

GAO

United States General Accounting Office

Report to the Director, Office of
Management and Budget

April 1990

COMPUTER MATCHING

Need for Guidelines on Data Collection and Analysis



141142

119

Human Resources Division

B-239055

April 17, 1990

The Honorable Richard G. Darman
Director, Office of Management
and Budget

Dear Mr. Darman:

This report discusses the need for the Office of Management and Budget (OMB) to (1) work with federal agencies to develop guidance on data collection and reporting for evaluating the cost effectiveness of the Income and Eligibility Verification System (IEVS) and (2) coordinate that guidance with OMB's regulations for cost-benefit analysis under the Computer Matching and Privacy Protection Act of 1988 (P.L. 100-503).

The purpose of IEVS is to reduce inappropriate payments made under certain benefit programs. IEVS requires states to verify data provided by program applicants and recipients with Internal Revenue Service (IRS) and Social Security Administration data, and to do so in a cost-effective manner. This verification process, which is automated, is often referred to as "computer matching." IEVS was established by the Congress as part of the Deficit Reduction Act, after a presidential commission reported that federal and state governments spent more than \$4 billion during 1982 on ineligible claims or inappropriate payments by certain welfare programs.

In 1988, the Congress enacted the Computer Matching and Privacy Protection Act. This act requires cost-benefit analyses of computer matching efforts, such as state matching under IEVS, when a federal database is needed.

Our review objectives were to determine whether states have data collection and reporting systems that allow (1) federal and state program officials to determine if the IEVS program is meeting its intended purpose of saving dollars and (2) state officials to make informed decisions on how to target their computer matching operations on areas where savings are most likely to occur. A third objective was to determine whether IEVS data collection requirements conform with the cost-benefit requirements of the computer matching act. Without such conformity, states could be burdened with separate, and possibly duplicate, data collection and reporting requirements. (The scope and methodology of our review are discussed in app. I.)

regulation, published in 1986, instructed the states to delay establishing their own IEVS reporting systems until detailed data collecting and reporting guidelines were issued by all three agencies. OMB did not continue to coordinate the development of IEVS regulations with the agencies, however, and each has since separately developed and issued additional regulations. Although these regulations contained varying requirements for cost-effectiveness justifications, none of the issued regulations covered the collection and reporting of data necessary to prepare the justifications. In its January 1990 comments on our draft report, however, HHS stated that HCFA had drafted IEVS recordkeeping and reporting requirements that met its requirements for performance data.

In addition to cost-effectiveness justifications required by IEVS, the computer matching act requires states to provide information that will permit federal agencies to assess the benefits and costs of their matching efforts. The Congress incorporated cost-benefit provisions in the act because the cost effectiveness of computer matching had not been clearly demonstrated.

OMB prepared and, in June 1989, published regulations implementing the computer matching act. These regulations included reporting requirements. OMB officials said the reporting requirements are general; however, as states and federal agencies become more familiar with conducting cost-benefit analyses, OMB plans to increase the requirements' specificity to improve data quality and consistency.

Need for Uniform Data Collection and Reporting Guidelines

As of February 1990, none of the federal agencies we reviewed had developed final guidelines for data collecting and reporting for the IEVS computer matching program. As a result, data are not available to (1) assess the effectiveness of the IEVS program, (2) develop strategies for focusing state resources on areas where savings are most likely to occur, or (3) prepare various cost-benefit studies required by the program.

Annual performance reviews conducted by HCFA in 1987 and 1988, and a 1987 study by a management consultant under contract with HHS, found that most states had not collected sufficient cost and benefit data to enable (1) federal and state officials to assess whether IEVS has been successful in meeting its intended purpose or (2) state officials to make informed targeting decisions. For example, upon examining five states believed to be relatively advanced in IEVS implementation, the consultant

they did not know if they would be involved in coordinating the IEVS requirements with the cost-benefit analysis requirements of the computer matching act. In its January 31, 1990, letter commenting on our draft report, however, HHS stated that the group will develop uniform data collection and reporting guidelines for IEVS and the act.

OMB officials stated that if duplication is a problem, there may be a need to coordinate the data collection and reporting requirements for IEVS and the computer matching act, and that OMB should be responsible for this coordination.

