for Essential Air Services	Air carriers	Direct payments	\$113,000,000	S
National Foundation on the Arts and Humanities				
45.301 Museum for America Grants	Museum	Grants	\$15,381,000	S
Railroad Retirement Board				
57.001 Social Insurance for Railroad Services	Individuals	Direct payments	\$9,063,000,000	A
Small Business Administration				
59.002 Economic Injury Disaster Loans	Businesses	Loans	\$100,565,000	I
59.008 Physical Disaster Loans	Individuals, businesses, charitable, and nonprofits	Loans	\$7,339,000	I
59.012 Small Business Loans	Businesses	Loans	\$12,703,000,000	S
59.016 Bond Guarantees for Surety Companies	Businesses	Insurance	\$593,572,000	A
59.049 Office of Small Disadvantaged Business Certification and Eligibility	Businesses	Loans	\$4,750,000	I
Veterans				
64.104 Pension for Non-Service-Connected Disability for Veterans	Individuals	Direct payments	\$2,463,890,000	A
64.114 Veterans Housing-Guaranteed and Insured Loans	Individuals	Loans	\$40,129,134,594	A
Overseas Private Investment Corporation				
70.002 Foreign Investment Financing	Individual, corporation, partnership, or other association	Loans	\$1,151,000,000	S
Education				
84.007 Federal Supplemental Educational Opportunity Grants	Higher education institutions	Grants	\$760,028,000	A
84.032 Federal Family Education Loans	Individuals	Loans	\$68,726,000,000	A
84.033 Federal Work-Study Program	Higher education institutions	Direct payments	\$1,004,428,000	A
84.038 Federal Perkins Loan Program-Federal Capital Contributions	Higher education institutions	Direct payments	\$99,350,000	A
84.063 Federal Pell Grant Program	Individuals	Grants	\$11,364,646,000	A
84.268 Federal Direct Student Loans	Individuals	Loans	\$25,283,000,000 ^b	A
Pension Benefit Guaranty Corporation				
86.001 Pension Plan Termination Insurance	Businesses and organizations	Insurance	\$2,272,000,000	A
Health and Human Services				

CFDA Identifying Number and Program Name	Eligible Applicant	Assistance Type	Assistance Amount	Documents Required^a
93.924 Ryan White HIV/AIDS Dental Reimbursements	Nonprofit schools of dentistry and dental hygiene	Direct payments	\$9,702,200	A
Social Security Administration				
96.020 Special Benefits for Certain World War II Veterans	Individuals	Direct payments	\$9,238,000	A
Homeland Security				
97.048 Federal Assistance to Individuals and Households – Housing	Individuals and households	Direct payments	\$202,758,829	A

Source: CFDA, December 2005.

^aIn addition to completing an application, programs with the letter A allowed applicants to provide financial documents and/or other information at their discretion; programs with the letter S required applicants to provide specified documents and/or information; and programs with the letter I required applicants to fill out an IRS form in addition to other documents, in some cases.

^bIn cases where agencies reported two or more types of financial obligations for grants, loans, and direct payments, we summed the amounts for reporting purposes.

Documentation requirements related to an applicant’s income information differed among agencies and programs. We grouped benefit programs into three broad categories wherein (1) the applicant or beneficiary was required to provide supporting documentation at their discretion to support their financial status, (2) the applicant was required to provide one or more specified documents to support their financial status, and (3) the applicant was required to fill out an IRS form in addition to providing other financial documentation to support their financial status.

For 54 of the 74 benefit programs, the eligibility requirements reported in the CFDA did not specify the type of financial documents the applicant needed to submit to support his/her application. Thus, it was the applicant’s discretion on which financial documents to provide. For example, USDA’s Very Low Income Housing Repair Loans and Grants program required applicants to provide evidence of their income and debts without specifying which documents to provide. Also, the U.S. Department of Interior’s social services program for American Indians required individuals to provide proof of their income/resources to qualify for financial assistance. Like the USDA program, it did not specify which financial documents the applicant must provide, only that the applicant must prove its sources of income.

For 17 of the 74 benefit programs, the applicant was required to provide a specific document/information or one or more documents/information indicated from a specified list. These benefit programs outlined which documents to submit from financial statements to tax-related documents. For instance, the U.S. Department of Commerce required applicants to submit audited financial statements when applying for the Export Promotion Market Development Cooperation program. Additionally, USDA’s Foreign Market Development Cooperator Program required applicants to submit their IRS tax exempt identification number along with their application. HUD required applicants to submit documentation such as pay stubs, W-2 forms, and other evidence of assets such as bank accounts to support their ability to obtain and repay the loan from the Indian Loan Guarantee Program.

Three SBA programs required applicants to fill out IRS forms to enable officials to contact IRS directly to obtain their tax information. These programs required applicants to submit a signed IRS Form 8821 Tax Information Authorization or IRS Form 4506 Request for Copy of Tax Return to enable SBA to obtain tax information directly from IRS for previous years. Form 8821 allows a third party such as SBA to inspect taxpayer information, receive taxpayer information, or both relating to the specific tax matters listed on the form. Form 4506 allows taxpayers to request that IRS directly provide a copy of their tax returns to SBA (at a cost of \$39 to the taxpayer per copy). Also, two of the three SBA programs required these IRS forms in addition to financial statements.

Scope and Methodology

To identify federal programs with a financial eligibility component, we reviewed federal programs found within the GSA's online Catalog of Federal Domestic Assistance. The CFDA is a government-wide compendium of federal programs, projects, services, and activities that provides assistance or benefits to the American public. It contains agency self-reported information on 15 types of financial and non-financial assistance programs administered by departments and establishments of the federal government. We focused on the financial assistance programs because of the potential benefits of increased data sharing by verifying applicant-provided information that can reduce fraud among federal benefit programs. The programs listed in table 1 are limited to those in the CFDA database as of December 2005.

We relied on all program descriptions found within the CFDA. We reviewed the eligibility requirements and financial information of 1,238 financial assistance programs to determine if they met three criteria we applied for identifying benefit programs with a financial eligibility component:

- (1) The applicant must have been an individual, business, or non-profit entity.
- (2) The applicant or beneficiary was required to provide financial information as a condition of eligibility. For the purposes of this report, we considered a social security number to be an identification number and not a document or source of information to qualify for assistance.
- (3) The benefit program's fiscal year 2003 financial obligation had to equal or exceed \$1 million.

To assess the reliability of the CFDA data, we reviewed GSA responses to questions about the process of collecting and checking the data. We determined the data to be sufficiently reliable for the purpose of illustrating the range of programs with a financial eligibility component and the documentation requirements for qualification.

As agreed with your office, unless you publicly release its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will make copies available to others on request.

This letter will be available on GAO's home page at <http://www.gao.gov>. If you or your staff have any further questions about this report, please contact me at (202) 512-9110 or brostekm@gao.gov. Contact points for our Offices of Congressional

Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this letter were Signora J. May, Assistant Director; Michele Fejfar, Jyoti Gupta, Shirley Jones, Amy Rosewarne, and Tina L. Younger.

Sincerely yours,

A handwritten signature in black ink that reads "Michael Brostek". The signature is written in a cursive style with a large, stylized initial "M".

Michael Brostek
Director, Tax Issues,
Strategic Issues Team

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