

**ALIEN VERIFICATION
FOR ENTITLEMENTS**



OFFICE OF INSPECTOR GENERAL

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**ALIEN VERIFICATION FOR ENTITLEMENTS
A NATIONAL PROGRAM INSPECTION**

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EXECUTIVE SUMMARY

Purpose And Background

This inspection resulted from the continuing interest of the Office of Inspector General in encouraging automated front-end eligibility verification for entitlement programs. The Inspector General became concerned that few State human services agencies, in their claims processing for this Department's programs, were availing themselves of an automated alien verification system, known as SAVE (Systematic Alien Verification for Entitlement), developed by the Immigration and Naturalization Service (INS) and made available in the early 1980's.

The inspection sought to (1) obtain States' assessment of the strengths and weaknesses, as well as the advantages and disadvantages of SAVE; (2) identify obstacles to the expanded use of SAVE; and (3) provide feedback to the Department, INS and other departments administering programs to which SAVE could be applied as a voluntary verification system.

A check of alien status (whether done manually or by automated techniques) is standard practice in the Aid to Families With Dependent Children, Food Stamps, Medicaid and Unemployment Insurance programs. Eligibility requirements for these programs limit eligibility to aliens who are lawfully admitted for permanent residence or classified as permanently residing under color of law (PRUCOL).

The recently enacted Immigration Reform and Control Act of 1986 (IRCA) includes a provision requiring the use of SAVE by State agencies administering six programs including those covered by this inspection. Under certain circumstances, the law permits State agencies to obtain a waiver allowing them to use an alternative system.

Methodology

Site visits were conducted in six States, (California, Colorado, Florida, Illinois, New York and Texas), selected on the basis of the estimated number of their illegal aliens and their experience with SAVE. Two other States (Washington and Wisconsin) with SAVE experience were contacted by phone. All but Wisconsin ranked among the top 12 States in terms of undocumented alien population.

The study focused on four Federal entitlement programs administered by state agencies: Aid to Families With Dependent Children (AFDC), Medicaid, Food Stamps and Unemployment Insurance (UI).

In each of the visited States, discussions were held with: staff of the Governor's Office, INS District Office, Federal Regional Offices of the Departments of Health and Human Services (HHS) and Labor (DOL), State and local agencies, and advocacy groups.

Findings

- o Most State agencies are satisfied with using their traditional manual methods of verifying alien status of applicants for human services and unemployment benefits. They cited low quality control error rates as evidence of success.
- o While States were slow to participate in SAVE, UI agencies in eight States and the District of Columbia had early pilot projects as did human services agencies in five States. More recently, 13 other agencies in six more States and three jurisdictions have begun to participate, partly in anticipation of IRCA's requirement to do so.
- o About half the agencies with early pilot projects have continued them. They cited as reasons quick response time for aliens in INS' data base, savings greater than costs and a deterrent effect on other ineligible applicants. Although most agencies with data on SAVE's cost and benefits reported that it saved more than it cost, the cost data were incomplete and savings were not compared to traditional manual methods. Consequently those agencies without SAVE experience, as well as a few with such experience, have been skeptical of the projected net savings reported by INS and States.
- o Most officials pointed out weaknesses in the SAVE data base. Those in human services agencies were particularly concerned that SAVE is not helpful in providing information to allow them to make determinations on those aliens classified as permanently residing under color of law (PRUCOL).
- o In a substantial number of cases, the automated SAVE response is not sufficient, and agencies have to then resort to a time-consuming, manual secondary verification process.
- o Whether or not their State had experience with SAVE, it was the clear consensus of respondents that SAVE is a sound concept. With substantial improvements, many hoped it would save program dollars and speed up service.

Conclusions

As Federal and State agencies implement the SAVE provisions of IRCA, an opportunity exists for them to work closely with INS to enhance the SAVE system and make it more attractive to States.

Contacts with INS officials during the inspection revealed a willingness to make improvements to better meet user needs. INS has established an interagency task force for that purpose. Because the law is so new, no recommendations are included in this report. However, it appears that Federal user agencies would benefit from a review of their common information needs relative to the SAVE system. Over time, an improved SAVE system could be a useful tool for strengthening program integrity.

Comments From Federal Agencies

Comments on the draft report were received from the Assistant Secretary of Planning and Evaluation (ASPE), the Administrator of the Family Support Administration (FSA), the Administrator of the Health Care Financing Administration (HCFA), the Commissioner of Social Security (SSA) -- all within HHS; and outside the Department, from the Inspectors General of the Departments of Labor (DOL), Education (ED), and Housing and Urban Development (HUD); and from the Commissioner of the Immigration and Naturalization Service.

Major comments by ASPE, DOL and FSA questioned the accuracy of estimates of cost savings due to SAVE made by INS, the Congressional Budget Office and some State agencies with SAVE projects. They felt that data on costs were incomplete and that savings from SAVE were not compared with savings from traditional agency methods of verification. In response, we added a new section qualifying the cost savings findings.

Conflicting comments by FSA and INS on the relevance of including PRUCOL information in the SAVE response suggest that State agencies and INS judge the effectiveness of SAVE by different criteria. We did not change our finding that agencies saw the omission of PRUCOL information to be a serious limitation.

Other comments related to problems and progress with secondary verification, the adequacy of traditional agency verification methods, and other experiences with SAVE. A number of recommendations were made for increasing the utility of SAVE. Details of the comments and of our responses are described in the Appendix.