Conclusion

Uniform data collection and reporting guidelines are needed for the collection of state data that will satisfy both the requirements of IEVS and the computer matching act. These data are needed to determine whether IEVS is meeting its intended purpose of saving dollars. The guidelines should also provide for the collection of information that will allow states to (1) assess their operations and (2) target their resources to areas where the greatest savings are likely to occur. We believe that OMB needs to work with the responsible agencies to assure that such guidelines are developed.

Recommendation

We recommend that you work with HCFA, FSA, and FNS to develop uniform data collection and reporting guidelines that will satisfy IEVS program requirements and conform with the requirements of the computer matching act. These guidelines should also provide for the collection of information that will allow states to (1) make informed decisions about where to focus their resources and (2) conduct appropriate analyses of their program performance.

Agency Comments

OMB concurred with our recommendation that uniform data collection and reporting guidelines be developed, and stated that an interagency work group should carry out this task and that it would assume a coordinating role within the group (see app. II). OMB also stated that it is developing additional guidance for cost analysis under the computer matching act. OMB further stated that the matching required by IEVS and the act should use the same criteria, and that it intends to promulgate a standard methodology to ensure that this happens.

HHS agreed with the substance of our recommendation (see app. III). It stated that the HCFA, FSA, and FNS interagency income verification work

Comments From the Office of Management and Budget



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JAN 26 1990

Ms. Linda G. Morra
Director
Intergovernmental and Management
Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Ms. Morra:

We appreciate the opportunity to comment on the General Accounting Office's (GAO) draft report entitled "Computer Matching: Need for Guidelines on Data Collection and Analysis (GAO/HRD-90-30)."

As you know, the report recommends that the Director of the Office of Management and Budget (OMB) work with the Health Care Financing Administration, the Family Support Administration, and the Food and Nutrition Service to develop uniform data collection and reporting guidelines that will satisfy the Income and Eligibility Verification System (IEVS) program requirements and conform with the requirements of the Computer Matching and Privacy Protection Act of 1988 (P.L. 100-503, which is contained in the Privacy Act). The report further recommends that the guidelines should provide for the collection of information that will allow States to: 1) make informed decisions about where to focus resources; and, 2) conduct appropriate analyses of their performance with the IEVS program.

In general, we concur with the recommendations of the report. We believe that requiring benefit-cost analyses for State targeting schemes is an important and sound first step in assessing the viability of the IEVS program as a whole. We further believe that the development of uniform data collection and reporting guidelines will enhance such analyses, and ensure that the information collected by the Federal agencies is useful. Our authorities under the Paperwork Reduction Act (44 U.S.C. Chapter 35) speak clearly on the need for such uniformity in Federal information policies and practices to the extent it is practicable and appropriate. We therefore, concur with the recommendation that uniform data collection and reporting guidelines be developed in this area. OMB will recommend to the affected agencies that the interagency income verification work group established for the purpose of developing such guidance be reactivated, and that OMB assume a coordinating role within this group.

Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JAN 31 1990

Mr. Lawrence H. Thompson
Assistant Comptroller General
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Thompson:

Enclosed are the Department's comments on your draft report, "Computer Matching: Need for Guidelines on Data Collection and Analysis." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "R. Kusserow".

Richard P. Kusserow
Inspector General

Enclosure

Background

The purpose of IEVS is to reduce losses in the Medicaid, Aid to Families with Dependent Children, and Food Stamp programs by requiring states to conduct computer matches to help verify applicants' eligibility for these programs. These programs are administered by the Health Care Financing Administration (HCFA), the Family Support Administration (FSA), components of the Department of Health and Human Services (HHS), and the Food and Nutrition Service (FNS), a component of the Department of Agriculture.

The IEVS process begins when a county or local caseworker forwards information collected from applicants to the state. After the information is entered into a master client file, the state sends a computer tape to the appropriate federal or state agencies for matching. If, for example, a Medicaid applicant earned interest in an unreported savings account, the account and interest should be detected when the file is matched with IRS information. This is commonly referred to as a "hit." IRS will return a tape to the state, with the individual's account number, the name and address of the financial institution paying the interest, and the year the income was reported.

IEVS allows each state either to investigate all computer hits or to screen out those hits least likely to result in a change in a recipient's eligibility status. If a state decides to use a screening strategy, known as targeting, federal regulations require the state to support the decision with a cost-benefit analysis or some form of "reasonable" justification demonstrating that the strategy will be cost effective.

