

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE INCOME AND ELIGIBILITY VERIFICATION SYSTEM (IEVS):
A TIME FOR REFORM?**



**Richard P. Kusserow
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Department of Health and Human Services

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OEI-01-90-00510

EXECUTIVE SUMMARY

PURPOSES

The purposes of this study are to (1) synthesize the findings and recommendations of several recent reports examining the implementation of Income and Eligibility Verification Systems (IEVS) by the States, and (2) offer conclusions for Federal officials and others considering future directions for IEVS.

BACKGROUND

Since the mid-1980's, the Federal government has required each State to have an IEVS. The purpose of an IEVS is to reduce waste, abuse, and costs in the Aid to Families with Dependent Children, Food Stamps, and Medicaid programs. An IEVS is a system, usually automated, for matching financial information received from public assistance clients with information in certain Federal and State data bases. It helps States identify those who are ineligible or who receive incorrect benefit payments because their incomes or resources exceed allowable limits.

In recent years, several Federal agencies and a national organization representing State welfare agencies have examined aspects of States' implementation of IEVS. At the request of the President's Council on Integrity and Efficiency, we have analyzed the reports of these 10 studies. We supplemented this analysis with discussions with Federal and State welfare officials concerned with IEVS. This report provides a synthesis of the studies' findings and recommendations. A detailed summary of the studies appears as appendix A of this report.

FINDINGS

Several recent studies identify major problems with the States' implementation of IEVS. They indicate that:

- o information in the Federal data bases has been inaccurate, duplicative, untimely, or inaccessible;
- o Federal requirements, in important respects, are highly prescriptive, or unclear, or inconsistent; and
- o the administrative capacity of many States to implement IEVS is limited by insufficient staff and inadequate computer resources.

The studies make no recommendations concerning States' resources, but they do address Federal data bases and Federal requirements. In particular, they indicate that:

- o the usefulness of the Federal data bases should be improved; and
- o Federal requirements of the States should be modified. One report calls for them to be made more flexible; other reports urge that they be more specific. Several reports urge they be better coordinated among the Federal agencies.

In the three States we visited, problems with Federal data bases, Federal requirements, and insufficient resources still appear to hinder efforts to operate IEVS.

CONCLUSIONS

The problems identified in this report appear to be substantial enough to warrant further examination of IEVS. Toward that end, the Office of Inspector General will undertake further study addressing the effectiveness of particular matches. In addition, the Department of Health and Human Services and the Department of Agriculture might well consider a basic reexamination of IEVS. That reexamination might address ways in which:

- o the Federal government could give States more flexibility in carrying out IEVS matches and at the same time hold them more accountable for results;
- o Federal data bases used in IEVS matches might be made more useful; and
- o additional Federal data could be made available to States.

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INTRODUCTION

PURPOSES

The purposes of this study are to (1) synthesize the findings and recommendations of several recent reports examining the implementation of Income and Eligibility Verification Systems (IEVS) by the States, and (2) offer conclusions for Federal officials and others considering future directions for IEVS.

METHODOLOGY

We analyzed reports of 10 studies related to the implementation of IEVS by the States. These reports have been issued since 1985 by the General Accounting Office (GAO); the Offices of Inspector General (OIG) in the Department of Agriculture and the Department of Health and Human Services (HHS); the Health Care Financing Administration (HCFA) and the Office of the Assistant Secretary for Management and Budget in HHS; and by the American Public Welfare Association (APWA).

We supplemented this analysis with discussions with State welfare officials during site visits to three States, with Federal officials associated with IEVS, and with staff from the APWA.¹

BACKGROUND

Since the mid-1980's, the Federal government has required State agencies administering certain federally funded public assistance programs to operate an Income and Eligibility Verification System.

An IEVS is a matching system, usually automated, involving Federal and State data bases. The States use IEVS to verify the accuracy of financial information provided by clients to the State public assistance agencies that administer the Aid to Families with Dependent Children (AFDC), the Medicaid, and the Food Stamps programs. These programs, respectively, are funded in part by the Administration for Children and Families (ACF) and HCFA in HHS and the Food and Nutrition Service (FNS) of the Department of Agriculture.

The Congress mandated IEVS in the Deficit Reduction Act (DEFRA) of 1984 (P.L. 96-369).² This mandate was largely a response to a presidential commission, which had concluded that the Federal and State governments had misspent more than \$4 billion on inappropriate payments in these programs in 1982. In establishing

IEVS, the Congress intended that it augment existing State verification systems through more comprehensive, systematic use of developing computer technology and computerized data bases.

The purpose of IEVS is to reduce waste, abuse, and costs in these three assistance programs that are jointly funded by the Federal and State governments. The State agencies must match financial information received from both applicants and recipients with financial information about them contained in the data bases of the Social Security Administration (SSA), the Internal Revenue Service (IRS), and certain State agencies. The IEVS provides States with financial information that may not have been reported by applicants and recipients of these programs. Thus States can better identify those who are not eligible for public assistance or who receive incorrect benefit payments because their incomes or resources exceed allowable limits.