INTRODUCTION

Purpose And Background

In recent years, the use of automated techniques such as computer matches and screens to assure the integrity of payments has grown steadily in State programs receiving Federal funds. Much of this technology has previously been directed at preventing duplicate payments or verifying income eligibility for means-tested entitlement programs.

More recently, automated methods have also been applied to the task of verifying eligibility based on alien status. In 1983, the Immigration and Naturalization Service (INS), based on its experiences in the early 1980's with pilot projects in three States (California, Colorado and Illinois), began promoting State use of its automated system called SAVE (Systematic Alien Verification for Entitlement).

Because few State human services agencies have utilized SAVE to verify alien status of applicants for Aid to Families with Dependent Children (AFDC), Food Stamps and Medicaid, the Inspector General initiated this inspection to find out the reasons.

The inspection had three objectives:

- To gain a current overview of perceived strengths and weaknesses, as well as advantageous and disadvantages, of automated alien status verification systems;
- To identify obstacles to human services agencies establishing or expanding such automated systems; and
- To give feedback to HHS, INS and other departments administering programs to which SAVE is applicable.

While completion of this inspection was pending, the Immigration Reform and Control Act of 1986 (IRCA) was signed into law as Public Law 99-603. One of its provisions to control illegal immigration is a requirement that State agencies verify with INS the immigration status of alien applicants for AFDC, Medicaid, Food Stamps, UI, and Housing and Educational Assistance benefits. This is to be done through an "automated or other system (designated by the Service for use with States)..."

The Secretary responsible for any of these programs may grant States a waiver permitting them to use an alternative to such an automated or manual version of SAVE if one of the following conditions are met: (a) an equally effective and timely

alternative system exists; or (b) the costs of administering the SAVE system exceed the estimated savings.

These recent developments provide a new context for reviewing the results of this inspection.

Methodology

Site visits were conducted in six States (California, Colorado, Florida, Illinois, New York and Texas) selected on the basis of the estimated number of illegal aliens and experience with SAVE. Two other states (Washington and Wisconsin) with SAVE experience were also contacted by phone. All but Wisconsin ranked among the top 12 States in terms of undocumented alien population.

Prior to formal data collection, discussions were held with Federal officials from INS, HHS, the Departments of Labor (DOL), Agriculture (USDA), and Education (ED), and with advocacy groups to identify the issues. The data collection instruments were pre-tested with State and local officials in Connecticut and New York.

The study focused on four Federal entitlement programs administered by State agencies: two are HHS programs - AFDC and Medicaid; one is a USDA program - Food Stamps; and one is a DOL program - Unemployment Insurance (UI). While the IG's primary concern was with AFDC and Medicaid, USDA's Food Stamp program was included because its State administration and local eligibility determination process is frequently linked to AFDC. DOL's UI program was included because it has had wider experience with SAVE.

In each of the States visited, discussions were held with: a representative of the Governor's Office, INS District Office staff, Federal Regional Office staff in HHS and DOL, State and local agency officials and eligibility workers in UI and human services programs, and with representatives of one or more advocacy groups.

A total of 328 respondents were contacted in the capital cities of the eight states, and in Los Angeles, San Francisco, Houston, Dallas, Chicago, Miami, Atlanta, New York City, Washington, D.C., and Hartford and Bridgeport, Connecticut. A special sub-study of 14 additional advocacy groups in New York City was also conducted.

FINDINGS

A MAJORITY OF ALIENS ARE ELIGIBLE FOR BENEFITS

Prior to 1972, no Federal eligibility requirements based on citizenship or alien status existed for AFDC, Medicaid, Food Stamps and UI programs. Between 1972 and 1976, however, laws bearing on alien eligibility were enacted for all these programs, except Medicaid. While alien eligibility regulations were adopted for Medicaid in 1973 without a statutory basis, the recent IRCA legislation established such requirements by statute. The requirements established in the 1970's for the AFDC, Food Stamps and UI programs each identified two categories of aliens who, if otherwise eligible, are entitled to benefits:

- immigrant aliens lawfully admitted for permanent residence; and
- aliens "permanently residing under color of law" (PRUCOL).

All other aliens are considered ineligible. They include nonimmigrant (i.e., tourists, students and others lawfully admitted on a temporary basis) and those undocumented aliens who do not qualify "under color of law."

Most aliens in this country are eligible for benefits, since a majority (about three-fifths, according to recent studies) are immigrants lawfully admitted for permanent residence. Aliens in the category of "permanently residing under color of law," or PRUCOL, are also eligible for benefits. This category, however, is open to interpretation and is confusing to eligibility workers and aliens alike. Although originally defined by the four programs in nearly identical terms, PRUCOL has since come to be defined differently for each program. According to agency officials, this makes it difficult for local eligibility workers, especially those in human services agencies who handle more than one program, to determine PRUCOL eligibility. In general though, PRUCOL includes those in the U.S. since January 1, 1972 (updated from 1948 by IRCA), those designated as refugees, parolees and asylees, and certain persons for whom INS has withheld deportation.

Over the last 8 years, a series of Federal and State court cases, aimed at clarifying the definition of PRUCOL, have further complicated the question of who is eligible. For example, in response to a 1984 Federal court order in *Berger v. Schweiker*, the Social Security Administration (SSA) developed an even longer list of aliens falling within an expanded definition of PRUCOL for the Supplemental Security Income (SSI) program. These include undocumented aliens in the U.S. with the knowledge and

permission of the INS and whose departure INS does not contemplate enforcing.

