

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REFORMS ARE NEEDED IN STATE
INCOME AND ELIGIBILITY VERIFICATION
SYSTEMS**



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EXECUTIVE SUMMARY

PURPOSE

The purpose of this study was to assess the current status of State Income Eligibility Verification Systems (IEVS).

BACKGROUND

Verifying information supplied by Aid to Families with Dependent Children (AFDC), Medicaid, or Food Stamp applicants and recipients with other sources through computer matching helps States better identify individuals not eligible for public assistance or receiving incorrect benefit payments. Congress enacted the Deficit Reduction Act of 1984 which expanded matching requirements by requiring State Income and Eligibility Verification Systems (IEVS). Under IEVS, States are required to routinely match AFDC, Food Stamp, and Medicaid applicant and recipient-supplied information against several data sources: 1) Internal Revenue Service (IRS) data on interest, dividends, and other types of unearned income; 2) Social Security Administration (SSA) data (Retirement, Survivors, and Disability Insurance benefits, Supplemental Security Insurance Benefits (SSI), and annual earnings); and 3) State quarterly wage reports and unemployment insurance benefits. States must complete follow up within 45 days on at least 80 percent of all IEVS information received on applicants and information targeted (selected) for review on recipients.

This review of IEVS consisted of interviews and surveys with State officials knowledgeable about their State's IEVS process. To supplement our interviews, we conducted onsite visits to five States and one local office in each of these States. Additionally, we reviewed State documentation of IEVS procedures, State supplied IEVS statistics, and Federal IEVS regulations.

FINDINGS

This examination of IEVS reaffirms findings from prior reviews and substantiates continued operational weaknesses with IEVS. The IEVS remains a controversial requirement for States. This controversy is especially acute because of State budgetary restraints, resource limitations, and program growth.

State Implementation

Several States are not utilizing all required IEVS sources. During 1992 and/or 1993, 12 States did not conduct recipient matching against one or more IEVS data sources or failed to follow up on resulting information. Additionally, 17 States did not match applicants against one or more IEVS data sources. Finally, as many as 46 States missed one or more monthly applicant matches with IRS.

Of 39 States responding (all States were surveyed with 39 providing follow up statistics), only six States report success meeting prescribed follow up timeframes. 14 States report not meeting follow up timeframes and 19 report not having a tracking system in place to know. Several States commented that workers give low priority to working IEVS match results and documenting actions. Worker failure to timely work IEVS match results was typically due to competing time pressures and a perceived lack of benefit to doing so.

Most States could utilize IEVS sources in a more timely manner. For example, during the 1991-92 IRS processing cycle, 19 States delayed matching recipients against IRS for several months after the IRS data was first available. Additionally, only 11 States are actively using the Social Security Administration's (SSA) State Verification and Exchange System (SVES) to query SSA files. (An explanation of SVES is provided in Appendix A.)

Cost Effectiveness

The majority of States report one or more IEVS matches are not cost effective. States most often report the Beneficiary Earnings Exchange Record (BEER) and IRS matches as not cost effective. Most State conclusions about cost effectiveness are based not on cost-benefit studies but on program experience or speculation. To date, little guidance has been provided States on how to conduct a cost-benefit analysis.

(An evaluation of IEVS cost effectiveness recently completed for the U.S. Department of Agriculture's Food and Nutrition Service (FNS), but not yet released formally by FNS, may help to answer the cost effectiveness controversy for IEVS matches.)

Match Data Accuracy

While the majority of States (32) report reliability and accuracy problems with the data from one or more IEVS matches, no specific match was consistently perceived as a problem area by a majority of States. However, States have few or no mechanisms to monitor and assess problems with the accuracy of data supplied by the various IEVS data sources.

Flexibility

States want more flexibility implementing IEVS requirements. In many States, IEVS is not a dynamic process that can adjust for internal pressures such as changing workloads, staffing, and program priorities. The IEVS regulations are considered by States to be overly prescriptive concerning which IEVS matches to conduct, when to conduct those matches, and how quickly to follow up on match results. Most States (76 percent) want to discontinue one or more IEVS matches. Nearly all States (46) are using targeting strategies to limit IEVS information provided workers.

Variations in waiver authority among programs and application of authority further limit State flexibility and weaken coordination among Federal programs.

Match Efficiency and Effectiveness

While 37 States report IEVS could be made more efficient and effective, 28 States report they lack the resources to support these efforts. This efficiency and effectiveness can be achieved through a variety of systems changes and training initiatives. Some of these initiatives will require changes in IEVS regulations to allow States more flexibility.

Additional Federal Data

States want additional Federal data. However, States have yet to be given access to additional Federal data they report would be helpful (e.g., Veterans Administration benefits, Federal employee salaries and pensions, U.S. Savings Bond holdings, and State death records maintained by SSA). While we suspect access to these data sources could be helpful if utilized, we are reserved about requiring access when many States are failing to adequately utilize those data sources already required by IEVS regulations.

RECOMMENDATIONS

Independently verifying client circumstances through computer matching with IEVS data sources helps to ensure the integrity of the eligibility determination process. Although IEVS matching is mandated by Federal law and regulation, our interviews with State and local users indicate the practicality and cost effectiveness of IEVS under current regulations is uncertain. The uncertainty and resulting controversy have resulted in IEVS implementation and monitoring problems which need to be addressed at many levels of government, from Federal oversight agencies to State and local welfare offices.

Recommendation #1: The Administration for Children and Families (ACF) and the Health Care Financing Administration (HCFA) should use appropriate mechanisms to address IEVS issues by:

- examining existing IEVS requirements in each agency, at both the central and regional office levels;
- addressing the need for and degree of flexibility to be afforded States concerning IEVS;
- identifying specific areas in which coordination between oversight agencies can be improved, resources can be consolidated or more effectively utilized to monitor IEVS, and procedures can be streamlined to minimize duplication of effort and contradictions among Federal agencies' IEVS policies (e.g., waiver approval, targeting approval); and
- engaging outside, involved parties (e.g., the States, the Department of Agriculture, the Office of Management and Budget) to the fullest extent possible as IEVS issues (e.g., flexibility) and requirements are debated.

Recommendation #2: The ACF should continue to seek a rule change which would allow the AFDC program an equivalent degree of flexibility currently available to the Food Stamp program with regards to IEVS (e.g., waiver of 45 day follow up timeframe). Since the AFDC, Food Stamp, and Medicaid programs are highly integrated, State flexibility is limited when each program is not able to allow the same degree of flexibility. States report it is unrealistic to implement an IEVS waiver for one program without being able to implement the same waiver for the other programs.

Recommendation #3: The HCFA should seek regulatory changes for the Medicaid program which provide for IEVS flexibility equivalent to those sought by ACF for the AFDC program. As mentioned above, IEVS flexibility must be consistent between programs to be implemented effectively by States.

Recommendation #4: The ACF and HCFA should inform State public assistance agencies of their willingness to work with them to strengthen automated eligibility verification activity.

COMMENTS

Comments on the draft report received from ACF, the Assistant Secretary for Management and Budget (ASMB), the Assistant Secretary for Planning and Evaluation (ASPE), SSA, and HCFA concur with both the findings and the general thrust of our recommendations. However, ACF, HCFA, and ASMB disagree with the need for the departmental governing council recommended in the draft report and the need for addressing IEVS issues prior to healthcare and welfare reform. Additionally, HCFA does not concur with the recommendation to seek a regulatory change to allow for IEVS flexibility consistent with that sought by ACF.

The need for a governing council stemmed from our view of the complexity of the issues involved and the need for interagency coordination and consensus regarding IEVS policy and compliance. The governing council was envisioned as a framework to promote and expedite leadership as broad policy (e.g., welfare reform) and technological (e.g., enhanced systems or new databases) changes occur. Both SSA and ASPE concurred with this recommendation.

The ACF, HCFA, and ASMB disagreed with the governing council approach primarily because existing interagency coordination and communication mechanisms were believed to be adequate. Based on the agencies' assurances and to provide them maximum flexibility, we removed the recommendation of a governing council tasked with addressing IEVS issues; we modified the recommendation to place the burden of addressing IEVS vulnerabilities with the appropriate agencies through existing communication mechanisms.

With regard to the timing for addressing IEVS issues, the ACF, HCFA, and ASMB questioned the value of devoting limited staff resources to addressing IEVS at a time when welfare and health care programs are planning significant changes through reforms. While we recognize change will occur, we cannot in good conscience suggest that addressing IEVS weaknesses be postponed until reforms have run their course. Our view is based primarily

on the Department's role and responsibility to curb fraud, abuse, and program vulnerabilities and the realization that these reforms may take years to implement, with nothing to suggest the importance of IEVS will diminish.

Additionally, IEVS issues should be addressed without delay because consistent requirements and flexibility between the major welfare programs is important to those States which are in the midst of systems changes or planning such changes which may be constrained by existing policy. While ACF agrees to seek regulatory changes to provide an equivalent degree of flexibility found in the Food Stamp program, HCFA's decision not to seek similar changes may burden States with IEVS regulatory requirements for the Medicaid population that may not exist for the food stamps and AFDC populations. Since most States' automated systems integrate the IEVS process for all three programs, flexibility is limited if each program does not provide for similar matching and follow up requirements. The resulting disparity between program requirements exemplifies Federal agencies' failure to coordinate adequately.

Our concern and purpose in recommending that HCFA pursue regulatory change was to ensure that ACF's and FNS's efforts to provide States expanded IEVS flexibility would not be limited by the Medicaid program's restrictions. We do agree with HCFA's assertion that many States could make better use of targeting to increase the effectiveness of IEVS matching while decreasing the burdens of follow up. Our belief stems from 1) States' admissions that IEVS processes could be made more efficient and effective by better use of targeting and 2) initial results from FNS's study of the cost effectiveness of targeting IEVS matches. Although we agree that targeting affords States considerable flexibility, targeting regulations are restrictive in several respects (e.g., targeting rules require follow up of all targeted match results for recipients within 45 days of the match and targeting is not allowed for applicant matches). While we did not directly evaluate the impact of providing States with added IEVS flexibility, we found States wanting more flexibility and both ACF and FNS supportive of policy changes to address State desires.

We believe that HCFA needs to work with ACF and the FNS to promulgate consistent regulations covering IEVS matches. The decision should be based on interagency discussion and consensus. If the Medicaid program has limited options for flexibility comparable to the AFDC or Food Stamp programs, no interagency discussion and consensus is possible and States may be unnecessarily burdened.