The IEVS process typically begins when a State agency receives financial information on an applicant--say, for AFDC--from a local welfare office. The State agency forwards the information, often on computer tape, to the appropriate Federal or State agency for matching against particular financial information about the applicant contained in its computerized data base. In return, a computer tape containing the relevant information is sent back to the State agency for followup. That agency usually forwards the information to the local welfare office for caseworkers to verify and to correct eligibility and benefit determinations as appropriate.

In this report, which was requested by the President's Council on Integrity and Efficiency, we provide a detailed summary of 10 recent studies related to IEVS. This summary appears as appendix A. In the text, we provide a synthesis of the studies' major findings and recommendations. We do not make recommendations, because our own inquiry was brief and our focus was primarily an analysis of the existing studies. Instead, we offer conclusions for Federal officials and others considering future directions for IEVS.

FINDINGS

Several recent studies identify major problems with the States' implementation of IEVS.

All States have implemented IEVS, but several major problems have hindered their ability to operate the system fully and effectively. The reports identify three types of problems: deficiencies in the Federal data bases, inefficiencies resulting from stringent or unclear Federal requirements, and the limited resources of State public assistance agencies.

- o Information in the Federal data bases has been inaccurate, duplicative, untimely, or inaccessible.

Eight of the 10 reports identified specific problems with the reliability of the Federal data bases. Sometimes the information is inaccurate or inconsistent. Benefit amounts or client identifiers such as Social Security numbers are incorrect, for example. Or information from one Federal data base may disagree with information from another. Approximately half of all States had experienced problems with unreliable data in the SSA and IRS data bases in 1988, according to the APWA report, the most recent survey of all the States about IEVS. A year later, in 1989, 60 percent of the States considered the SSA data unreliable, according to the HHS OIG survey of welfare officials from all States about SSA's data exchange systems.

Sometimes the information is too old to be useful in verifying the current financial status of clients, or it duplicates more current information available from other sources. This is particularly the case with certain data from SSA's Beneficiary Earnings Exchange Record (BEER) file, the data base on reported wages. These data in many respects duplicate more current information available from the State agencies collecting wage information. Information on unearned income from the IRS is also often too outdated to be useful, particularly for ongoing matches on recipients of these public assistance programs.

Often, the Federal data are received by the States too late to be most useful--during the application process before any overpayments are made. This is the time when the potential for savings is greatest. But the turnaround time for exchanging information is lengthy. Delays result because the schedules for running the matches can be infrequent. Also, agencies exchange information primarily through a physical exchange of computer tapes rather than through direct electronic transfer.

These problems limit the usefulness of Federal data to the States and reduce the efficiency of the verification process. They can cost the States considerable time and effort to deal with them. Inaccuracies, in particular, can be very difficult, if not

impossible, to correct. In some instances, States simply bypass the Federal data bases altogether. They seek information in other ways or do not perform all the required matches even though, by so doing, they may be out of compliance with Federal requirements.

Finally, some Federal data are not now available for IEVS matching, although many States would like to use them for verifying financial information on clients. These data include other information from SSA, such as overpayments and direct deposit data, data on benefits from the Veterans Administration, and information on U.S. savings bonds and on income for Federal Civil Service employees.

- o Federal requirements, in important respects, are highly prescriptive, or unclear, or inconsistent.

The Federal requirements governing the matching process are highly prescriptive and detailed. Agencies must match financial information from all public assistance applicants and recipients with particular information from specified Federal and State data bases. They must conduct these matches according to schedules mandated by Federal rules.³ They must complete followup on the information received from the matches within 45 days in most instances.

These requirements are so extensive and complex that many States were not complying with them all. The HCFA and FNS reviews of selected States, in Fiscal Years 1987, 1988, and 1989, revealed that the requirements for performing all matches, for timely followup, or for safeguarding the data from the IRS were most consistently troublesome.⁴

The States have had difficulty satisfying other IEVS requirements because they have been unclear, particularly so in the case of requirements for data collection and reporting and for targeting match information for followup.⁵

The original IEVS regulations, published in 1986, required States to collect and report data on actions taken and the savings realized from the IEVS matches. These requirements were very general. States were instructed not to develop their information systems until detailed instructions were issued. But, during the period covered by these reports, the Federal agencies (FNS, ACF, and HCFA) had not issued final and specific instructions. Their absence presented problems for the States and Federal agencies. For example, FNS, ACF, and HCFA have each required the States to submit cost-benefit data to justify their targeting of followup on IEVS matches. Yet the States lacked the detailed guidance for implementing the data collection and reporting systems essential for producing performance data. Further, most States have not produced performance data that are comprehensive, reliable, and reported uniformly. This lack of solid performance data limits the ability of Federal and State agencies to assess the costs and benefits of IEVS matches.