While these cases have usually expanded the definition to make more aliens eligible for the various programs, they have resulted in differences among the programs. Until January 1987, HHS' HCFA (Health Care Financing Administration) even had two different definitions of PRUCOL eligibility for Medicaid depending on whether an applicant's eligibility derived from the alien's SSI or AFDC eligibility. However, as the result of the Omnibus Reconciliation Act of 1986 (OBRA-86) which permitted Medicaid eligibility for PRUCOL applicants, HCFA has applied the broader SSI categories of PRUCOL to all Medicaid applicants since January 1987. Aliens legalized under IRCA will also be eligible for Medicaid after 5 years. There are two exceptions to the 5-year ban: (1) those under 18, Cuban-Haitian entrants, or aged, blind and disabled, and otherwise eligible, may receive all Medicaid services right away; and (2) others legalized but not in these groups may receive emergency services or services for pregnant women.

MOST STATES CHECK ALIEN STATUS MANUALLY

All legal aliens are required to carry documentation issued by INS. Persons lawfully admitted for permanent residence are generally issued a "green card" (Form I-151 or I-551), bearing an "A" (alien) number. Nonimmigrant aliens and other lawfully admitted aliens, such as refugees, are generally required to carry an arrival and departure record, Form I-94. Some other aliens known to INS may be required to carry special INS documents such as letters.

Intake or eligibility workers in public assistance agencies generally accept any "green card" which looks legitimate as evidence of alien status. Other INS documents, especially the I-94, are reviewed according to written procedures prescribed by Federal and State agencies. If unable to produce an acceptable document, the alien is either sent home or to INS to get it.

Many agencies not using the automated SAVE system nevertheless have some contact with INS, either by phone or by mail. This varies greatly by locality and often depends on the relationships which individual workers or supervisors have with INS. Although only INS is authorized to determine whether or not an applicant's claim to legitimate alien status is valid, it is the State agency's responsibility to make the decision on alien eligibility using all data available.

INS OFFERS SAVE -- AN AUTOMATED ALTERNATIVE

Since the 1970's, INS has been developing automated systems to manage its data on aliens, and has given a high priority to making part of its alien data base available to State or local agencies for use in verifying the eligibility of alien applicants. Since the early 1980's, INS has succeeded in getting some State, city and county agencies to undertake pilot projects.

To encourage more State entitlement agencies to use its alien data base, INS formalized these automated verification activities in 1984 under the heading of SAVE (Systematic Alien Verification for Entitlement). SAVE involves the systematic use of a terminal, either in an INS District Office or in a State agency, to access the INS alien file to determine an applicant's alien status.

Under a model SAVE project, prior to IRCA, a State agency entered into a formal agreement with INS and installed in its office a terminal hooked up to INS' computer system. Using this, the data entry worker then keyed in an "A-number" (INS' alien registration number) and, in a matter of seconds, received a response on the Alien Status Verification Index (ASVI) display, which includes the following limited number of data fields:

- o A-number
- o Last and first names
- o Social security number (not currently used because many SSNs are not in the data base)
- o Date and country of birth
- o Date and port of entry
- o File control office
- o Class of admission (e.g., refugee)
- o Date file opened
- o Alien status (e.g., lawful permanent resident - employment authorized) and action needed, if any (e.g., institute secondary verification).

The SAVE system can only be accessed by the A-number listed on the green card or on some I-94s. If the response shows that INS has no record of the A-number, or that the alien is not listed as a lawful permanent resident, it indicates that a secondary verification should be initiated. The agency then fills out INS' Form G-845 (Document Verification Request) and mails it, together with photocopies of the applicant's immigration documents, to the nearest INS District Office. After INS staff review the documents, make a computer check against the more comprehensive Central Index (with its 108 data elements) and/or institute a manual check against paper files, the results are mailed back to the State agency. If the data do not support the status claimed

by an applicant, the alien may present his/her case to the entitlement agency before a final determination is made.

Most existing SAVE projects in State or local agencies do not conform entirely to this model. The three major variations are:

- (1) The State or local agency mails a list of alien applicants to the INS District Office for automated verification by INS staff, and the results of automated verification are mailed back to the agency.
- (2) INS picks up alien applicant lists from the agency for automated verification by INS staff.
- (3) A State or local agency staff person sits at an INS District Office terminal and verifies alien status through an INS computer.

Since IRCA was enacted, INS has designated six options for State agencies to consider in implementing the Act's requirement that they verify each alien's immigration status through an INS designated system. These options range from various automated techniques using either a computer terminal or a touch-tone telephone to manual or mail methods in limited circumstances.

EXTENT OF THE PROBLEM OF INELIGIBLE ALIENS NOT CLEAR

Most Say Ineligible Aliens Are Not A Big Problem

A significant majority (84 percent) of the State and local officials contacted expressed the opinion that paying benefits to ineligible aliens was not a big problem. Half the local eligibility workers and virtually all officials in INS' District Offices, on the other hand, did believe it to be a big problem.

State and local officials offered as evidence low quality control (QC) error rates due to citizenship (including alien status). Rates were available (although for different periods) for three human services programs in four States. These States, shown in Chart 1, all used manual verification methods for these programs.

These consistently low QC error rates suggest that the numbers of ineligible aliens who slip through current verification procedures may be small. This interpretation, however, is questioned by INS based on its view that low QC error rates reflect inadequate manual verification in the QC, as well as in the regular eligibility procedures.