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INTRODUCTION

PURPOSE

The purpose of this study was to assess the current status of State Income Eligibility Verification Systems (IEVS).

BACKGROUND

Welfare Program Oversight

Three of the Federal government's major welfare programs are Aid to Families with Dependent Children (AFDC),¹ Medicaid,² and Food Stamps.³ The Department of Health and Human Services (DHHS) oversees the AFDC and Medicaid programs, while the U.S. Department of Agriculture (USDA) oversees the Food Stamp program. Although DHHS and USDA have overall responsibility for administering the programs, States are responsible for determining participants' eligibility.

Determining eligibility and the amount of assistance for AFDC, Medicaid, and Food Stamps involves a myriad of eligibility factors and program-specific rules. Many different factors are used to determine participant eligibility, including earned income, unearned income, and amount of assets. Information relating to these factors must be obtained, evaluated, and verified by the State for applicants and recipients. Manually performing these steps is a time-consuming, inefficient, and error-prone process. For these reasons, States rely heavily on automated systems to facilitate the eligibility and verification process.

Federal Support of State Automation Activities

The Federal government plays a significant role in supporting State automation activities. For fiscal years 1981 to 1990, DHHS and USDA estimate that they provided over \$950 million to States to develop and operate eligibility systems for AFDC, Medicaid, and Food Stamps.⁴

While all States use automated systems of varying capacity and sophistication, most are developing or operating automated eligibility systems which integrate the AFDC, Medicaid, and Food Stamp programs. Such computer systems are able to determine eligibility for all three welfare programs. This is particularly efficient, given that many of the clients from one program are also clients in the other programs; the interdependence among these welfare programs is high.⁵

- Everyone who receives AFDC is eligible for Medicaid;
- Nine out of 10 AFDC recipients receive Food Stamps;
- Two out of three Medicaid recipients receive Food Stamps; and
- Three out of four Food Stamp recipients receive Medicaid.

Factors Influencing Computer Matching

Verifying AFDC, Medicaid, or Food Stamp applicant and recipient supplied information with other sources through computer matching helps States to better identify those who are not eligible for public assistance or who are receiving incorrect benefits. Although welfare agencies in a few States have conducted earnings matches and other forms of computer-aided matches since the early 1970s, most matching activity is relatively recent in origin, with rapid growth during the 1980s.

The rise in the use of computer-aided matching is largely attributable to the growth and sophistication of State welfare automated computer systems. Other factors contributing to the use of computers to independently verify client-reported information include: 1) the increasing public concern with fraud and abuse in the welfare system, 2) the increasing use of client Social Security numbers (SSN) for use as identifiers, and 3) limited program resources (e.g., staff, funding).

Early Matching Activity

The earliest matching activity by State welfare agencies was conducted at the States' initiative, without Federal enabling legislation and requirements. However, in 1977, Congress passed legislation mandating wage matching for the AFDC program. The amendment to the Social Security Act required all States to begin matching by October of 1979, using *either* State earnings records or earnings available from the Social Security Administration's (SSA) Beneficiary Earnings Exchange Record (BEER)⁶. The legislation also required States to maintain automated files of clients' Social Security numbers. Expansion of wage matching to the Food Stamp program quickly followed with passage of the 1981 Omnibus Reconciliation Act.

Development of IEVS

While wage matching programs were helpful in preventing incorrect eligibility payments, results from the Grace Commission showed States were not doing enough to prevent incorrect payments. Specifically, the Commission estimated \$4.4 billion in Federal and State funds were misspent annually and recommended States strengthen eligibility verification procedures.⁷ As a result, Congress enacted the Deficit Reduction Act (DEFRA) of 1984 which expanded matching requirements (Social Security Act, section 1137). The DEFRA requires States to conduct other types of matching in addition to wage matching and to use matching in the Medicaid program, as well as in the AFDC and Food Stamp programs. Each State must operate an IEVS which routinely matches client-reported income information against:

- **Internal Revenue Service (IRS) data** on interest, dividends, and other types of unearned income;
- **Social Security Administration data** via the Beneficiary and Earnings Data Exchange (BENDEX) which contains both Retirement, Survivors, and

Disability Insurance (RSDI, Title II) benefits and earnings from the beneficiary earnings record file (ERF), and the State Data Exchange (SDX) which contains Supplemental Security Income (SSI) benefit information; and

- State quarterly wage reports and unemployment insurance benefits (UIB).

Follow Up on IEVS Match Results

States are required to follow up on *all* IEVS information related to applicants. However, the Omnibus Reconciliation Act of 1986 amended the Social Security Act to clarify that IEVS data received on recipients may be targeted⁸ (selectively applied) to those uses which are likely to be most productive. Targeting was intended to increase the efficiency with which IEVS data are used to identify and prevent ineligibility and incorrect benefit payments. Follow up on IEVS information is required within *45 days* of matching with the IEVS source. However, follow up on up to *20 percent* of IEVS information can be delayed beyond the 45 day targeting rule for the purpose of receiving verification from third party sources (e.g., banks).

TYPICAL IEVS PROCESS

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

IEVS requires all match information returned prior to the applicant becoming a recipient to be resolved. For information received after the eligibility determination is made, each State can either investigate all computer hits or screen (target) out those hits least likely to result in a change in a recipient's eligibility. The State then distributes the information (often referred to as "alerts") which are targeted for review to the appropriate county or local office for follow up. Caseworker follow up on the IRS example cited above would consist of 1) reviewing the information and comparing it with the case record, 2) contacting the applicant or recipient and/or other sources (e.g., banks) to verify new or previously unverified information, 3) resolving any significant discrepancies, 4) determining if the information affects eligibility or benefit amounts, and 5) notifying the applicant or recipient of any intended adverse action or entering in the case file that no further action is necessary. The Computer Matching and Privacy Protection Act of 1988 provides that any adverse action based on information received through a computer match can only be taken after the individual has been notified and given 30 days to respond. However, a shorter notification is permissible if a fair hearing agreement exists.

Prior IEVS Reviews

Several reports have been released on the implementation of IEVS. Reports by HCFA, FNS, American Public Welfare Association (APWA), and others describe much of this activity. In 1991, we released a report, "The Income and Eligibility Verification System (IEVS): A Time For Reform?," which synthesized the findings and recommendations of several reports examining States' implementation of IEVS. Additionally, the synthesis was supplemented by discussions with Federal and State welfare officials.

The 1991 review cited that major problems existed with States' implementation of IEVS. For example, reviewed reports indicated that:

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

Site visits to three States confirmed that problems with Federal data bases, Federal requirements, and sufficient resources hindered State efforts to operate IEVS. We concluded that problems appeared substantial enough to warrant further examination of IEVS, and we planned to undertake further study in this area. Additionally, we suggested that the Federal oversight agencies consider a basic reexamination of IEVS which might address ways in which:

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

METHODOLOGY

This examination of IEVS began with a review of the legislative history of IEVS, IEVS regulations, and other IEVS reviews conducted by Federal and State agencies not previously examined.

To determine current State IEVS practices and concerns, we next surveyed each State using interviews and mail surveys with the State official most knowledgeable about the State's IEVS process (this person was often designated by the State as their IEVS coordinator). Depending on the knowledge of the State IEVS coordinator, further discussions were conducted with other State staff to more fully understand a State's IEVS processes and

experience. These additional interviews were typically with automation systems' staff familiar with IEVS.

While most States were contacted by phone or mail, five States (Arizona, Arkansas, Georgia, Maryland, and Tennessee) were visited for onsite interviews. Selection was purposive and based on a variety of factors:

- Arizona was selected because of its participation as a pilot State in a targeting study conducted by FNS.
- Tennessee was selected because it 1) had implemented SSA's File Transfer Management System (FTMS) and 2) was the pilot State for the wire to wire data exchange and query system (WTPY). (See Appendix A for an explanation of FTMS and WTPY.)
- Arkansas, Georgia, and Maryland were selected to get a mix of States based on the differing administration of welfare assistance programs. Arkansas (like Tennessee and Arizona) was State administered. On the other hand, Georgia and Maryland were county administered and State supervised.

Within each of these five States, one county/local office in the vicinity of the State office was also visited to interview the office manager, a supervisor, and three eligibility workers. Questions to local office staff provided a perspective on whether and how IEVS impacts the case worker and another viewpoint on IEVS problems. Respondents at both the local and State levels were asked to provide documentation of 1) any problems such as timeliness or accuracy problems and 2) the effects of such problems on program eligibility or payment determinations.

Along with State interviews and surveys, we reviewed any available IEVS statistics provided by States, present State targeting procedures, and any written State IEVS program guidance or requirements for local offices.

Our review was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

FINDINGS

This examination of IEVS reaffirms findings from prior reviews and substantiates continued operational weaknesses with IEVS. The IEVS remains a controversial requirement for States. This controversy is especially acute because of State budgetary restraints, resource limitations, and program growth.

STATE IMPLEMENTATION

Several States are not utilizing all required IEVS sources.

While nearly all States are conducting the required IEVS matches, several States are not fully utilizing match results or conducting matches as often as required.

- *Several States did not conduct recipient matching or utilize the resulting information from one or more IEVS data sources.*

During 1992 and/or 1993, we identified 12 States not performing recipient matching or follow up on one or more IEVS sources. The most often underutilized match was the BEER with 10 of the 12 States not matching recipients or following up on information obtained from BEER. Six States had not fully utilized IRS. Three States underutilized the State wage, and one State did not use BENDEX to obtain SSA benefit information. Examples of State nonmatching or failure to follow up are provided in the chart on the next page.

- *Several more States (17) do not match applicants against one or more IEVS data sources.*

Regulations require matching applicants at the earliest available opportunity (e.g., IRS match is monthly). However, as many as 17 States report not routinely matching applicants. Matching is either delayed until the applicant becomes a recipient or is not done. (See Figure 1.)

While a few States' eligibility systems may not be designed to gather information on applicants prior to an eligibility determination, most States report they are not matching applicants because of a perceived lack of benefit to doing so. States either consider the match to be not cost effective, or report that matching applicants with the specified IEVS source is not productive since resulting information from the IEVS match is not typically returned until after the eligibility determination has been made.

	States
BEER	17
IRS	13
SSA Benefits	9
SSI Benefits	8
State Wage	4
UIB	2

Source: OIG Survey of States

Figure 1

Examples of State Nonmatching or Failure to Utilize IEVS Match Information

In **State A**, BEER alerts are not being sent to local workers. According to one State official, BEER alerts would "just clutter up the alert screen" of workers.