Finally, the lack of coordinated direction from the Federal agencies has created problems for State agencies. For example, the interim rules on targeting and cost-benefit justifications for IEVS were issued separately by the three Federal agencies--FNS (1988), ACF (1988), and HCFA (1989). They contained somewhat different requirements even though they were all concerned with IEVS and were directed to a single agency in most States.

Also, the Federal agencies have not developed guidelines that are uniform for collecting and reporting data. Thus, as pointed out in the 1990 GAO report, the potential exists for State public assistance agencies having to develop separate systems for collecting and reporting cost and benefit data on the IEVS matches. The FNS, ACF, and HCFA each require these data to satisfy the requirements of IEVS. But, as a result of the Computer Matching and Privacy Protection Act of 1988, the IRS and SSA have been requesting from these State agencies other performance data on IEVS matches because these agencies are using Federal data bases in their computer matching programs.

- o The administrative capacity of many States to implement IEVS is limited by insufficient staff and inadequate computer resources.

Although many State public assistance agencies were verifying client information prior to IEVS, the additional requirements of IEVS created a more rigorous, extensive verification process. This process has burdened many States that have insufficient staff and computer capability.

The IEVS increased the workload of nearly all State public assistance agencies, particularly for clerical staff and eligibility workers, according to the APWA survey. Nearly 80 percent of the States reported that they needed more staff to meet the demands of IEVS but that staffing levels had not increased.

Inadequate computer capability has also hampered implementation of IEVS by the States. In establishing IEVS, the Federal government assumed that States were operating with extensive, sophisticated computer systems that would require little modification to accommodate an IEVS. This was not the case. In late 1986, at the time when States were first required to have an IEVS in place, only six reported to GAO that their existing automated systems met the requirements for IEVS or would do so with only minimal modifications.

Many States have continued to operate with inadequate or obsolete automated systems that limit their ability to implement IEVS fully and effectively. For instance, agencies have had to rely on the mail for exchanging computer tapes, mark-sense cards, and sometimes even paper forms. Only two States had begun to use the electronic transfer of data through a Wire Third Party Query system (WTPY).

Moreover, following up on match information is a largely manual process in most instances. The States may not have case information stored in automated data bases, or, even if they do, workers in local welfare offices frequently lack access to computer terminals.

Finally, the information systems for keeping track of the disposition of IEVS matches may not be automated. Even if they are, they may not be sophisticated enough to provide the information necessary for determining productive targeting strategies or the costs and benefits of the overall IEVS process.

The studies make no recommendations concerning States' resources, but they do address Federal data bases and Federal requirements.

- o The usefulness of the Federal data bases should be improved.

The HHS OIG focused its attention on the SSA data bases in two reports. It examined the BENDEX (Beneficiary and Earnings Data Exchange) system in 1985, just prior to the implementation of IEVS in 1986. At that time, OIG recommended that SSA improve the accuracy, completeness, and timeliness of the system, expand the information it contained, and improve the agency's communications with State welfare agencies. Four years later, after a broader review of SSA's automated data exchange process, the OIG again directed similar recommendations to SSA.

The APWA, summarizing survey responses from 50 States, echoed the OIG in calling for improved reliability of Federal data and improved communications with State agencies. It outlined further steps for improving the usefulness of the Federal data. These included more timely response to State matching requests, revised security requirements for the IRS data, and greater access to other Federal data unavailable to the States for IEVS matches.

- o Federal requirements of the States should be modified. One report calls for them to be made more flexible; other reports urge that they be more specific. Several reports urge they be better coordinated among the Federal agencies.

The APWA, on behalf of the State public assistance agencies, urged a "sweeping reform" of IEVS. It argued that increasing States' flexibility in conducting IEVS matches would enhance the cost-effectiveness of the process. Further, the APWA called for a "systematic review" of IEVS to assess the effectiveness of the present system and to determine whether it serves the purposes intended by Congress. It offered numerous other recommendations intended to relax those Federal requirements it considers too prescriptive or unrealistic such as the time frames for followup on match information.

The thrust of the recommendations in the FNS and HCFA reviews is very different from that of the APWA. Rather than urging greater flexibility, these reports have

numerous recommendations that, in general, call for more specific regulation for the system. They urged more detailed guidance to States; more comprehensive, reliable performance data to document the savings and costs of IEVS; and more intensive monitoring and sanctioning of States not complying with requirements.

Several of the reports, both Federal and non-Federal, agreed on the need for improved coordination among the Federal agencies involved with IEVS. The HCFA, in its most recent program review issued in 1990, as well as GAO and APWA, have urged that Federal agencies develop more consistent regulations. The APWA argued further that the lack of Federal coordination is serious enough to warrant the designation of a single Federal coordinator for IEVS or a coordinator in each agency.

In the three States we visited, problems with Federal data bases, Federal requirements, and insufficient resources still appear to hinder efforts to operate IEVS.

Although nearly all the welfare officials from the three States we visited thought IEVS had been useful, many were experiencing problems with IEVS similar to those identified in the reports.