Chart 1

Quality Control Error Rates Related To Citizenship/Alien Status

PROGRAM

<u>STATE</u>	<u>AFDC</u> %	<u>FOOD STAMPS</u> %	<u>MEDICAID</u> %
Illinois (10/84-3/85)	0.14	0.8	0.1
New York (10/83-9/84)	0.0	0.01*	0.1
Texas (10/84-9/85)	0.04	0.08	0.09
Washington (7/84-6/85)	0.04	0.04	0.0

* This figure includes a category of "other errors" as well as citizenship errors.

Ineligibles Seen As Unlikely To Apply

Three-quarters of the State and local officials said they were aware of no evidence that illegal aliens are likely to apply. All the INS officials, plus a handful of others, disagreed. Most evidence cited by both sides was anecdotal or based on personal experience. However, to support their belief that illegal aliens were likely to apply, officials from INS and agencies using automated methods cited rates of denials for ineligible alien status. For example, local officials in two States using SAVE reported 5 percent and 6 percent denial rates among alien applicants for UI and AFDC respectively. These rates, however, were based on the percent of denials among alien applicants only. The denial rates are much smaller when based on total number of all applicants as shown below.

Chart 2 presents data provided by UI agencies in eight States and human services agencies in six States which show the percent of their denials based on alien status. Although data were not available for comparable time periods, these denial rates are listed to show the range of rates for these two types of programs. All data are based on using SAVE, except those for California UI and for Texas and New York AFDC and Medicaid. All these rates are consistently low and appear to support the view that ineligibles are not likely to apply.

Chart 2

Percentage Of All UI Applicants And AFDC Or Medicaid Applicant Denied Because Of Alien Status In Eight States*

<u>STATE</u>	<u>% UI Applicants Denied</u>	<u>% AFDC Or Medicaid Applicants Denied</u>
California	0.38% **	0.12%
Colorado	.58	.01
Florida	.71	N.A.
Illinois	.19	.01
New York	.05	.01**
Texas	.31	.04**
Washington	.02	.00
Wisconsin	.02	N.A.

* Time periods varied from one month to one year during 1984, 1985 and early 1986. All Washington data and Texas UI data are for local projects.

** These denial rates are not based on using SAVE.

Based on experience in Illinois with the UI program, INS has estimated that once SAVE is in operation, .69 percent of applicants will be "illegal" aliens, compared to an estimated 2.5 percent before SAVE is used. All but one of the above denial rates are substantially lower than the .69 percent estimated by INS as the proportion applying after SAVE is implemented. This is true whether or not SAVE was used. The range of denial rates for human services is even lower than the range for UI which also has a very low upper limit of less than one percent. In the absence of evidence that SAVE is less efficient in screening out ineligibles among human services applicants, this suggests that the problem of ineligible alien applicants may be even smaller for these agencies than for UI agencies.

State trend data which would permit comparison of denial rates before and after SAVE are not available. It is, therefore, not possible to gauge the effect of SAVE on denial rates.

INS Officials See Big Problems In Terms Of Dollars

INS officials emphasized that the size of the problem can also be measured in terms of dollars. One described it as one of the major problems in the United States today. Based on its statistical projection that 2.5 percent of recipients of benefits are illegal aliens, INS believes that SAVE would result in \$2.8 billion in cost avoidances if various agencies in all fifty States participated. The estimate by INS of the proportion of

illegal aliens among beneficiaries is based on the assumptions that 2.5 percent of the population are illegal aliens and that illegals will apply for and successfully receive benefits at the same rate as all other groups. These assumptions have been questioned by various Federal and State officials.

The Congressional Budget Office (CBO), during congressional consideration of IRCA, estimated annual savings to the Federal government for 1989 of \$25 million (less \$10 million or more annual costs) resulting from mandating SAVE in all States. This is significantly lower than INS' estimate of savings. However, the estimated savings for several UI agencies with SAVE projects suggest that the problem of inappropriate dollar payments may be substantial at least for UI. It should be noted, though, that denials for UI are not based on alienage alone, but on current authorization to work. If the alien is eligible under PRUCOL, but is not currently authorized to work by INS, the UI claim is denied. In Florida, a U.S. District Court ruled in a class action suit that many denials for UI were based on improper termination by INS of work authorization, triggered by SAVE inquiries.

Savings projected by one State's human services program suggest a less significant problem in terms of dollars for human services. Savings for various programs are shown, together with estimated costs of implementing and/or operating SAVE, in Chart 4 on page 11.

Comparison of how SAVE vs. traditional manual verification methods address the problem of ineligible alien applicants is a discussed under cost benefits below.

STATE RESPONSES TO SAVE

Sixteen States Have Used SAVE

In the last 4 years, INS staff have actively promoted SAVE as a way to save money by reducing the number of ineligible aliens receiving benefits and as a way to remove the "magnet of benefits" which is said to attract illegal aliens to this country. INS appears to have first targeted UI agencies in States with large alien populations; human services agencies have been a second target in the same States.

Results of these efforts in the eight States contacted are shown in Chart 3 below, including State and local pilot projects and extended SAVE projects by type of program. In addition to these eight early States, eight others have also used some form of SAVE. These include Virginia and the District of Columbia (D.C.) which have had UI pilots for several years and more recently, according to INS, UI agencies in Idaho, Indiana, and Montana, and

both UI and human services agencies in Hawaii, Louisiana and Mississippi. The three jurisdictions of Puerto Rico, Virgin Islands and Guam are also participating. Twenty-seven agencies in these States and jurisdictions have had SAVE projects.