State B only recently entered into a requisite matching agreement with IRS effective August 7, 1993. In prior years, this State had no agreement and, consequently, conducted no matches with IRS.

During our site visit to a **county office in State C**, we found that IRS and BEER alerts had never been worked. The alerts were simply stored in a locked room and never reviewed.

In **State D**, IEVS reports were not worked from April 1991 to February 1993. State officials report this decision was because they were in the process of converting to a new computer system. The IEVS subsystem which will monitor IEVS matches is not expected to be totally functional until January 1994.

While **State E** did not discontinue the BEER match, in 1991 it stopped requiring local offices to clear monthly discrepancy reports/alerts. State officials reported this was done because of results from an internal 1991 cost-benefit analysis on the BEER match which showed the State "was spending a lot of money trying to clear up discrepancies from BEER, but weren't getting much in return."

In **State F**, follow up for several matches was discontinued. For example, the State wage match was discontinued in 1992 because of a "reported information overload to the county offices." BEER was discontinued in 1990 because the information was considered to be "too old and unreliable" with most of the "information available somewhere else." Additionally, IRS information is not utilized. Specifically, since their Family Assistance Management Information System (FAMIS) was installed approximately two years ago, they no longer report having the ability to process and distribute IRS tapes without involving the corporation with whom they contract with to maintain and operate the system. Since IRS does not allow contractor access to IRS tapes, they had to stop processing or distributing the information to the county offices. State F's approved targeting plan specifically precludes follow up on all BEER results.

In **State G**, the BEER matches were suspended in 1991 and not resumed until 1993. State officials reported this resulted from SSA's change in the record format of the BEER file. It took a significant amount of time for the State to make changes to its computer system to accommodate the new file format. Changes were not perceived as a priority.

Starting in 1993, **State H** stopped distributing BEER results to staff within 45 days of the match.

In **State I**, some local agencies "shred IEVS reports upon receipt."

In **State J**, State officials report "wage reports are probably not being worked in more than 50 percent of the counties."

- *States are not matching with IRS each month.*

Statistics from IRS show that as many as 46 States missed one or more applicant matches with IRS during the 1992-93 processing cycle. (See Figure 2.) Data provided from IRS was insufficient to determine whether the match tape from the State was received late by IRS and processed with the next month's run or was never submitted.

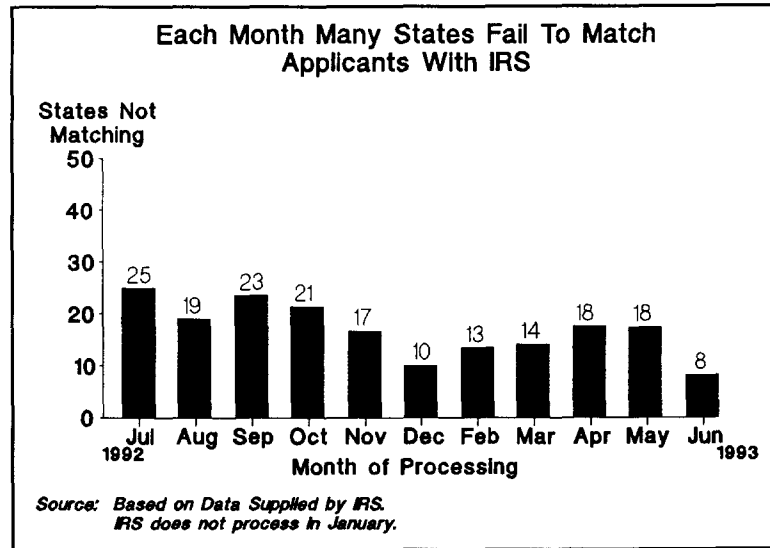


Figure 2

Regulations clearly state that the matching of applicants must be at the next available opportunity after an application has been filed. The next available opportunity for IRS is monthly except for January when IRS does not process requests.

Of the States not matching consistently with IRS, 13 States report they do not match applicants with IRS. Others not consistently matching applicants report systems problems or other delays generating the IRS request tape as reasons for missing an applicant match. Some States considered failure to match an oversight problem and were not aware of the missed match or matches.

Processing timeframes required by Federal regulations are not met in most States.

"We are certainly not meeting the intent of the law concerning the 45 day timeframe for IEVS matches."

- A State IEVS Coordinator

- *Of 39 States surveyed, only six States report meeting the rule that 80 percent of IEVS match results are followed up within 45 days.*

Most States are not meeting the prescribed follow up timeframe for one or more IEVS matches or do not know. Of 39 States surveyed, only six States report that during the

first three quarters of 1993, the percentage of follow up completed within 45 days equaled or exceeded 80 percent. Of the remaining 33 States, 14 did not meet the 80 percent rule and 19 reported "Don't Know" because the State lacks a statewide tracking system capable of monitoring timely completion of follow up.

To illustrate States' inability to complete follow up timely, of the five States in the southwest region (Texas, New Mexico, Arkansas, Louisiana, and Oklahoma), not one is able to meet the 45 day requirement for processing IEVS data as required for all recipient matches. Officials from these States believe timeframe requirements are "neither practical nor manageable."

- *Several States commented that workers give low priority to working IEVS and documenting results.*

The following are typical responses from State and local welfare officials concerning workloads and the priority workers or State oversight agencies place on IEVS follow up:

"We can barely issue benefits in a timely manner, let alone do things like IEVS matches which are real nice but impractical."

"A lot of IEVS follow up isn't getting done because 99 out of 100 times the worker already knows the information. We are just spinning our wheels."

"There is just so much workers have to check, and they already don't have the time to do their daily work as it is."

"There might be something worthwhile from the BEER match, but given the high caseloads and low priority of BEER alerts, these alerts just clutter up the worker's alert screens."

"It's a joke here because of the caseloads. We are going to have to hire alert workers on top of eligibility workers just to keep the alerts anywhere close to current."

According to one State's IEVS coordinator, State IEVS follow up statistics emphasize the lack of priority workers place on completing IEVS alerts. Due to staff shortages, workers have a considerable amount of work to complete regarding eligibility determinations and recertifications of recipients. As a result, IEVS is very low on their list of duties, and workers are simply too busy to provide more than a "quick and dirty" review of IEVS information.

This sentiment was echoed by another State's IEVS coordinator who reported that because of the 45 day follow up timeframe, workers are "pencil whipping their IEVS responses to get them back" to the State agency more quickly.

In a county welfare office we visited, one of the suggestions from a county Food Stamp Management Evaluation report (dated April 1992) was that processing of IEVS and claims

should not be done unless or until all on-going changes which would affect eligibility or benefits are completed. Officials believed placing IEVS lowest on a worker's list of priorities would "work to assure correct benefits to clients and prevent quality control errors." However, officials recognized that a "backlog of IEVS reports would be created."

- *The adequacy of a worker's resolution or documentation of alert resolution is suspect or nonexistent in many States.*

Virtually all (12 of 15) of the local welfare office workers interviewed stated they lacked enough time to do more than a cursory review and resolution of IEVS information. According to State officials from the southwest region, stringent timeframes for follow up negatively impact the quality of review done by workers. Officials report that in a "futile attempt to meet follow up timeframes, eligibility staff find themselves in the dilemma of performing a quality analysis of the match data versus performing a cursory assessment of the data to meet a monitored timeframe."

A lack of training and management controls over workers can result in resolutions being conducted in a cursory fashion, ultimately resulting in incorrect statistics. In one State, workers are "pencil whipping" IEVS responses. According to State officials, this "only serves to force the recording of many responses as 'current benefits correct, referred for investigation,' a coding which also showed no savings." The consequence of such coding is to "seriously under-report effectiveness and savings" due to IEVS.

While most States (39) require workers to specify how information received from a match is resolved, 8 do not require documentation of resolution. The four remaining States failed to respond to our question. It should be noted that, in some cases, States may only require workers to specify the outcome of selected matches.

In addition to impacting the quality of follow up review conducted by workers, work pressures negatively impact the accuracy and completeness of tracking reports. Considering it "unfortunate," one State's officials reported experiencing workloads which "prevented the accurate completion" of tracking reports. As a consequence, the State discontinued use of its State-wide tracking reports on alerts. Tracking of completed resolution activities is now a function of the local offices. Officials readily admit that without an adequate tracking system, management is unable to properly assess the adequacy of follow up or to maintain statistics needed to assess the costs and benefits of matches. They stated counties "do the follow up reports when they have the time and, in some cases, counties may never have the time -- We know that!"

Another State provides an example of flawed IEVS's savings reports. According to State officials, savings calculations are considered "an inappropriate measure of the savings that have resulted from IEVS, as workers often fail to complete, or to accurately complete the savings calculation screen" of its IEVS alert resolution computer system. Officials consider this a "training issue" and plan to address the problem in the "near future."

Most States could utilize IEVS sources in a more timely manner.

Several State respondents expressed concern with their State's inability to meet timeframe requirements for all matches. In an effort to be more timely in making match data available to workers, most States (43) provide online access to data resulting from one or more IEVS matches. However, States are not always timely in accessing the data source.

- *During the 1991-92 IRS processing cycle, 19 States delayed matching recipients against IRS for several months after the IRS data was first available.*

Many States fail to access IRS information when it is first available. Specifically, many States matching their recipient population once a year delay matching with IRS beyond the months when the data first becomes available (July) and the month when the IRS file of unearned income is typically 99 percent complete (September).⁹ (See Figure 3.)