The problems with the Federal data bases mentioned most frequently were the age of the information, particularly the IRS data, and the lack of access to other data that would be helpful. Problems with inaccurate or inconsistent data were also mentioned but somewhat less frequently.

Several officials thought the Federal requirements for IEVS were too extensive and prescriptive. For instance, some commented on the limited usefulness of matching all applicants for assistance or of matching with particular data bases. Overall, the officials were about equally divided about the reasonableness of the 45-day requirement for followup on match information.

Senior officials in two States spoke of the limits of computer capability in their departments. They observed that Federal planners had assumed that the States were more automated than they were and that the burden of IEVS could be "automated away." These officials noted, however, that some States still have little automation. Others with more sophisticated systems have found their ability to adapt their systems for IEVS sometimes limited by budget problems, technical complexities, and other demands on the agencies' resources.

The Federal agencies associated with IEVS have taken some steps to deal with these problems.⁶ But these observations from State officials, which are based on their recent experiences, suggest that their efforts have not remedied the fundamental problems with the system.

CONCLUSIONS

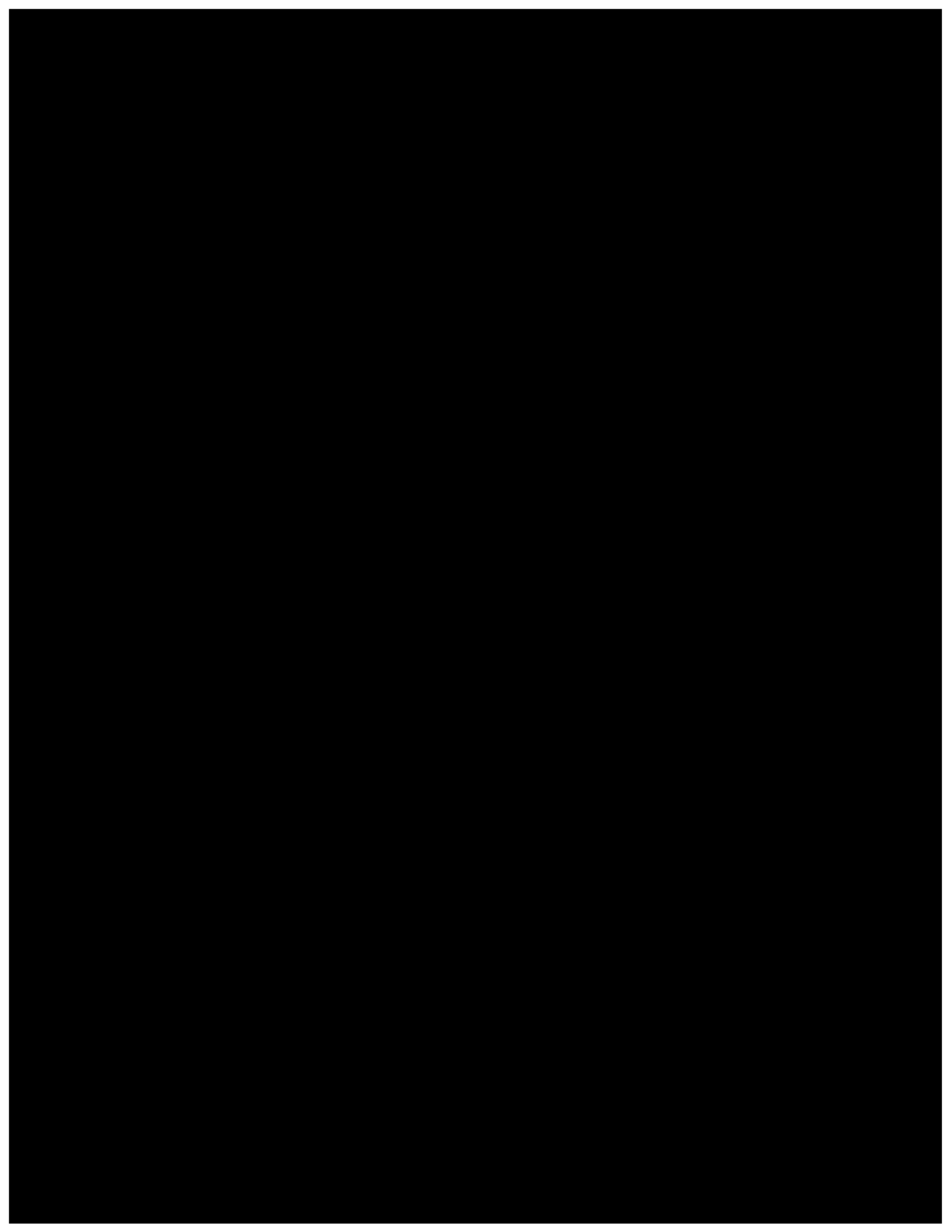
The problems identified in this report appear to be substantial enough to warrant further examination of IEVS. Toward that end, the Office of Inspector General will undertake further study addressing the effectiveness of particular matches. In addition, the Department of Health and Human Services and the Department of Agriculture might well consider a basic reexamination of IEVS. That reexamination might address ways in which:

- o the Federal government could give States more flexibility in carrying out IEVS matches and at the same time hold them more accountable for results;
- o Federal data bases used in IEVS matches might be made more useful; and
- o additional Federal data could be made available to States.