Chart 3

Dates Of Early Pilot Or Extended SAVE Projects By Type
Of Program In States Contacted *

	<u>Unemployment Insurance</u>		<u>Human Services (AFDC Food Stamps, Medicaid)</u>	
	<u>Pilot</u>	<u>Extended</u>	<u>Pilot</u>	<u>Extended</u>
Illinois	pre-10/83	10/83-present	11/85-present	-
Colorado	1983	7/84-present	5/83-6/83	7/84-present
California	-	-	pre-1983	1983-present
Florida	6/84-9/85	10/85-present	-	-
Texas	10/85-11/85	7/86-present**	-	-
New York	4/85-6/85	-	-	-
Washington	10/85-12/85**	-	8/85-9/85	-
Wisconsin	1/85	1/86-present	2/85-3/85	-

* Pilots are defined here as initial projects to try out INS' automated verification, either on-line or through hand delivery or mail. Extended SAVE projects are expanded or continuing efforts on a more formal basis.

** Projects limited to selected cities or offices.

These projects include some using an on-line system connected to INS' SAVE data base and many using hand delivery or mail to INS.

Agencies Slow To Use SAVE; Half With Pilot Projects Continue Them

States have been generally slow to use SAVE. This has been especially true for human services agencies. The fact that only five human services agencies in the States contacted have had pilot projects reflects, in part, INS' early focus on UI agencies; that only two of these States have continued them suggests that human services agencies have had less positive experiences with Save than UI agencies. By contrast, INS succeeded in getting UI agencies in eight States and D.C., to participate early in pilot SAVE projects.

Once States tried SAVE, about half continued to participate, usually in their UI agencies. Of the 12 agencies in the eight contacted States which have tried some version of SAVE, seven agencies extended their project beyond the pilot phase. They

included UI agencies in Colorado, Florida, Illinois, Texas and Wisconsin, and human services agencies in California and Colorado. The UI agency in Texas has extended its pilot beyond Houston to El Paso, Dallas, Fort Worth and San Antonio, despite some concerns over continuing litigation.

ADVANTAGES OF SAVE

Respondents in agencies which have continued their use of SAVE were generally satisfied, citing such advantages as the quicker response of an automated system, as well as its cost savings and deterrent effect. One State UI official said, "Why drive a Ford when a Cadillac is available."

Users Like Quick Response For Those Aliens In The System

Respondents noted that if the A-number is in the SAVE data base, INS' response is virtually instantaneous. Transmittal of the INS response by the State agency to its local requesting office can, however, take a few minutes or several days, depending on the type of communication used, e.g., computer, telephone, hand delivery or mail. In any case, services are expedited when SAVE in its automated form can verify an alien's legal status more quickly than manual methods. Five agencies using SAVE and two INS District Offices report, however, that computer downtime occurs occasionally.

Cost Benefits Of SAVE Claimed, But Data Are Incomplete

Savings A Major Selling Point For SAVE. A key argument in INS' efforts to promote SAVE among the States has been to point out that it saves more money than it costs. An INS analysis estimates the initial costs of installing SAVE at about \$2,500, with annual maintenance costs near \$25,000. INS projects that annual data processing costs, if all 50 States were using SAVE, would come to only about \$1.35 million. This would be insignificant compared to INS' estimate of \$2.8 billion in savings from SAVE, if both estimates are based on reasonably complete and accurate information. But INS' cost estimate did not include labor costs. Also, its estimate of savings is partly based on State reports which do not identify how much of their savings from SAVE would have also resulted from traditional manual methods which require no additional costs.

The Congressional Budget Office (CBO) estimated that SAVE would cost at least \$10 million to run annually. By their calculations, a net savings of \$15 million in 1989 and \$10 million annually thereafter might still result from implementing SAVE in the fifty States. But CBO points out that the cost of anticipated litigation was not included in the calculations. Nor

did CBO include the labor costs of running SAVE. Consequently CBO called its estimates of \$10 to \$15 million savings "very uncertain."

Estimates Based On Incomplete Data. The available data on costs attributed to SAVE are incomplete in that they often do not include costs of labor and never include the costs of litigation. The data on savings are incomplete in that they do not show what savings resulting from the use of SAVE are above and beyond the savings that would have been achieved by the use of traditional manual methods.

One of the few studies, if not the only one, comparing the relative successes of SAVE and manual methods of alien verification was conducted by the Illinois Department of Public Aid. After a 6-month study of AFDC applicants at four local offices with many foreign born applicants Cook County, the agency concluded that the small additional savings which would have resulted from using SAVE, rather than manual methods did not warrant the diversion of staff from larger sources of error.

Best Available Data Presented With Qualifications. Despite the serious limitations of most of the estimates, they are presented as the best available information. This is the same information which INS and some States use to support SAVE and other States use to question it. The estimates require careful qualification so they are not misleading.

As shown in Chart 4, eight of ten agencies for which saving and cost estimates were available reported savings greater than costs. Reported gross savings ranged from \$29,080 for five UI centers in Washington to \$4.2 million for Illinois UI. Estimated costs ranged from \$5,694 for Wisconsin UI to \$113,000 for Florida UI in its start-up year. The cost estimates by some of these State agencies, however, apparently did not include labor costs. Data processing as well as labor costs may vary by type of project. Also, the costs of litigation, which as the CBO report indicated are difficult to determine, are not included.