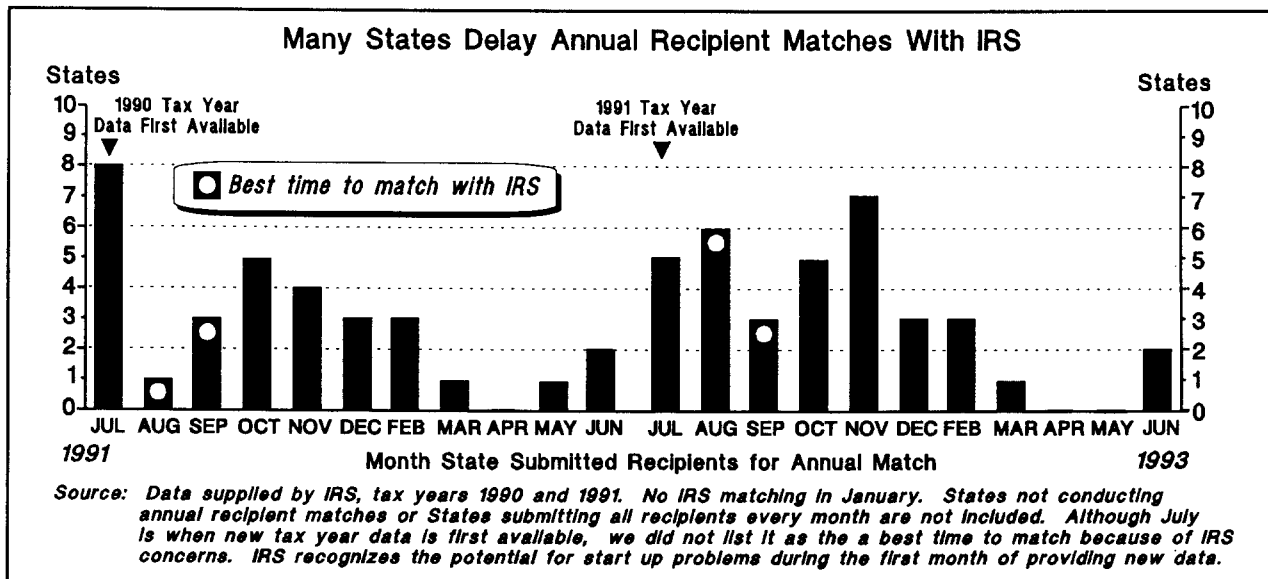


Figure 3

- *Most States are not fully utilizing SSA's File Transfer Management System.*

While most States have implemented SSA's wire-to-wire File Transfer Management System (FTMS), its usage by States is still limited. (See Appendix A for a description of the FTMS.) For example, the State Verification and Exchange System's (SVES) wire third party query (WTPY) is presently used routinely by only 11 States. Additionally, many States using the FTMS still continue to use tapes for some file transfers. Part of the delay in States using the query option resulted from delays by SSA (i.e., SSA did not add States to WTPY for much of 1993 while it implemented SVES). However, the most significant delay reported by States is the result of a lack of systems resources and the low priority placed on WTPY development. Of 12 States contacted and actively using FTMS, seven reported resource limitations and the low priority placed on WTPY development accounted for delays implementing WTPY. Other State reasons varied. One State was

still experiencing problems with FTMS and did not want to develop WTPY until problems were resolved with SSA. Another State was waiting for documentation about WTPY from SSA and the names of contact personnel concerning WTPY before doing anything to implement WTPY. Remaining States reported they did not know why WTPY had not been implemented.

The FTMS and SVES systems represent an effort by SSA to improve the timeliness and efficiency of data exchange with States. By using the FTMS to exchange files with SSA, States eliminate many of the hassles of sending and receiving tapes. Although use of SVES to query BENDEX, SDX, or BEER results in the normal output from those exchanges to the State and the output files retain their independent nature, the delays caused by waiting for tapes will not exist. Files will be sent by SSA as they are created. With FTMS, if files are damaged or not received, it is a simple matter to ask SSA to resubmit the appropriate files. States often have tight timeframes during which to process data. Thus, the reliability of FTMS ensures processing is not missed because of a lost or delayed SSA tape.

Additionally, with use of SVES to query SSA, a State can accomplish any or all of the following queries with a single input: 1) SSN verification, 2) WTPY query, 3) BENDEX accretion/deletion, 4) SDX welfare number transactions, 5) SDX Interim Assistance Reimbursement (IAR) transactions, and 6) BEER requests. One big advantage of the new SVES query process is an improved method of SSN verification. In the past (or by not using SVES), the method of locating or verifying a person's record varied from exchange to exchange (e.g., BENDEX, SDX, or Enumeration Verification System (EVS)). While a person's record might be verified through one exchange, it might not be verified through another. Each exchange has slightly different verification procedures.

With SVES, the verification process has been standardized and improved. The SSN verification process of SVES differs from other exchange verification procedures by:

1. utilizing all of the SSA databases (NUMIDENT, Master Beneficiary Record (MBR), and Supplemental Security Record (SSR)) to determine identity, thereby, permitting a positive verification against any of the three databases;
2. allowing for surname differences between State input data and SSA data when first name and date of birth agree. This primarily affects records for females where maiden and married names differ; and
3. searching for a "better" number when the State input data does not agree with SSA records.

Through this verification process, any transaction for a verified SSN will be accepted by the independent exchange (BENDEX, SDX) without the need for further verification. Because of the improved verification process, SSA estimates SVES will return approximately 12 percent more verified social security numbers (SSNs) than the current Enumeration Verification System (EVS).

COST EFFECTIVENESS

The majority of States report one or more IEVS matches are not cost effective.

Although IEVS has been operating in each State for many years, the cost effectiveness of IEVS is still an issue. While six States report all IEVS matches are cost effective, the majority of States (35) report one or more IEVS matches are not cost effective.¹⁰

- *Most States believe the BEER and IRS matches are not cost effective.*

A majority of States (29) report that, overall, IEVS is a cost effective program. However, with regard to specific matches, the applicant and recipient BEER and IRS matches are typically perceived as not cost effective. State conclusions of cost effectiveness are typically based not on cost-benefit studies, but on program experience and perception. Only 20 States' conclusions were based partially or wholly on some type of cost effectiveness study. Further, only 11 of these States evaluated one or more matches using projectable sampling techniques.

Figure 4 presents State perceptions of the cost effectiveness of various IEVS matches. States' responses concerning perceived cost effectiveness of the IEVS matches did not include deterrence as a factor in the indicated conclusions.

State Perceptions of IEVS Cost Effectiveness

<i>Percent of States By Match (N=51)</i>	APPLICANT MATCHING			RECIPIENT MATCHING			OVERALL		
	YES	NO	DK/NA	YES	NO	DK/NA	YES	NO	DK/NA
ALL MATCHES	41%	25%	33%	59%	20%	22%	57%	20%	24%
UIB	73%	10%	18%	82%	10%	8%	75%	12%	14%
SSI BENEFITS	71%	6%	24%	82%	6%	12%	76%	6%	18%
STATE WAGE	61%	20%	20%	80%	14%	6%	75%	14%	12%
SSA BENEFITS	59%	16%	25%	78%	12%	10%	67%	16%	18%
IRS	33%	39%	27%	41%	47%	12%	39%	41%	20%
BEER	14%	53%	33%	16%	63%	22%	18%	57%	25%

DK=Don't Know NA=Not matching

Source: State Survey Responses

Figure 4

The Computer Matching and Privacy Protection Act of 1988, enacted to regulate computer matching with Federal agencies, requires participating agencies to provide cost and benefit figures when matching agreements are renewed. Affected IEVS matches are the BENDEX (SSA benefits and earnings), SDX (SSI benefits), and IRS matches. Thus far, States have submitted cost and benefit statements for the last two matching agreements signed. Appendix B shows data submitted by States for the IRS agreement covering release of 1990 tax year data. Based on the figures provided, cost and benefit numbers for 22 States show the IRS match to be cost effective, 17 show the match was not cost effective, and 12 show either no data or incomplete data.

- *A recent evaluation conducted for the Food and Nutrition Service (FNS), but not yet released by FNS, may help to answer the cost effectiveness controversy for IEVS matches.*

According to FNS officials, a contractor to FNS has completed (June 1993) an extensive evaluation of IEVS cost effectiveness using various targeting methodologies.¹¹ However, the results of this study have not, yet, been formally released by FNS. Two States participated in the study (Arizona and Michigan). The matches studied in Arizona were the recipient match with State wage, BEER, and IRS. In Michigan, the matches studied were for applicant matching with State wage, UI, SSA benefits and earnings, SSI benefits, and IRS. All matches were targeted except Michigan's state wage match.

Arizona and Michigan participated in this evaluation, in part, to prove their contention that IEVS matching is not cost effective for certain matches. Each State reported having conducted studies in the past which supported their contention. The study conducted by Arizona was far less rigorous and Michigan's study relied on different assumptions, than those used for the FNS targeting study. Michigan's study uses a higher estimate of the time to complete follow up by workers (34 minutes) and a lower estimated time span until inappropriate payments or eligibility is typically detected. Because FNS has not yet released its cost effectiveness study, we were unable to assess the validity of FNS's use of lower estimates than used by Michigan.

- *Little guidance has been provided States on how to conduct a cost-benefit analysis for IEVS matching.*

According to a recently released U.S. General Accounting Office (GAO) review of computer matching agreements and the quality of the cost-benefit analyses provided with the matching agreements, the quality of analyses is "poor." The GAO points out that little guidance has been provided States on how the costs and benefits of matching should be determined.¹² The GAO notes SSA's cost and benefit worksheet¹³ as a notable exception and recommends that the Director of the Office of Management and Budget (OMB) 1) expedite the publication of minimum standard criteria for cost-benefit analyses, and 2) direct agencies to establish procedures to track costs concurrently and measure costs and benefits retrospectively to determine whether estimated benefits are actually achieved. GAO stated, in their report, that OMB "generally agreed with the recommendations and indicated guidance on conducting cost-benefit analysis would be forthcoming."

MATCH DATA ACCURACY

The majority of States (32) report data reliability and accuracy problems with one or more IEVS matches; however, no specific match was consistently perceived as a problem area.

During a recent 12 month period (April 1992 to May 1993), a majority (32) of States report having experienced data reliability or accuracy problems which undermined the usefulness of one or more IEVS matches. However, none of the individual matches were consistently reported to be a problem by a majority of States. (See Figure 5.)