The information supporting the findings in this report is insufficient to support a definitive recommendation calling for a reform of IEVS. It is compelling enough, however, to raise serious questions about IEVS. These questions concern the effectiveness of particular IEVS matches. They also concern the need for more fundamental reform and the directions it might take.

Thus, the Office of Inspector General will undertake further inquiry into particular aspects of current IEVS requirements. Also, it would appear to be timely for the Department of Health and Human Services and the Department of Agriculture, individually or collectively (perhaps through the President's Council on Integrity and Efficiency), to undertake a basic review of IEVS.

If the signals identified in this report are correct, such a broader review could indicate that some major changes in course are necessary. Such changes might involve the scope and usefulness of the Federal data bases made available to the States. Even more significantly, they might call for a twofold approach that (1) gives the States more discretion in how they go about implementing IEVS and (2) holds them more accountable for results through the use of various performance indicators.⁷ The States and Federal agencies could work together to determine the kind of indicators that might most appropriately be used to help assess performance.



United States Department of Health and Human Services, Office of Inspector General, The Beneficiary and Earnings Data Exchange System: Its Use and Potential, P-01-86-00063, Washington, D.C., December 1985

Background:

This inspection examined States' experiences with BENDEX and identified problems and issues associated with the operation of the system. The inspection was based primarily on discussions with selected State and county officials involved with BENDEX and with staff from the district offices of the Social Security Administration in 16 States.

Major Findings:

- o A number of problems (SSA and State) limit the usefulness of the BENDEX system: timeliness, completeness, and/or accuracy of the data and insufficient communication between State agencies and SSA;
- o State eligibility workers rely upon SSA district offices more than on BENDEX when verifying information on SSA benefits;
- o States find BENDEX useful primarily as a postcertification verification tool for recipients. It is of minimal usefulness during the application process because the data are seldom received soon enough;
- o Nearly all States have little interest in BEER, the BENDEX tape on reported wages, because the information it contains is too old; and
- o Many States are trying to encourage greater use of BENDEX by local welfare offices through (1) preparing and disseminating discrepancy reports, (2) reformatting SSA BENDEX data, and (3) sending the data to local offices according to regular schedules.

Major Recommendations:

The recommendations are directed to SSA:

- o Improve the usefulness of BENDEX during the application process;

- o Ensure that BENDEX is working properly in providing States with accurate, timely, and complete information;
- o Expand the information contained in BENDEX based on a users' requirement analysis undertaken by a Federal-State task force;
- o Improve the technical assistance provided to the States in using BENDEX;
and
- o Ensure that BENDEX is incorporated and operating effectively in the States' automated welfare management systems.

United States General Accounting Office, Welfare Eligibility--Deficit Reduction Act Income Verification Issues, Fact Sheet for the Ranking Minority Member, Subcommittee on Oversight of Government Management, Committee on Governmental Affairs, United States Senate, GAO/HRD-87-79FS, May 1987

Background:

This Fact Sheet summarizes data from a national survey of all States conducted by GAO during the summer of 1986 to determine progress and problems in the States' early efforts to implement IEVS.

Major Findings:

The Fact Sheet identifies major concerns of the States with IEVS. These include:

- o Additional funding is needed to develop and operate the DEFRA income verification systems;
- o The efficiency of States' automated systems for processing data from IRS and SSA is questionable;
- o The time frames required by Federal regulations for following up on information received from the Federal data bases are difficult to comply with;
- o The States' startup and operating costs to process and use tax data might exceed the benefits in terms of dollars saved;
- o The usefulness of Federal tax data might be limited by its age and other considerations; and
- o Most States will need to change systems in order to meet the safeguarding requirements for Federal tax data.

Major Recommendations:

The Fact Sheet gives no recommendations.

Jack Martin & Co., Evaluation of Income and Eligibility Verification Systems, Final Report for the Office of Assistant Secretary for Management and Budget, U.S. Department of Health and Human Services, Contract No. 100-86-0035, September 15, 1987

Background:

This evaluation assessed IEVS implementation and operation in five States in late 1986 and early 1987. The States--New Jersey, Oklahoma, Tennessee, Vermont, and Wisconsin--were selected because they were relatively advanced in implementing the systems and procedures required by IEVS.

The objectives of the evaluation were to (1) document the status of IEVS, including factors that facilitated or inhibited implementation; (2) assess the cost-effectiveness of the various matches using available State data; and (3) provide recommendations for conducting subsequent evaluations and for improving program performance.