On the basis of these limited data, eight of the agencies, including one human services agency, estimated savings greater than costs from the use of SAVE ranging from \$13,000 to just over \$4 million. Two State UI agencies, on the other hand, said that SAVE had not been cost beneficial for them. Washington UI reported that the small savings achieved in its pilot were more than offset by the estimated costs of detection and collection. New York UI, based on its pilot SAVE project, judged the use of SAVE would not be cost effective for its program, although it did not make its figures available.

Chart 4

Estimated Annualized Savings And Costs Associated
With SAVE Reported By State Agencies

	<u>Est. Savings</u>	<u>Est. Costs</u>	<u>Est. Savings Less Est. Costs</u>
Colorado UI	\$ 279,700	\$ 13,200	\$ 265,800
" Human Svcs.	33,000	20,000	13,000
Florida UI	780,000*	113,000	667,000*
Illinois UI	4,200,000	30,000	4,170,000
New York UI	N.A.	N.A.	(judged ineffective)
Texas (Houston) UI	666,000	100,000	666,000
Washington: 5 UI Centers	29,080	15,708 plus collection costs	(net loss estimated)
Wisconsin UI	52,000	5,694	46,306

* These figures do not include a retroactive reduction in savings based on a recent court ruling that 140 claims were inappropriately denied due to INS actions.

In summary, those estimates have two weaknesses: the SAVE cost data are usually incomplete, and comparable estimates of costs and savings for traditional manual methods are not provided.

SAVE Deters Some Ineligible Applicants

INS believes that SAVE also deters illegal aliens from applying for benefits, and thereby reduces losses. According to INS, the rate of illegal alien applicants will drop from a level of 2.5 percent to 0.69 percent once the word gets out. Several States agreed that SAVE was a deterrent, but data on any incremental deterrent effect of SAVE over and above the deterrent effect of traditional methods were lacking. Other agency and advocacy group officials reported their belief that some eligible aliens are also deterred from applying for benefits out of fear.

One potential result of deterrence, acknowledged by INS, is that some ineligible aliens may avoid a SAVE check by claiming citizenship. This points to the need for a parallel effort by those user agencies which require proof of citizenship, to prevent the use of fraudulent birth certificates.

LIMITATIONS OF SAVE

States Report Many Aliens Are Not In The Data Base

A major problem for States is the common perception that many aliens are not included in SAVE's data base. Nearly four-fifths of all respondents saw the lack of accuracy and completeness of INS' data as an obstacle to its use by more agencies. INS officials indicated that recent entrants, as well as persons who entered the U.S. prior to 1956, will not be in the SAVE system. However, various States report that the SAVE file is incomplete for other aliens later determined to be legal residents. An agency worker expressed a common view that the SAVE information should be taken "with a grain of salt." States also noted that the status of certain categories of aliens are recorded or updated very slowly.

It should be noted that most illegal aliens are not in the SAVE data base. By definition they are undocumented. Since some undocumented aliens who become PRUCOL are still not entered into the system, SAVE provides no immediate help in such cases.

SAVE Lacks PRUCOL Information

A major concern, especially of human services agencies and advocacy groups, is that SAVE does not assist agencies in making eligibility determinations based on PRUCOL. The primary verification data provided by SAVE includes the limited information listed on page 4, but does not indicate whether the alien has a status which helps the agency determine whether he/she is permanently residing under color of law. Similarly, INS' secondary verification response categories on its Document Verification Request Form (G-845) are oriented to UI agencies rather than to human services agencies: three of the six response categories have to do with employment authorization but none of them have addressed PRUCOL questions directly. Recently, however, new G-845 Forms have been prepared which will provide additional boxes indicating whether or not INS anticipates actively pursuing expulsion of the alien at the present time.

Nevertheless, for many aliens who apply for AFDC, Medicaid or Food Stamps, SAVE is relatively useless. Information on PRUCOL status is also likely to become more important to UI agencies as court challenges to UI determinations result in further clarification of "who is eligible as PRUCOL."

Although some keys to a PRUCOL determination are displayed on the SAVE screen, the many possible combinations of these data elements make it virtually impossible for a State worker to make PRUCOL decisions. In response to a question about the feasibility of adding a specific PRUCOL data field on the ASVI screen, INS officials said that INS could create a "formula"

based upon country of birth, entry date and admission class that could indicate the PRUCOL status for about 80 percent of such aliens.

Secondary Verification Is Frequently Required

If SAVE cannot find the alien's record and/or confirm the alien's status in the data base, the screen indicates that a secondary verification is needed. When SAVE shows no record of the A-number provided by the State or local agency, the complete INS data base could be further checked by name and date of birth, but INS does not permit State and local agency workers to do this. Some agency workers object to this limitation, but INS says that broader access violates the alien's right to privacy. The most disturbing fact about secondary verifications is the large number that must be requested. In the eight States queried, six agencies were able to provide information on their secondary verification rates. Rates for these State and local agencies ranged from 11 percent to 75 percent of alien applicants for whom a secondary check beyond the initial SAVE query was necessary. The rates reported by the agencies for different periods of time are as follows:

	<u>Secondary Verification Rate (By %)</u>
CA (Orange Co. Human Services)	75%
CO (UI)	11
FL (UI) *	43
IL (UI)	30
NY (UI)	11
WA (UI)	38

* Verifies only aliens without "green cards."