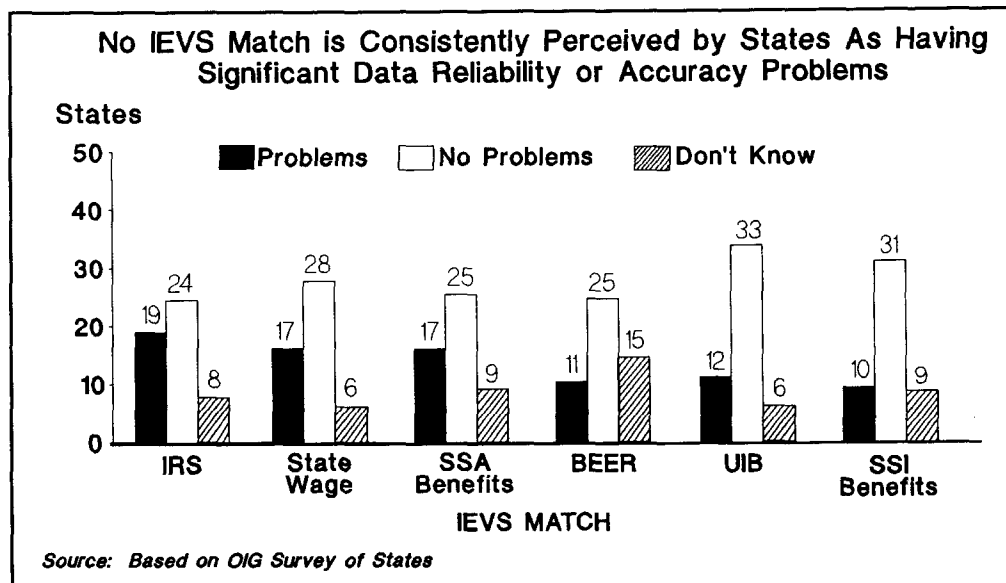


Figure 5

Follow up discussions with States indicate the number of States reporting problems may be inflated. For example, some States referenced problems related only to the age of the data. As one State respondent said, "the data is simply too old to be reliable." Data sources which accumulate data over time, through various reporting mechanisms (e.g., IRS), will always provide dated information. There is little argument that the older the data, the less value the data has as a reflection of a client's present economic situation. However, this does not mean the data is necessarily inaccurate and unreliable.

The most often encountered problem with IEVS matches is matching with the wrong person's record.¹⁴ This occurs most often with matches relying on reporting from third party sources (e.g., banks, employers). Typically, an employer has submitted the income of a worker under the wrong SSN. The source of the error can be due to the worker giving the wrong SSN, the employer incorrectly recording the SSN given by the worker, or the agency inputting the received wage report's SSN incorrectly.

States have few or no mechanisms to monitor and assess problems with the accuracy of data supplied by the various IEVS data sources.

While many States report experiencing problems with various IEVS matches, no State has monitored, studied, or quantified the types or extent of problems. Claims of data source problems continue to be based on anecdotal cases.

Since the majority of States are not experiencing consistent problems with any one match, it could be argued that problems, if they exist, are not systematic or significant. However, it is also possible that workers and match coordinators have simply accepted certain problems as a part of the matching process or receive so few IEVS alerts that the scope of data accuracy problems is not recognized. As one eligibility worker stated, "I see reports so infrequently that I just can't remember if a problem is significant. I know they happen, but how often I can't say."

State L's experience provides one indication of why States need to actively monitor problems with the accuracy of match information. State L implemented IEVS in 1986. Yet, ever since then, the incorrect BENDEX amount was being calculated for clients with the resultant problem of generating incorrect alerts on all BENDEX matches. Only recently was it discovered that a design flaw in the State's computer system caused the errors, not the source information provided in the match. A BENDEX amount was inadvertently shown with the decimal place moved one position to the right. Thus, a BENDEX amount for \$100 would appear as \$1000.

The IRS Unearned Income and SSA Wage data systems were not designed to meet the timeliness requirements of entitlement programs.

Virtually all States report the IRS and BEER matches are not timely for use in the eligibility determination process. As several respondents stated, "the information is just too old" by the time workers get it. Unfortunately, no other more current data source is available for IRS information. While State quarterly wage data matches provide a more current source of State wages, BEER is the only source of earnings from out-of-state employers, self-employment, agricultural jobs, and Federal employees.

The IRS maintains computerized files of information on unearned income paid to taxpayers. Payers of this income (e.g., banks) are required to report the payments by filing annual information returns. The IRS information has timeliness limitations which are not likely to be overcome without significant changes to current IRS reporting and processing procedures (e.g., running matches more often than the current monthly process or requiring earlier reporting). Typically, IRS does not receive unearned income reports for a tax year before the end of February of the following year. Thus, this information may be anywhere from 2 to 14 months old when reported. Moreover, IRS processing does not result in a relatively complete master file until September following the tax year for which the information returns are applicable. In other words, by the time the master file is complete, the unearned income information has aged an additional seven months.

Obviously, IRS' system for collecting and processing unearned income was not designed to meet the timeliness requirements of entitlement programs.

The SSA maintains centralized files of wages, self-employment earnings, and pension payment data. Employers annually report wages directly to SSA, while self-employed individuals report their earning to IRS, which provides the data to SSA. The SSA's earnings data are comprehensive in that they include virtually all employees, the military, Federal civilian employees, and the self-employed. Since employers and self-employed individuals are required to report earnings information only annually, the data suffers from the same timeliness problems as the IRS data.

FLEXIBILITY

In many States, IEVS is not a dynamic process that can be adjusted for internal pressures such as changing workloads, staffing, and program priorities.

"One of the things we as a system have to constantly balance is the workload, which is increasing for our staff, and the ability to do all the IEVS matches, which may be good in and of themselves. Somebody has to make decisions on importance and priority. These shift over time. It's not a one-time question with only one set of answers. The IEVS is a dynamic decision process."

- A State IEVS Coordinator

Welfare agencies are victims of demographics and the economy with levels of service varying from place to place and often shrinking with down turns in the economy.¹⁵ The GAO report entitled "Some Jurisdictions Confronted by Short- and Long-Term Problems"¹⁶ discusses how State and local government spending and revenue pressures between 1985 and 1991 forced many government entities to control program growth, cut services, and raise revenues.

Because of the fiscal constraints, State and local budgets have tightened, hiring freezes have occurred, and layoffs have sometimes been necessary. Consequently, welfare programs are typically understaffed. In many States, the number of eligibility workers has not increased to keep pace with the burgeoning caseloads. The ratio of cases to workers can be several hundred to one with typical caseloads ranging from a low of 123 AFDC cases in California per worker to as many as 509 cases for a typical West Virginia worker.

The follow up process to reconcile data received from an IEVS match takes worker time. With higher caseloads for a worker comes the potential for higher numbers of IEVS discrepancy alerts to work. Since IEVS regulations do not allow more than 20 percent of IEVS follow up to exceed the 45 day completion timeframe, States unable to process IEVS alerts timely must do one or more of the following: 1) hire more staff to handle the increased workload of follow up, 2) reduce the number of alerts workers have to

complete, or 3) improve the efficiency of alert resolution through systems or procedural changes.

- *Most States employ targeting strategies to limit IEVS alerts to workers.*

Recognizing the impact of follow up on workers, nearly all States have implemented targeting strategies to limit the generation of alerts to those most likely to impact the eligibility status or benefit amount. In many cases, targeting schemes function more to limit the follow up workload of workers than to focus review on those most likely to affect the case. Federal agencies approve targeting plans submitted by States with limited justification provided by States. In a few cases, States have been allowed to not follow up on any information provided by an IEVS source (e.g., Montana's approved targeting plan for the BEER match specifically precludes follow up of any BEER match information.)

According to State responses, most States have implemented a targeting strategy for at least one IEVS source with most States targeting the BEER, IRS, and State wage databases. Five States reported they do not target any IEVS match.

The types and extent of targeting strategies implemented by the States vary. Typically, the strategies involve one or more of the following:

1. *Use of Discrepancy Thresholds.* Individuals or cases are selected for review if a difference exists between information (e.g., dollar amount of resource) provided by the client and the income information reported on the external source database.
2. *Use of Tolerance Thresholds.* This strategy looks to see if the reported amount on the external database exceeds a specified threshold or limit (e.g., all earned income greater than \$500 for a given time period).
3. *Exclusion of Duplicative Information from Follow up.* If a certain type of information duplicates information from another data source already matched against, the information is dropped.
4. *Exclusion of Repetitive Information from Follow up.* If information has already been reported, this strategy would limit further reports to the worker from this source (e.g., wage from this employer is not reported to the worker beyond the first alert and in subsequent quarters).
5. *Exclusion of Certain Information Based on the Characteristics of the Individual Matched.* Examples of this type of targeting include following up on information only if the person is active when the information becomes available or if the person is between a certain age (e.g., not less than 18 and a student or over 65).

If a State targets information items, a targeting plan for each data source must be submitted to the appropriate regional office of HCFA, ACF, and FNS. Justifications are to be based on the experience of the program in following up on specific categories of information. Additionally, States are allowed to use other sources of data as alternatives to the IEVS data if the State demonstrates that the alternative source is as timely, complete, and useful for verifying eligibility and benefit amounts as the required source.

While greater levels of automation and targeting can help to keep the IEVS alerts more manageable, follow up timeframe requirements may limit the ability of the worker to adjust for peak workload periods throughout the year. The IEVS regulations only allow workers to exceed the 45 day follow up timeframe for 20 percent of alerts and only for the explicit purpose of receiving verification from third party sources. Such pressures have negative consequences on a worker's view of IEVS matching according to the Southwest IEVS Task Force.¹⁷ Task force members believe IEVS "breaks the spirit of many with its impossible disposal timeframes and nonproductive outcomes."

To address timeframe concerns, many States want the timing of IEVS reports to be flexible so that varying methods of match follow up can be employed, depending on the staff resources available. For example, some would use this flexibility to delay reports from various IEVS sources so they can be compiled into a single document which could be viewed and resolved at redetermination.

States want more flexibility implementing IEVS requirements.

After many years of experience operating IEVS, States are virtually unanimous about the need for more flexibility in IEVS regulations. Recipient targeting is not considered by States to offer enough flexibility. As figure 6 shows, States want the flexibility to choose the matches they conduct, when to conduct those matches, the targeting methodology to use, and the follow up timeframes to meet.

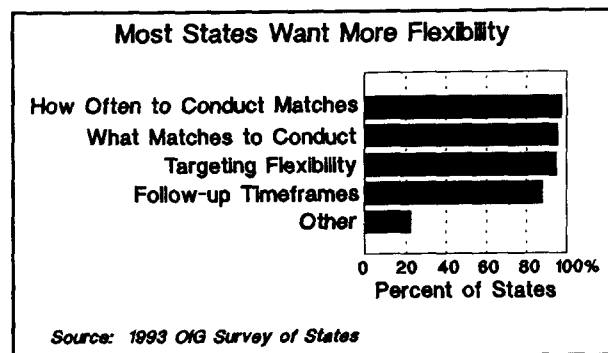


Figure 6

Additionally, several States want some relief from IRS security and confidentiality safeguards for match information and flexibility during one-time events such as times of national disaster (e.g., hurricanes, floods) or implementation of new computer systems.