Major Findings:

- o The States have not fully implemented IEVS in terms of (1) executing all required matches with all the required data exchange sources and (2) reporting the results to local public assistance offices for disposition;
- o For those matches that have been implemented, the States have little information on program performance, i.e., outcomes and costs. Therefore, no assessment of the cost-effectiveness of the required matches is possible in these States;
- o The limited available data and anecdotal information suggest that IEVS is important for reducing erroneous payments, deterring clients from misreporting income, and boosting the confidence of eligibility workers in their decisions;
- o Anecdotal information from these States suggests that the substantial effort required by local public assistance offices to resolve match results creates the widespread perception among State and local office staff that IEVS is burdensome and not cost-effective despite its important benefits; and
- o The effort and costs involved with IEVS are influenced by the number of

matches conducted, the quality of the data received from the required matches, the volume of match information referred to local offices for disposition, and the procedures followed by the State and local offices in processing the information received.

Major Recommendations:

- o The Federal and State governments should work together to develop measures of program performance and mechanisms for collecting and reporting information on match outcomes;
- o The Federal government should examine the time standards imposed on the States for disposition of match information;
- o A brief survey of all States should be conducted in order to determine the nature and extent of performance data available nationwide and to gather estimates of the time involved in certain matching and processing activities; and
- o Federal efforts to evaluate IEVS and to further its technical development should be supported through a task order mechanism.

United States Department of Health and Human Services, Health Care Financing Administration, FY 1987 Income and Eligibility Verification System (IEVS) Effectiveness Review Report, April 1988

Background:

This report summarized HCFA's review of the implementation of IEVS in the Medicaid program during Fiscal Year 1987. The report was based on information (1) for all States, which was summarized in compliance assessments and monthly reports prepared by the regional HCFA offices, and (2) for 20 States, which were selected for a special data collection initiative.

Major Findings:

- o Performance data from the States on the costs and savings of IEVS are extremely limited, and "a significant number" of States did not provide HCFA with all the performance data it requested. However, HCFA reports estimated savings in the Medicaid program of more than \$20 million for the six-month review period in 7 of the 20 States reviewed. Estimates of startup costs in 16 of the 20 States totaled less than \$3 million;
- o IEVS is fully operational for the Medicaid program in only 18 of 53 States and territories reviewed by HCFA; "virtually all" States have implemented IEVS to at least a minimal degree;
- o Several factors limit more efficient operation of IEVS, including the following: the failure of some States to match information from all categories of clients with all the required data sources; some Federal data being too old to be useful; technical problems with SSA and IRS, including the safeguarding requirements for the IRS data; and unreasonable time frames for following up on match information; and
- o In the absence of regulations implementing OBRA 1986, many States are not targeting followup of IEVS match information to those areas likely to be most productive.

Major Recommendations:

The recommendations are directed to HCFA:

- o Assess further the available data to determine the potential for savings from IEVS;
- o Publish as soon as possible regulations or guidelines on targeting match data for followup;
- o Resolve those operational and policy factors impeding the efficient operation of IEVS and clarify policy in writing; and
- o Examine the feasibility of requiring data reporting in order to measure the costs and benefits of IEVS.

United States Department of Health and Human Services, Health Care Financing Administration, FY 1988 Income and Eligibility Verification System (IEVS) Performance Review Report, February 1989

Background:

During Fiscal Year 1988, HCFA reviewed the implementation of IEVS in the Medicaid programs of 18 States. The primary objectives of the review were to assess compliance with IEVS requirements and the cost-effectiveness of the required matches.

Major Findings:

- o The States identified major concerns about IEVS, including the short time frames required for processing match information, the limited usefulness of some Federal data, the costs of IEVS relative to its benefits, the costs of changes required to meet safeguarding requirements for IRS data, and the lack of Federal instructions for recordkeeping and reporting; and
- o Although States have made significant progress in implementing IEVS, several major compliance problems exist, such as States not conducting matches against all required data bases, not completing followup on match information within the required time frames, and not collecting performance data for assessing the costs and benefits of IEVS matches.

Major Recommendations:

The recommendations are directed to HCFA:

- o Issue guidelines and instructions to the States that clarify the requirements for recordkeeping and data reporting;
- o Support an independent study of the costs and benefits of IEVS data matches that would include developing model targeting methodologies; and
- o Evaluate the usefulness of the required data matches in order to recommend changes in legislation and/or regulations.

United States Department of Health and Human Services, Office of Inspector General, Improving the Social Security Administration's Automated Data Exchange Process, OAI-05-89-00820, Washington, D.C., December 1989

Background:

This study assessed experiences of State and local welfare offices with the data exchange systems of the Social Security Administration. State welfare officials in all 50 States and the District of Columbia were contacted as were local welfare officials in 11 States.

Major Findings:

- o Many welfare agencies consider SSA data questionable;
- o Welfare officials would like access to certain additional information through SSA data files; and
- o SSA's communications with State officials on data exchange issues need to improve.

Major Recommendations:

The recommendations are directed to SSA:

- o Take steps to provide welfare agencies with information that is correct;
- o Continue to expand the types of data provided to welfare agencies;
- o Establish a network with welfare agencies for ongoing communications; and
- o Involve welfare agencies in resolving problems and in long-range planning on data exchange issues.