While the rates vary considerably, most of the agencies reported that 30 percent or more of their initial inquiries to INS required secondary verification. For human services programs in Orange County, the secondary verification rate was a reported 75 percent. However, the Government Accounting Office (GAO) has recently reported lower rates for human services in Colorado and Puerto Rico of 24 percent and 9 percent respectively for the 6-month period from October 1, 1986 to March 31, 1987 (Systematic Alien Verification System Could Be Improved, September 1987). It also reported rates of 69 percent, 19 percent and 9 percent for UI programs in Florida, Illinois and Colorado respectively.

Three main reasons for doing a secondary verification are:

1. There is no record of the alien's A-number in INS' data

base (e.g., the alien entered the country many years ago or very recently and an A-number was not entered);

2. There is an A-number in INS' data base, but the SAVE display shows "Institute Secondary Verification";
3. There is an A-number in the data base, but there is a discrepancy between the information submitted by the agency and information sent back by INS via the SAVE display. These discrepancies are usually due to one of the following:
 - inaccurate information is submitted
 - inaccurate information is sent back
 - outdated information is sent back
 - information sent back by INS is insufficient for the agency to determine if the alien is eligible under PRUCOL

GAO also reported on the reasons why secondary verifications of 93 eligible aliens were made at Denver and Miami INS offices, They included the need for a special code for Cuban-Haitian entrants authorized to work (47 cases), incomplete SAVE data (28 cases), additional data needed for UI (7 cases), clerical errors (7 cases) and PRUCOL could not be determined (4 cases).

Some of these problems may be more easily corrected than others. For example, INS intends to make a one-time update of its data base to add a code for Cuban-Haitian entrants. In the case of PRUCOL there is often more information in the data base than is currently shared with the State through SAVE.

Because the secondary verification is done by mail and may include a manual search of hard copy files by INS, it generally took 2 weeks and, sometimes, up to a month or more. This has caused concern among some State UI agencies which are required to pay claims within 14 days in many cases. In its September 1987 notice of verification procedures, INS states that response to secondary verifications should be returned within 7 to 10 days and no later than 21 work days. INS has also commented that these procedures ensure that no eligible applicant is denied benefits.

In sum, many State agencies were concerned about secondary verification for three reasons: first, it converts a purportedly automated process into another resource-consuming paper process; second, it adds weeks to the eligibility determination process at a time when agencies are being pressed to speed it up; and last, it raises further questions about the quality and completeness of data in the INS data base.

WHY STATES WERE RELUCTANT TO USE SAVE

Agencies Were Supportive Of SAVE Concept But Preferred Current Manual Methods

Nearly everyone agreed that the SAVE concept is a good one and has the potential for reducing inappropriate payments. However, most respondents from agencies and advocacy groups saw major problems in its implementation. Respondents in general and State agencies in particular preferred to see traditional, non-automated methods continued. Four-fifths of all respondents, contacted before IRCA was enacted, opposed making SAVE mandatory.

Most agency respondents felt that the mere fact that they ask applicants for documentation is enough of a deterrent. The low QC error rates were also cited as a reason for satisfaction with non-automated procedures.

Many State Agencies Were Concerned About Costs And Liability Under SAVE

Another important reason States were cautious about changing to automated methods was concern that automation would cost more than INS says; some doubted also that savings would be as great as estimated.

It was pointed out by UI officials that any savings derived from using SAVE will accrue to a State's UI Trust Fund and will not offset costs to the State. Other concerns included the costs of court suits brought by advocacy groups on behalf of applicants who feel they were wrongfully denied benefits. The States know that they, and not INS, are potentially liable for the costs of such suits.

Also, despite INS' explanations of how it has computed its cost savings estimates, some agencies in large States are not yet convinced of the accuracy of these estimates. Unemployment agencies in Washington and New York States and the human services agency in Illinois have been concerned that results of their pilot projects failed to show the expected savings. Agencies in several States have encountered adverse publicity because of SAVE.

Since the new immigration law provides for 100 percent Federal reimbursement for costs to State agencies of implementing and operating a SAVE system, concerns about program costs should be less of an issue for States but a continuing one for Federal programs. Costs to the State of litigation resulting from challenges to denials of benefits based on alien verification through SAVE, however, would not qualify for Federal reimbursement.

CONCLUSIONS

This inspection found that most State agencies contacted were satisfied with their manual methods of verifying alien eligibility and believed they were effectively coping with what they see as a relatively minor problem of ineligible aliens. While some State agencies which have tried SAVE like it, most States, regardless of their SAVE experiences, perceive major problems with INS' alien data base, including incomplete information and the absence of PRUCOL data from the SAVE response. These and other concerns have made many agencies, especially human services agencies, reluctant to participate in SAVE. While data provided by most SAVE projects suggests that SAVE is cost-beneficial, the cost data are incomplete and many State agencies are not convinced that savings from SAVE are much different than savings from traditional methods.

The new Immigration Reform and Control Act of 1986 has added a new dimension to the findings of this inspection. INS had until October 1987 to make a verification system available to States, and States have until October 1988 to begin complying with the requirement to use a SAVE system (or justify a waiver). This allows time for INS and the affected Departments (HHS, Labor, Agriculture, Housing and Urban Development and Education) to work toward developing a system that will most effectively meet the needs of user agencies. INS has established an interagency task force for that purpose. HHS and Food Stamp agencies are assessing their quality control methods in six large States and will provide INS with information on SAVE to help them increase the utility of SAVE.