States want flexibility from the current IEVS regulations for many reasons. The most often mentioned reasons are because information from certain matches is considered to be rarely useful and some matches are not cost effective to follow up. Other reasons cited by States (particularly for the BEER and IRS matches) are that match results are not returned timely by the match source, match results reflect aged information, and workers do not have the time to work IEVS information because of high workloads.

Most States want to discontinue one or more IEVS matches.

Most States (76 percent) would discontinue routine use of one or more IEVS matches if IEVS matching were at the State's discretion. States are unconvinced that all required IEVS matches are beneficial.

As figure 7 shows, States would most like to discontinue the BEER and IRS match for applicants and/or recipients.

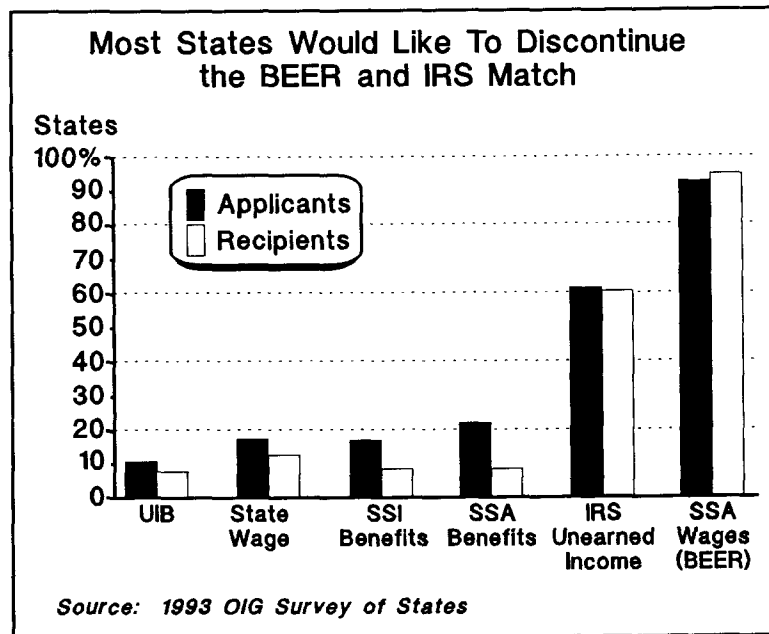


Figure 7

The IEVS was initiated, in part, because of the Grace Commission's conclusion that the Federal and State governments had made several billion dollars in inappropriate payments in 1982 for assistance programs such as AFDC and Food Stamps. In establishing IEVS, the Congress intended that IEVS should augment existing State verification activities. However, some States (e.g., Texas, Arkansas, Louisiana, New Mexico, and Oklahoma) question the validity of the Grace Commission's conclusions and the true impact IEVS has had on reducing inappropriate payments.

Based on what representatives from the Southwest region's IEVS Task Force consider were false assumptions made by the Grace Commission, "State agencies have been paying the price" since IEVS implementation by having to conduct IEVS matches they perceive are not cost effective or must be conducted in a manner which is too prescriptive.

Variations in waiver authority among programs and application of authority further limit State flexibility and weaken coordination among Federal programs.

While it is clear that States want flexibility, neither the AFDC nor the Medicaid programs are able to provide much of this flexibility except under very restrictive conditions. For

example, the AFDC program can only grant a waiver for demonstration projects or as specifically defined in IEVS regulations (e.g., targeting approval, alternate IEVS sources). Since demonstration projects require a rigorous evaluation, few States elect to seek demonstration project waivers. Unlike AFDC and Medicaid, the Food Stamp program has the broad administrative authority to grant waivers of regulations if the actions are expected to result in a more efficient and effective administration of the program (7 CFR 272.3(c)(1)(ii)) and if doing so would not be in direct conflict with the law.

Because of the differences in waiver authority between the three programs, States experience different treatment by Federal oversight agencies. For example, a State may receive a waiver from the Food Stamp program extending the 45 day follow up timeframe for IEVS matches. Yet, this same State may not receive the same waiver from the AFDC program. This inhibits State flexibility because State programs are typically integrated by process or system. Consequently, treating Food Stamp recipients differently from AFDC recipients would be difficult.

Alabama's experience serves to illustrate the impact of waiver approval authority differences on a State's flexibility. Alabama received a waiver for the Food Stamps program to not match certain categories of applicants and recipients (household members above and below certain ages were not to be matched); it did not receive AFDC approval for the same request. The AFDC program could not approve the waiver request because it lacked the authority to waive the IEVS regulatory requirement that all applicants and recipients must be matched with prescribed data sources. Alabama officials reported they were unaware that the AFDC program did not have the same waiver authority as the Food Stamp program. Because it was unrealistic to differentiate between AFDC and Food Stamps clients, Alabama did not exercise the Food Stamps waiver. This lack of consistent authority not only inhibited Alabama's flexibility to achieve a perceived cost-efficient match, it also reinforced the State's belief that Federal agencies do not adequately coordinate with each other.

Further, even with waiver availability for Food Stamps, responses suggest that not all States are aware certain IEVS regulatory requirements can be waived. To date, few States have sought waivers from the Food Stamp program. The only Food Stamp program IEVS-related administrative waivers granted, thus far, are for the following six States to extend the 45 day time limit for all or part of IEVS follow up actions:

Arkansas	-	waiver expired September 1992
Texas	-	expired May 1993
New Mexico	-	expired April 1993
Ohio	-	expires April 1994
Virginia	-	expires June 1995
Louisiana	-	effective October 1, 1993

(Several of these States did not utilize the waiver from FNS to extend the 45 day follow up for the Food Stamp program, because no waiver was received for the AFDC program).

Another means of providing flexibility to a State's IEVS is also permissible under current IEVS regulations; two States have approval allowing usage of alternate sources of IEVS information:

California	-	expires October 1994
Georgia	-	expires December 1995

California's waiver allows matching with its Franchise Tax Board's (FTB) interest and dividend file rather than the routine IRS match. California does match with IRS once a year to supplement the FTB match. Approved for the Food Stamp program, Georgia's waiver allows use of its "Clearinghouse" to access State wage, unemployment insurance benefits, and SSI. The Clearinghouse provides online access to the worker. Provisions of the waiver require workers to access this information at certification, recertification, and when changes are made to the case.

Given States' desires for increased flexibility, it is likely that a lack of awareness of the waiver process and the lack of authority of the AFDC and Medicaid programs to grant administrative waivers have caused some States not to seek waivers for the Food Stamp program. As States become more aware of the Food Stamp program's IEVS waiver authority and if AFDC and Medicaid obtain the authority to waive IEVS regulations, more States may seek waivers.

We note that ACF has proposed two rule changes which, if accepted, will allow for more IEVS flexibility in the AFDC program. One rule proposes to modify the IEVS regulations to allow States the opportunity to present a plan for opting out of ineffective IEVS requirements. This rule change would permit a State to request a waiver of any one or more of the requirements for IEVS matching if the State is able to explain why the information from an IEVS match is not useful or cost effective in determining eligibility or payment for either applicants or recipients. The waiver request must include a plan which clearly demonstrates that an alternative to IEVS exists which would achieve the same or better results ("either in whole or in part") as the IEVS program. The plan must also include a cost-benefit analysis or a request to use cost-beneficial alternative procedures, such as improved automation techniques and other practices, which would achieve similar results at lower costs.

This rule overlaps policy proposed in another, broader rule allowing AFDC administrative waivers. The former rule was submitted for approval by ACF in case the AFDC Administrative Waiver regulation was delayed. Although both rules were proposed on May 21, 1992 for the Department's clearance, neither have been acted upon. According to ACF officials, the destiny of the rules is intertwined with welfare reform; thus, a timeframe for acceptance of the rule changes is unclear.

The HCFA has not proposed any rule changes which mirror ACF's proposed rule changes. According to HCFA officials, HCFA is waiting for the outcome of ACF's proposal before taking action.

MATCH EFFICIENCY AND EFFECTIVENESS

While most States can make their IEVS processes more efficient and effective, many report they lack the resources and management commitment to do so.

"You have to understand our IEVS system. While certain things were visualized to work, they may never have gotten done. If they ran into a problem, it never got fixed. It's like we just threw up our hands, and it stays broken."

- A State IEVS Coordinator

Virtually all State IEVS coordinators (37) report IEVS could be made more efficient and effective in their State. However, most coordinators (28 of 37 responding) report a lack of data processing resources (e.g., systems programmers) to support many of these efforts. As one respondent stated, our "hearts are in the right place, but not our pocket books." Another stated, "because of the time spent making systems changes to adhere to new or changed Federal mandates, we have difficulty finding the resources to make systems changes that would help workers with IEVS."

Several States remarked that IEVS was implemented with haste, which resulted in system weaknesses. One State's computer programmer reported that IEVS was implemented under such time pressures that the State had to acquire the appropriate software from another State in order to meet the IEVS implementation deadlines. The result was an IEVS system which is "poorly documented," "riddled with inefficiency," and one which "has never worked the way it was supposed to." As an example, a file is created as program clients are added to eligibility roles; however, the program to remove them once participation has ceased does not operate. This leaves many inactive clients on the file which results in a degradation in the system's performance and needlessly takes up valuable disk space storing old client information. Given the time and resources, this programmer would like to see the IEVS system redone. This same sentiment was reported by a programmer in another State. However, in his State, management supported efforts to modify or remove known deficiencies in its IEVS system.

In addition to targeting, States can do more to reduce the volume of inconsequential alerts to workers. One way of doing this is to use computer systems to filter out information which has already been reported to the worker or which the worker should already be aware. As many as 19 States report they do not do enough in this area. Specifically, they do not maintain a historical IEVS database of information already sent to workers in order to check all new alerts to ensure that duplicative information is not sent to the worker.

Ohio presents a good example of a State creatively using its computer system to limit production of alerts caused by inconsequential data. Specifically, filters have been applied to keep bad match information from generating alerts to workers. A bad match is defined as invalid information attributed to the client's SSN. This is the first filter Ohio applies to any match. For all sources, if the worker has previously determined and reported that

information from an employer or account is a bad match, the system will not send new data from the same employer or account as an alert. For technical reasons, however, this new data is available when accessed directly through the data exchange.

Another way to make IEVS more efficient is to resolve information using a computer, rather than requiring a worker to resolve it. Specifically, data which does not require independent verification can be directly applied to a client's record and a recalculation of benefits made without ever having to involve the worker. Presently, 34 States are automatically updating case records based on BENDEX (SSA benefits and Cost of Living Allowance (COLA)) and the data from SDX (SSI benefits). Remaining States could reduce the workload of workers by implementing the necessary systems changes to automatically update client eligibility files with BENDEX and SDX data.