The state distributes the information obtained from federal agencies to the appropriate county or local office for follow-up. Caseworker follow-up on the IRS example cited would consist of determining whether the information was properly disclosed by the applicant. If it was not, the caseworker would investigate and make a decision about the recipient's eligibility.

The Paperwork Reduction Act of 1980 makes OMB responsible for approving information collection requests by federal agencies and ensuring that the information is necessary and will be useful to the requesters. Under the 1980 act and Executive Order 12291 OMB may also eliminate duplication and inconsistencies in federal data collection requirements.

After IEVS was established, OMB worked with HCFA, FSA, and FNS to develop a single implementation regulation for all three programs. This

reported that due to a lack of information on program performance, targeting was arbitrary and subject to significant uncertainty.

In a nationwide survey, states cited lack of coordination among federal agencies as having a "major impact" on IEVS implementation. This survey, conducted by the American Public Welfare Association (a national association that represents state interests), criticized federal agencies' inability to develop uniform expectations and requirements for the states.

Our discussions with representatives of state interests (see p. 10) and officials responsible for IEVS implementation in three states, and our work at one state, also pointed to a need for federal guidance.

As discussed above, both IEVS and the computer matching act require states to provide cost and benefit data. Under IEVS states are required to report these data to HCFA, FSA, and FNS. Under the computer matching act, states are required (effective July 1990) to report cost and benefit data concerning their IEVS computer matching to IRS and the Social Security Administration. If HCFA, FSA, and FNS do not take into account the reporting requirements of the act as they implement the IEVS program, states may be required to develop separate, and possibly duplicate, reporting systems. For example, states could be required to report cost information in different formats, based on different cost elements, or to use different methods for computing cost elements in satisfying the two reporting requirements.

Although HCFA, FSA, and FNS officials have stated that they want to minimize states' reporting burden, little progress has been made to consolidate the collecting and reporting of data to meet the requirements of IEVS and the computer matching act.

We discussed the need for uniform data collection and reporting guidelines with officials from OMB, HCFA, FSA, and FNS. The HCFA, FSA, and FNS officials indicated that they are aware of problems with the collection and reporting of cost-benefit data and of the need to coordinate their efforts. As a result, the agencies have established an interagency income verification work group. The group was created to provide (1) a forum to discuss and help resolve IEVS issues and problems common to the programs and (2) a focal point that states can contact to raise issues and problems common to the three programs. In October 1989, we met with representatives of this group and were informed that they had met only once and were still determining the scope of their mission. At that time

group will develop uniform data collection and reporting guidelines for IEVS and the requirements of the computer matching act. HHS commented it expected OMB to assume an ongoing support and coordination role through its existing paperwork and regulatory review and approval process.

As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Copies of this report are being sent to interested Senate and House committees and subcommittees, the Secretary of Health and Human Services, the Secretary of Agriculture, and other interested parties. Copies will be made available to others on request.

If you have any questions regarding this report, you may call me on (202) 275-1655. Other major contributors to this report are listed in appendix IV.

Sincerely yours,



Linda G. Morra
Director, Intergovernmental
and Management Issues

Contents

Letter	1
Appendix I Scope and Methodology	10
Appendix II Comments From the Office of Management and Budget	11
Appendix III Comments From the Department of Health and Human Services	13
Appendix IV Major Contributors to This Report	16

Abbreviations

FNS	Food and Nutrition Service
FSA	Family Support Administration
HCFA	Health Care Financing Administration
HHS	Department of Health and Human Services
IEVS	Income and Eligibility Verification System
IRS	Internal Revenue Service
OMB	Office of Management and Budget

Scope and Methodology

To accomplish our objectives, we reviewed laws and regulations regarding the implementation of IEVS and the computer matching act. We obtained copies of (1) reviews conducted by HCFA headquarters and regional offices on state compliance with IEVS regulations, (2) available independent studies on IEVS implementation, and (3) studies that provide guidance on assessing the costs and benefits of computer matching activities.

We also visited Kentucky to observe how IEVS was being implemented and to discuss additional collection and reporting requirements that might result from implementation of the computer matching act. Our review there included determining whether Kentucky was maintaining data related to the costs and benefits associated with computer matching efforts.