American Public Welfare Association, After Implementation: State Experience with the Income and Eligibility Verification System (IEVS), Final Report, Washington, D.C., April 1989

Background:

The National Council of State Human Service Administrators (NCSHSA) of the American Public Welfare Association surveyed 50 States in 1988. The purpose of the survey was to assess the implementation of IEVS and to identify problems that States were encountering in operating the system.

Major Findings:

- o States think the concept of IEVS is useful, but they encounter major problems that limit the full implementation of its requirements. These problems include:
 - . Insufficient time for processing match information;
 - . Limited staff available to handle the increased workload;
 - . Difficulties in meeting security requirements for IRS data; and
 - . Unreliability of several Federal data bases.

Major Recommendations:

- o IEVS matches should be optional, so that States can match against only those data sources that are reliable and cost-effective;
- o If all IEVS matches are not made optional, Federal statute and regulations should be changed as follows:
 - . The requirement for States to match against SSA's BEER data should be made optional;
 - . Regulations should be revised to permit targeting of match data for applicants as well as for recipients;

- . Requirements for States to have systems for tracking the processing of matches should allow States more flexibility;
 - . The requirement for States to initiate matches during the application period should be optional;
 - . The requirement that States follow up on matches within 45 days should be dropped; and
 - . The requirement for States to develop standard computer matching formats should be made optional.
- o Federal agencies involved with IEVS should take the following nonregulatory actions:
- . Improve the reliability of the Federal data, provide more timely response to State match requests, revise security requirements for the IRS data, provide States with access to other Federal data and with more advanced notice of software changes in Federal data files, and promote on-line computerized data exchange systems such as the Wire Third Party Query system being developed by SSA;
 - . Improve interagency coordination through such actions as development of uniform regulations and appointment of Federal coordinators for IEVS;
 - . Revise the guidelines for the Federal Quality Control review process to clarify use of case data; and
 - . Undertake a thorough review of IEVS to determine whether or not current agency requirements are consistent with the goals envisioned for the system by Congress.

United States Department of Health and Human Services, Health Care Financing Administration, Fiscal Year (FY) 1989 Income and Eligibility Verification System (IEVS) Performance Review Report, March 1990

Background:

During Fiscal Year 1989, HCFA reviewed the operation of IEVS in the Medicaid program of 17 States.

Major Findings:

- o States continue to make significant progress in implementing IEVS but are not strictly adhering to the Federal regulations or not documenting compliance. Specifically, States are not matching information on applicants against all required data sources, are not developing targeting plans for all IEVS match data, are not meeting required time frames for following up on matches, and are not establishing recordkeeping and data management systems sufficient for reviewing the effectiveness of IEVS;
- o The States' major concerns with implementation are:
 - . Required time frames for processing match information;
 - . Usefulness and duplication of Federal data;
 - . Costs of IEVS relative to the benefits;
 - . Costs of complying with IRS requirements for safeguarding data;
 - . Lack of Federal instructions for recordkeeping and reporting; and
 - . Lack of coordination among Federal agencies.

Major Recommendations:

The recommendations are directed to HCFA:

- o Encourage coordination among Federal agencies in addressing IEVS problems

through continued participation in the interagency work group;

- o Delay further State evaluations until FY 1991 so that States have time to comply with new requirements for recordkeeping and reporting and to review the effectiveness of the matches; and
- o Emphasize the importance of targeting and disseminate information on best practices based on States' experiences.

United States General Accounting Office, Computer Matching--Need for Guidelines on Data Collection and Analysis, Report to the Director, Office of Management and Budget, GAO/HRD-90-30, Washington, D.C., April 1990

Background:

This review focused on the States' data collection and reporting systems for evaluating the cost-effectiveness of IEVS. The objectives were to determine if these systems allow Federal and State officials to assess whether IEVS is saving money, whether they provide State officials with sound information for targeting followup activity on match information, and whether the IEVS data collection requirements conform with those of the Computer Matching and Privacy Protection Act of 1988 (P.L. 100-503).

Major Findings:

- o As of February 1990, none of the Federal agencies (FNS, ACF, and HCFA) had issued final guidelines to the States on data collecting and reporting for the IEVS program. As a result, data have not been available to assess the savings resulting from IEVS, to develop informed targeting strategies for followup on match information, and to provide the cost-benefit analyses required;
- o Regulations governing cost-effectiveness analyses were issued separately by the FNS, ACF, and HCFA and contained varying requirements; and
- o Requirements for data collection and reporting under IEVS need to be consistent with those required by the Computer Matching Act.

Major Recommendations:

- o The Office of Management and Budget should work with FNS, ACF, and HCFA to develop uniform guidelines for data collection and reporting that will satisfy IEVS requirements and those of the Computer Matching and Privacy Protection Act of 1988.