The Computer Matching and Privacy Act permits agencies to directly apply information developed from a computer match (without independently verifying the resulting data's accuracy) if the Data Integrity Board (DIB) for the Federal agency providing the data finds a high degree of confidence that the information provided to the recipient agency (e.g., States) is accurate. Such a ruling was made by the DHHS Data Integrity Board in 1990 and 1991 certifying that SDX and BENDEX data is accurate. Thus, States are not required to independently verify data provided by SSA concerning the identification of individuals and the amount of benefits SSA pays. The DIB decision was based on an accuracy certification provided by SSA. (See Appendix C.)

ADDITIONAL FEDERAL DATA

States have yet to be given access to additional Federal data they report would be helpful.

In our 1991 report, "The Income and Eligibility Verification System (IEVS): A Time for Reform?," we suggested additional Federal data could be made available to States such as Veteran's Administration (VA) data, Federal employee salary and pensions, U.S. Savings Bonds, and State death records maintained by SSA. We made this suggestion based on State input that other Federal data could be useful in their eligibility determination processes.

To date, no additional Federal data sources have been provided States. While we suspect access to these data sources could be helpful if utilized, we are reserved about requiring access when many States are failing to adequately utilize those data sources already required by IEVS regulations.

Veterans Administration Benefits

Some progress is being made in assessing the utility of providing States with greater access to VA data. Specifically, ACF has been studying this issue. In 1991, ACF conducted a preliminary match using Tennessee's and South Dakota's welfare rolls and matched them against VA benefit data. The results were encouraging but limited because

the data could not be provided to States for follow up and a determination of the impact on client eligibility. This was because the match was conducted for statistical purposes only, as provided for under the Computer Matching and Privacy Act. To allow States to follow up on the results of the match, the Computer Matching and Privacy Act requires a signed matching agreement between the involved agencies. It took over a year, but the requisite agreement was finally approved allowing ACF's match using State and VA data.

The VA provided ACF with a file of its current VA active beneficiary records as of August 1993. At the same time, the States of New York, South Dakota, and Tennessee provided ACF with files of their current public welfare clients for this same time period. The match was completed and the results provided each of these States. Presently, these States are reviewing the information to determine the impact of the VA information on client benefits or eligibility.

If the results show that access to the VA data would be helpful to States, ACF officials report they will likely seek legislation to require VA to process requests for information from States.

Federal Employee Salary and Pensions

Although the annual BEER record maintains wage and pension data for Federal employees, more current data on Federal employees and retirees is available. The USDA OIG in 1991 conducted a review by matching Federal employee records with Food Stamp recipient records in 15 States.¹⁸ Based on the findings, the USDA OIG recommended that FNS determine which Federal information sources would be the most effective and efficient for verifying Federal employee and retiree income. The OIG suggested one alternative to BEER was data on Federal employees maintained by the Defense Manpower Data Center (DMDC). This organization receives income data on both active (semiannually) and retired (annually) Federal employees and military personnel for purposes of identifying Federal personnel who owe delinquent debts to the U.S. Government as required by the Deficit Reduction Act of 1982.

The FNS Administrator agreed to examine the sources available and identify those most efficient and effective for verifying Federal income and committed to work with DHHS in this pursuit. However, we were unable to determine if any action by FNS has taken place thus far.

Asked about the utility of expanding State access to Federal employee data, ACF officials expressed a desire to do a preliminary statistical match as was done with VA data to determine if Federal employee salary and pension data looks promising and worthy of further evaluation. To date, no firm commitments have been made by ACF to test the utility of such data.

U.S. Savings Bonds

While IEVS regulations require that the income verification process include comparisons with income data from IRS and SSA, information available from these agencies does not include the value of U.S. savings bond holdings. Information available through IRS and SSA includes only data on the interest earned on redeemed savings bonds and on bonds paying periodic interest. Information on U.S. savings bond holdings is only maintained by the Department of the Treasury and is not currently available to the States.

Without savings bond data files, States cannot determine whether applicants for public assistance programs have unreported savings bond holdings. In 1989, GAO released a report entitled "Some Recipients Neglect to Report U.S. Savings Bond Holdings." The GAO conducted work in Massachusetts and showed the potential exists for individuals with extensive bond holdings to improperly establish Medicaid eligibility. Further, in the course of this and previous IEVS reviews, States expressed an interest in having access to this data. The Texas State Medicaid Director went as far as to send a letter to HCFA's Medicaid Bureau urging that access be granted. In response to Texas's letter, the regional Medicaid office reported that a proposal was submitted by the Medicaid Bureau for inclusion in HCFA's legislative package for fiscal year (FY) 1992. The proposal was approved by the Department and was slated for inclusion in the Administration's FY 1992 technical amendments package. However, according to HCFA officials, the proposal was never acted upon and was not reintroduced at a later date.

State Death Records via BENDEX

Although SSA maintains information reported by States on the death of individuals, this information is not presently shared with other States because many State contracts with SSA¹⁹ do not allow SSA to redisclose death information to other States. Anticipating a reversal of this situation, the SSA has already built into its SVES query, a module which would provide death information on individuals States submit for verification. However, death information will continue to be suppressed until barriers (State redisclosure restrictions) are removed.

The necessary authority to allow SSA to redisclose death data from States is contained in Section 5201 of the President's Government Reform and Savings Act of 1993. It was introduced as H.R. 3400 in the House of Representatives and specifies that the Secretary may redisclose death data provided to the Secretary by the States or any subdivision thereof to any Federal agency or any agency of a State or political subdivision in accordance with the Social Security Act.

Two reports completed by GAO and our Office of Audit Services support the utility of providing death data to States.²⁰

RECOMMENDATIONS

Independently verifying client circumstances through computer matching with IEVS data sources helps to ensure the integrity of the eligibility determination process. Although IEVS matching is mandated by Federal law and regulation, our interviews with State and local users indicate the practicality and cost effectiveness of IEVS under current regulations is uncertain. The uncertainty and resulting controversy have resulted in IEVS implementation and monitoring problems which need to be addressed at many levels of government, from Federal oversight agencies to State and local welfare offices.

This report reflects many of the problems which exist with IEVS (constraints on State IEVS flexibility and lack of coordination between oversight agencies to set consistent policy). The solutions to these and other IEVS-related problems are not as easily identified nor resolved because of:

- 1) the complexity of the issues;
- 2) the involvement and interdependence of so many different Federal and State agencies and programs;
- 3) the fiscal pressures and resource limitations impacting States; and
- 4) the uncertainty and impact of welfare reform initiatives.

As a consequence, it is important that Federal and State agencies assess the current status of IEVS and define the policy and operational changes needed to accomplish congressional intent. Critical to the deliberation process is the need for consensus and the full participation of both Federal and State agencies. Toward this end, we recommend the following:

Recommendation #1: The Administration for Children and Families (ACF) and the Health Care Financing Administration (HCFA) should use appropriate mechanisms to address IEVS issues by:

- examining existing IEVS requirements in each agency, at both the central and regional office levels;
- addressing the need for and degree of flexibility to be afforded States concerning IEVS;
- identifying specific areas in which coordination between oversight agencies can be improved, resources can be consolidated or more effectively utilized to monitor IEVS, and procedures can be streamlined to minimize duplication of effort and contradictions among Federal agencies' IEVS policies (e.g., waiver approval, targeting approval); and

- engaging outside, involved parties (e.g., the States, the Department of Agriculture, the Office of Management and Budget) to the fullest extent possible as IEVS issues (e.g., flexibility) and requirements are debated.

Additions to HCFA's and ACF's deliberations should include, but is not limited to:

- 1) Defining, clarifying, and communicating to States the extent of flexibility afforded by regulations. Without knowledge of the available options, States are unable to fully consider alternatives to improve the efficiency and effectiveness of their IEVS processes. A determination of the appropriate level of flexibility should reflect consideration of the results from FNS's IEVS cost effectiveness study.
- 2) Requiring States to monitor IEVS activity and submit periodic reports summarizing IEVS match activity, benefits, and success meeting Federally defined performance.
- 3) Requiring States to match all recipients with IRS by September of each year and to ensure applicants are matched monthly.
- 4) Reviewing the intent of targeting and determining whether a minimum level of follow-up is required. If so, what is that level? Should applicant targeting be allowed?
- 5) Coordinating with Data Integrity Boards to monitor and influence computer matching for eligibility verification purposes.
- 6) Establishing performance indicators to be used by Federal oversight agencies to assess State compliance with IEVS requirements and the effectiveness of IEVS matching.
- 7) Developing a standard IEVS waiver/targeting approval process.
- 8) Coordinating the establishment of a timeframe and action plan for assessing the utility of providing States with access to other Federal data sources. If the assessment shows promise, coordinate agency pursuit of legislative changes to allow State access.
- 9) Acting as a forum or clearinghouse to gather and disseminate IEVS experience and best practices to the States.
- 10) Encouraging States to periodically reexamine IEVS processes to ensure they are running as effectively and efficiently as possible. From our interviews, it was clear that real worker commitment to resolve IEVS matches within prescribed guidelines is more likely when the State's IEVS system is perceived as accurate, reliable, and easy to use. The goal for any State is

to do everything possible, within budget limitations, to ensure the quality and effectiveness of its IEVS and the acceptance of its users. Toward this end, there are many aspects of IEVS States should be encouraged to review. Examples include:

- Where electronic interfaces are used, the system should ensure they are user friendly and understandable. Some areas to consider include the:
 - ease of navigating alert/IEVS information screens,
 - clarity of alert,
 - clarity of error messages,
 - inclusion of sufficient information on data exchange screens to avoid (to the greatest extent possible) workers having to review case records or other reports to resolve an alert, and
 - adequacy of help screens.

- Policy, performance, training, and management feedback areas including:
 - clarification of policies and performance indicators (e.g., expectations for matching, reporting of systems problems).
 - routine notification of field offices/users of the results of their efforts (matches resolved, dollar savings identified, percentage done within 45 days, etc.), and
 - IEVS training initiatives (extent of IEVS training and frequency of updates).