We discussed these matters with officials at HCFA, FNS, FSA, and OMB; state Medicaid and other public assistance officials in Kentucky; and representatives for state interests from the National Governors' Association and the American Public Welfare Association. Much of our review focused on the collection and reporting of IEVS data under the Medicaid program; however, IEVS and the computer matching act, and therefore much of the discussion contained in this report, apply to the Aid to Families with Dependent Children and Food Stamp programs as well.

Our work was done in accordance with generally accepted government auditing standards between July 1988 and September 1989.

2

With regard to computer matching and the provisions of the Privacy Act of 1974, as amended, OMB is in the process of developing a benefit-cost analysis appendix to guidance issued on June 19, 1989 implementing the Computer Matching and Privacy Protection Act of 1988. We agree that the matching that is required by IEVS and by the Computer Matching Act should use the same criteria, and it is our intention to promulgate a standard methodology to ensure that this happens.

Again, we appreciate the opportunity to comment on this report. While we concur with recommendations presented in this report and offer our assistance in implementing them, we temper this concurrence with the recognition that the affected Federal agencies have the greatest incentive to ensure that guidelines are developed which are practicable and reasonable. OMB staff stands willing and eager to assist in the pursuit of a policy that is satisfactory to both the States and the Federal government.

Sincerely,



James B. MacRae, Jr.
Acting Administrator
and Deputy Administrator
Office of Information
and Regulatory Affairs

Appendix III
Comments From the Department of Health
and Human Services

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE
U.S. GENERAL ACCOUNTING OFFICE'S DRAFT REPORT: "NEED FOR
GUIDELINES ON DATA COLLECTION AND ANALYSIS"

These comments address the GAO's findings and recommendation on the need for uniform data collection and reporting guidelines that will satisfy both the requirements of the Income and Eligibility Verification System (IEVS) program for performance data, and of the Computer Matching and Privacy Protection Act of 1988 for cost and benefit analyses of State computer matches with Federal data bases.

GAO Recommendation:

That the Director of OMB work with HCFA, FSA, and FNS to develop uniform data collection and reporting guidelines that will satisfy IEVS program requirements and conform with the requirements of the computer matching act. These guidelines should also provide for the collection of information that will allow States to (1) make informed decisions about where to focus their resources and (2) conduct appropriate analyses of their program performance.

Department Comments:

The Department agrees with the substance of the GAO recommendation.

As the GAO report states, Department officials are aware of problems with the collection and reporting of IEVS cost-benefit data, and of the need for HCFA, FSA and FNS coordination regarding the development of uniform data collection and reporting guidelines which meet IEVS and computer matching requirements. To this end, FSA, HCFA and FNS have agreed to, and identified, a single coordinator to coordinate the activities of an interagency income verification work group which will address these problems and coordinate IEVS activities across the agencies. The coordinator is an FSA staff person, which is consistent with FSA's lead agency role in the State systems area. The work group members are representatives from FSA, HCFA and FNS program and systems areas.

One activity of this interagency work group is to develop uniform data collection and reporting guidelines for the IEVS and the requirements of the Computer Matching and Privacy Protection Act of 1988.

Prior to the formation of the work group, HCFA developed IEVS record keeping and reporting requirements which are in HCFA's final clearance process and scheduled for issuance shortly. HCFA has agreed to participate with the interagency work group to amend their record keeping and reporting requirements for IEVS and to develop uniform interagency requirements that meet

**Appendix III
Comments From the Department of Health
and Human Services**

-2-

the additional requirements of the Computer Matching and Privacy Protection Act of 1988. HCFA currently has OMB approval to collect the IEVS record keeping and reporting requirements through April 1992. The interagency work group has held meetings to discuss the need for uniform standards, and subsequent meetings, including State representatives, are scheduled to begin the development of these uniform standards.

Finally, we have had preliminary discussions with OMB regarding their support in the development of solutions to problems relating to the coordination of record keeping and reporting requirements for IEVS and the Computer Matching and Privacy Protection Act of 1988. We fully expect those preliminary discussions will lead to an ongoing support and coordination role for OMB through OMB's existing paperwork and regulatory review and approval process.

Major Contributors to This Report

Human Resources
Division,
Washington, D.C.

Donald R. Baiardo, Assignment Manager, (202) 523-9131

Atlanta Regional
Office

Richard M. Johnson, Evaluator-in-Charge
Laura L. Reiter, Staff Member

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

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

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**