United States Department of Agriculture, Office of Inspector General, Food Stamp Program--Implementation of Income and Eligibility Verification System Nationwide, Food and Nutrition Service, Audit Report 27013-45-Te, OIG Southwest Region, Temple, Texas, March 1990

Background:

This report summarized a review of the implementation of IEVS in the Food Stamp program during Fiscal Years 1987 and 1988. The scope of this review included program operations in 33 States and a U.S. Territory as well as the administration of the program by 5 regional offices of the Food and Nutrition Service.

Major Findings:

- o Several States are not in full compliance with IEVS requirements. Some are not conducting the required matches, and those that are fail to follow up on match information within the required time frames;
- o State agencies are using various methods and approaches for targeting followup in the absence of final Federal regulations; and
- o A few States are obtaining useful financial information from Federal sources other than those required.

Major Recommendations:

The recommendations are directed to the Administrator, FNS:

- o Require FNS regional offices to strengthen efforts to ensure State compliance by following up and enforcing sanctions;
- o Determine what, if any, additional measures are needed to ensure that States comply with the required time frame for followup on match information;
- o Provide States with written guidelines on targeting that defines uniform limits or the elements to be included in the States' plans for targeting; and
- o Require regional offices to review States' targeting plans.

APPENDIX B

ENDNOTES

1. In addition to analyzing the 10 reports summarized in appendix A, we reviewed other documents pertinent to IEVS. These included statutes, regulations, guidelines, and agency correspondence. We discussed IEVS with staff from the APWA and with State officials during site visits to three States (Massachusetts, New Jersey, and Pennsylvania) and through telephone conversations with officials from several other States. Finally, we talked with officials from the major Federal agencies involved with IEVS. They included the Office of Management and Budget; the Department of Labor; the Internal Revenue Service and the Social Security Administration, which maintain the data bases involved in IEVS matching; and the Food and Nutrition Service of the Department of Agriculture, the Administration for Children and Families and the Health Care Financing Administration in HHS, the three Federal agencies responsible for administering, respectively, the Food Stamps, AFDC, and Medicaid programs.
2. DEFRA also included as part of IEVS the Unemployment Compensation program of the Department of Labor. This program is not a needs-based public assistance program like the other three programs. Therefore it operates as a source of information for IEVS rather than a user of information.
3. The Federal rules require that financial information from applicants and recipients be matched with:
 - Unemployment insurance benefit (UIB) information from the State agency administering the State's unemployment compensation law. Applicants are to be matched during the application period and at least monthly during the following three months. Recipients reporting a loss of employment must be matched at the point of that loss and at least monthly during the following three months. Applicants and recipients receiving unemployment benefits must be matched monthly until such benefits are exhausted.
 - State wage and benefit data from the State Wage Information Collection Agency (SWICA). Applicants are to be matched during the application period and recipients to be matched quarterly.

- . Unearned income information from the **IRS**. States must request information during the application process and at least yearly for recipients.
 - . Wage, benefit, and other data from the **SSA** files: **BENDEX**, the Beneficiary and Earnings Data Exchange System; **BEER**; and **SDX**, the State Data Exchange on Supplemental Security Income (SSI) benefits. States must request information for applicants and for recipients for whom such information has not been previously requested.
 - . Social Security numbers of both applicants and recipients must be verified through SSA files, including **NUMIDENT**, or Enumeration, or Third Party Query (TPQY systems).
4. The time standard for followup on match information was revised from 30 days to 45 days in the regulations amending **IEVS** after the Omnibus Budget Reconciliation Act (OBRA) of 1986. Nearly three-fourths of the States were having difficulty complying with the 45-day standard for followup in 1988, according to the APWA. The followup process can be very time consuming. It involves comparing the information received from the matching process against individual case files, seeking additional information to resolve discrepancies, determining whether eligibility or benefit payments are affected, recording the determinations in the case files, and notifying the clients of any intended adverse actions.
 5. Targeting refers to screening strategies for following up on only the match information most likely to identify and prevent ineligibility and incorrect payments. The OBRA 1986 legislation amended **IEVS** requirements to allow States to target rather than to follow up on all match information.
 6. The Federal agencies associated with **IEVS** have:
 - . Issued final regulations implementing the targeting provision of OBRA 1986. They were issued by **HCFA** in early 1990 and by **ACF** in early 1991. However, they contain requirements that differ somewhat with each other, that vary significantly from the **FNS** interim rules issued in 1988, and that continue to differ with those for cost and benefit data of the Computer Matching Act.
 - . Established an interagency work group composed of representatives from **FNS**, **ACF**, and **HCFA** and two States. Since late 1989, this group has been a forum for discussing issues and a mechanism for encouraging coordination among the participating Federal agencies. However, the group lacks legal authority to make decisions binding the agencies and thus has limited power to effect significant change.

7. Affording States more flexibility in operating IEVS would be in accord with the President's Executive Order No. 12612, entitled "Federalism," dated October 26, 1987. This Executive Order detailed the President's principles for maximizing States' discretion in administering national policies.