APPENDIX

COMMENTS ON DRAFT REPORT AND OIG RESPONSES

HHS comments on the draft report were received from the Assistant Secretary of Planning and Evaluation (ASPE), the Administrator of the Family Support Administration (FSA), the Administrator of the Health Care Financing Administration (HCFA), and the Commissioner of Social Security (SSA). Also, comments were received from the Inspectors General of the Departments of Labor (DOL), Education (ED), and Housing and Urban Development (HUD); and from the Commissioner of the Immigration and Naturalization Service.

More comments were addressed to the issue of cost-benefits than to any other issue. Cost-benefit data were described by ASPE and FSA as incomplete due to the lack of labor costs, and by FSA and DOL as inconclusive due to the lack of any comparison with the savings and costs of traditional manual methods. According to DOL, State Employment agencies indicated that "...in most cases normal UI integrity operations, i.e., benefit payment control, eligibility review program, etc., would have detected such alien documents." Both ASPE and FSA noted a lack of critical discussion of INS' cost savings estimate. They were joined by DOL in cautioning against misleading with incomplete information.

OIG response. We agree that the data is incomplete and have included a new section detailing the gaps in the evidence on cost-benefits and have deleted the term, "net savings".

The effectiveness of manual verification systems used by State agencies was the subject of differing views. According to SSA, IRCA requirements that SAVE be used should not affect the low QC error rates currently reported. These low error rates were seen by INS as a reflection of ineffective manual verification. INS notes that "...the variety of INS documents in use, coupled with the availability of fraudulent or counterfeit documents, demands that INS remain a vital screen in any verification procedure."

OIG response. We have noted the paucity of data on which to compare the relative accuracy of agency methods of verification with INS' SAVE methods. We have also noted INS' view of the relationship between agency methods and their low QC error rates.

Several comments questioned which State agencies actually had SAVE pilot projects. The DOL advised that the California UI agency never implemented its pilot project plan. It expressed the view that the draft report appears to confuse SAVE with secondary verification. ASPE commented that Florida had no pilot UI project.

OIG response. We checked with UI agencies in the two States and, as a result, deleted California from the list of UI pilots, while retaining the Florida UI pilot. We clarified further that the SAVE pilots indeed included both automated projects and manual versions similar to secondary verification. Moreover, INS at the time viewed these manual projects as SAVE pilots.

A comment by ASPE questioned the use of preliminary data from Florida UI to suggest a deterrent effect on applicants.

OIG response. We deleted the Florida data because of a court decision that UI claimants had been denied when INS improperly terminated their work authorization.

The inability of ASVI to provide PRUCOL information was the subject of several comments. "The utility of the SAVE system for human services agencies," FSA commented, "will depend largely upon securing timely information about this group of aliens...". According to INS, it has "... never been required to define and does not provide PRUCOL to represent a class of alien or alien status. For this reason, the status verification system should not and cannot identify these types of aliens. This issue requires careful consideration by the agencies concerned, but is not a basis on which to judge the efficacy of the SAVE program."

A change in wording was suggested by SSA to show that individual programs and not INS have the responsibility to make a PRUCOL determination. It was pointed out by HCFA that there is now only one definition of PRUCOL for Medicaid, the same as the one for SSI.

OIG response. We are making no change in our finding that many State agencies felt the lack of PRUCOL information in ASVI to be a serious limitation. It is clear to us that State agencies use different criteria for judging SAVE than INS does. We did change our wording to show that Medicaid now used only the SSI definition and that the responsibility for PRUCOL decisions is the State agency's.

Several comments focussed on the process of secondary verification. Concern with the timeliness of secondary verification responses was expressed by DOL which noted that, as a result of a court case, any and all initial UI claims for benefits must be paid within 14 days of an eligible claimant's first compensable week. On this point, INS noted that "secondary verifications are a priority of the Service and the time required to conduct these checks is always within an acceptable window period. These procedures also ensure that no applicant is denied benefits who is eligible."

OIG response. We have included a reference to INS' notice of verification procedures of September 1987 which states that responses to secondary verifications should be returned within 7 to 10 days and no later than 21 work days. We also noted INS' view that no eligible applicant should be denied benefits because of these procedures.

Adverse publicity about using SAVE was pointed out as a possible disadvantage of SAVE not included in the draft report. It was noted by DOL that California UI did not implement its SAVE pilot because of threatened legal action and adverse publicity, and that Florida also experienced adverse publicity after denials of UI claimants were reversed by the court.

OIG response. We included a reference to adverse publicity.

HCFA, noting that the draft was silent on specific remedial actions to increase the accuracy and comprehensiveness of SAVE, recommended SAVE be expanded to include certain persons who receive amnesty and thus become eligible for partial Medicaid benefits. HCFA and FSA both urged that Social Security numbers be included on the ASVI display. HCFA also believed "that a thorough and careful evaluation of the SAVE system must be undertaken to determine whether it is indeed cost effective and efficient, especially in States with small numbers of aliens".

OIG response. We are including these recommendations in our comments. Due to the recency of IRCA, the report contains no recommendations other than to encourage dialogue between INS and other agencies to increase the utility of SAVE by more closely meeting the users' needs.

INS comments that it "has been working closely with representatives of the five affected entitlement disbursing agencies to develop a systematic approach to the required expansion of an alien status verification program, and to refine the technical requirements to met these agencies' needs."

OIG response. We reiterate our support for interdepartmental cooperation to increase the utility of SAVE.