- Systems enhancements including:
 - use of automatic updating of eligibility files from external data sources,
 - better use of targeting,
 - use of filters (to remove bad data, duplicated data, redundant data, etc.),
 - use of priorities in the preparation of alerts for follow up,
 - inclusion of system generated notices to clients,
 - automatic system generation of IEVS information automatically based on a scheduled client visit, and
 - use of SSA's File Transfer Management System (FTMS) and State Verification Exchange System (SVES).

Recommendation #2: The ACF should continue to seek a rule change which would allow the AFDC program an equivalent degree of flexibility currently available to the Food Stamp program with regards to IEVS (e.g., waiver of 45 day follow up timeframe). Since the AFDC, Food Stamp, and Medicaid programs are highly

integrated, State flexibility is limited when each program is not able to allow the same degree of flexibility. States report it is unrealistic to implement an IEVS waiver for one program without being able to implement the same waiver for the other programs.

Recommendation #3: The HCFA should seek regulatory changes for the Medicaid program which provide for IEVS flexibility equivalent to those sought by ACF for the AFDC program. As mentioned above, IEVS flexibility must be consistent between programs to be implemented effectively by States.

Recommendation #4: The ACF and HCFA should inform State public assistance agencies of their willingness to work with them to strengthen automated eligibility verification activity.

COMMENTS

Comments on the draft report received from ACF, the Assistant Secretary for Management and Budget (ASMB), the Assistant Secretary for Planning and Evaluation (ASPE), SSA, and HCFA concur with both the findings and the general thrust of our recommendations. However, ACF, HCFA, and ASMB disagree with the need for the departmental governing council recommended in the draft report and the need for addressing IEVS issues prior to healthcare and welfare reform. Additionally, HCFA does not concur with the recommendation to seek a regulatory change to allow for IEVS flexibility consistent with that sought by ACF.

The need for a governing council stemmed from our view of the complexity of the issues involved and the need for interagency coordination and consensus regarding IEVS policy and compliance. The governing council was envisioned as a framework to promote and expedite leadership as broad policy (e.g., welfare reform) and technological (e.g., enhanced systems or new databases)²¹ changes occur. Both SSA and ASPE concurred with this recommendation.

The ACF, HCFA, and ASMB disagreed with the governing council approach primarily because existing interagency coordination and communication mechanisms were believed to be adequate. Based on the agencies' assurances and to provide them maximum flexibility, we removed the recommendation of a governing council tasked with addressing IEVS issues; we modified the recommendation to place the burden of addressing IEVS vulnerabilities with the appropriate agencies through existing communication mechanisms.

With regard to the timing for addressing IEVS issues, the ACF, HCFA, and ASMB questioned the value of devoting limited staff resources to addressing IEVS at a time when welfare and health care programs are planning significant changes through reforms. While we recognize change will occur, we cannot in good conscience suggest that addressing IEVS weaknesses be postponed until reforms have run their course. Our view is based primarily on the Department's role and responsibility to curb fraud, abuse, and program vulnerabilities and the realization that these reforms may take years to

implement, with nothing to suggest the importance of IEVS will diminish. In fact, IEVS activity may become even more critical. According to the President's welfare reform proposal, eligibility verification will take on a greater role since "*computer matching* of records and sharing of data among State programs and at a national level *would be increased.*"

Additionally, IEVS issues should be addressed without delay because consistent requirements and flexibility between the major welfare programs is important to those States which are in the midst of systems changes or planning such changes which may be constrained by existing policy. While ACF agrees to seek regulatory changes to provide an equivalent degree of flexibility found in the Food Stamp program, HCFA's decision not to seek similar changes may burden States with IEVS regulatory requirements for the Medicaid population that may not exist for the food stamps and AFDC populations. Since most States' automated systems integrate the IEVS process for all three programs, flexibility is limited if each program does not provide for similar matching and follow up requirements. The resulting disparity between program requirements exemplifies Federal agencies' failure to coordinate adequately.

Our concern and purpose in recommending that HCFA pursue regulatory change was to ensure that ACF's and FNS's efforts to provide States expanded IEVS flexibility would not be limited by the Medicaid program's restrictions. We do agree with HCFA's assertion that many States could make better use of targeting to increase the effectiveness of IEVS matching while decreasing the burdens of follow up. Our belief stems from 1) States' admissions that IEVS processes could be made more efficient and effective by better use of targeting and 2) results from FNS's study of the cost effectiveness of targeting IEVS matches. Although we agree that targeting affords States considerable flexibility, targeting regulations are restrictive in several respects (e.g., targeting rules require follow up of all targeted match results for recipients within 45 days of the match and targeting is not allowed for applicant matches). While we did not directly evaluate the impact of providing States with added IEVS flexibility, we found States wanting more flexibility and both ACF and FNS supportive of policy changes to address State desires.

We believe that HCFA needs to work with ACF and the FNS to promulgate consistent regulations covering IEVS matches. The decision should be based on interagency discussion and consensus. If the Medicaid program has limited options for flexibility comparable to the AFDC or Food Stamp programs, no interagency discussion and consensus is possible and States may be unnecessarily burdened.

The full text of agencies' responses are in Appendix D.

ENDNOTES

1. The AFDC program began in 1935 under Title IV of the Social Security Act as a way to assist orphans and widows with small children. Today, operating under broad guidelines from the Administration for Children and Families (ACF), the program provides cash assistance to families with dependent children. The AFDC program is funded jointly by the Federal and State governments through a matching formula that varies according to each State's per capita income. In fiscal year 1992, program expenditures reached almost \$22 billion, an increase of more than 70 percent from 1982. During this time, more than 13.6 million people participated - almost 25 percent more than in 1989.
2. Enacted in 1965 as Title XIX of the Social Security Act, Medicaid is a Federally aided, State-administered medical assistance program. Within a broad legal framework, each State designs and administers its own Medicaid program and sets eligibility standards and coverage policies. Medicaid essentially services four populations: low-income families that lack health insurance, elderly people who need help with medical care, disabled elderly individuals who need long-term care, and nonelderly disabled individuals who need critical and long-term care. At the Federal level, the program is administered by the Health Care Financing Administration (HCFA), which is part of the Department of Health and Human Services. Since 1982 Medicaid expenditures have grown nearly four-fold to total an estimated \$120 billion in 1992. Participation in the Medicaid Program has grown by over 40 percent since 1982 to reach 30 million recipients in fiscal year 1992.
3. The Food Stamp program exists to ensure that Americans have the means to purchase nutritionally sound diets. The program is administered by the Food and Nutrition Service (FNS) of the Department of Agriculture. FNS is responsible for giving direction to States through regulations that define eligibility requirements, benefit levels, and administrative rules. The program has financial, work related, and categorical tests for eligibility. The Federal government provides full funding for Food Stamp benefits, and the cost of administering the program is shared equally between the States and the Federal Government. Since 1982, Federal expenditures for the Food Stamp program have increased by more than 100 percent from \$10.2 billion in 1982 to over \$22 billion in 1992. Since 1989, participation has grown by an average of 2.2 million individuals annually, and in fiscal year 1992, benefits were distributed to more than 25 million individuals.
4. According to the Government Accounting Office (GAO) as reported in a 1992 report entitled "Ineffective Federal Oversight Permits Costly Automated System Problems," GAO/IMTEC-92-29, May 1992.

5. "Time for a Change: Remaking the Nation's Welfare System." Report of the Welfare Simplification and Coordination Advisory Committee, June 1993.
6. BENDEX is an automated data exchange system. Through it, the SSA provides State public welfare agencies with benefits and earnings information concerning applicants for or recipients of needs-based programs, mainly AFDC, Medicaid, and Food Stamps. Established in 1968, BENDEX was intended to reduce State reliance on the manual system then being used to obtain information through the SSA district offices. At that time, the system had grown to the point where on an annual basis it was producing about 1,600,000 requests for information via SSA 1610 forms. The new automated approach was expected to be more economical and accurate.

Through BENDEX, States make monthly or semimonthly requests for benefits information from SSA and, via computer tape or electronic exchange (wire-to-wire), receive it on a semimonthly basis within 2 to 4 weeks. The benefits information made available is drawn from SSA's Master Beneficiary Record (MBR). For SSA Retirement, Survivors, and Disability Insurance (RSDI) beneficiaries, the benefits information indicates their SSA claim number and Social Security number, name, date of birth, payment status, and monthly benefit amount. It also indicates whether or not an individual is eligible for benefits under the Medicare, Supplemental Security Income (SSI), Black Lung, and/or Railroad Retirement programs. However, in these instances, it does not provide the benefit amount.

SSA maintains a control record of all the individual BENDEX submissions (accretions) made by the States and informs them of any changes affecting a beneficiary's payment status, entitlement date, monthly benefit amount, State or county location, or Medicare coverage. Information on such changes is automatically incorporated with other BENDEX data being sent to the States.

BENDEX also serves as a mechanism for States to acquire yearly earnings data from SSA's Earnings Reference File (ERF). Received through the IRS, BEER provides all reported earned income for individuals and indicates the name and address of their employers.

7. President's Private Sector Survey on Cost Control, Task Force Report on Low Income Standards and Benefits, dated May 6, 1983.
8. The Food and Nutrition Service (FNS) of USDA published targeting regulations for the Food Stamps program in February 1988; the Administration for Children and Families (ACF) of DHHS published targeting regulations for the AFDC program in December 1988 (Federal Register, volume 53, No. 250); and Health Care Financing Administration (HCFA) of DHHS published regulations for the Medicaid program in March 1989 (Federal Register, volume 54, No. 40).
9. Although July is the first month when previous tax year data is available, there are limitations. According to IRS, the tax year data available in July is only about 60 percent complete; August is about 80 percent; and not until September is the file

typically 99 percent complete. As a consequence, States have to balance the advantage (timeliness) of matching in July against the disadvantages of matching in September (may miss unearned income not available in July).

10. The remaining 10 States were uncertain about the cost effectiveness of one or more matches.
11. Prepared and conducted for FNS by Mathematica Policy Research, Inc. (MPR) under contract No. FNS 53-3198-8-95, Task Order 7. FNS contracted with MPR to estimate the cost effectiveness of conducting IEVS matches using a targeting strategy compared to the situation in which the match is not conducted at all. All but one of the IEVS matches in the demonstration used a targeting strategy.
12. **COMPUTER MATCHING: Quality of Decisions and Supporting Analyses Little Affected by 1988 Act, October 1993. GAO/PEMD-94-2.**
13. **"Guide for Cost/Benefit Analysis of SSA Computer Matches."** Prepared by the Operations Research and Match Evaluation Staff of the Office of Program and Integrity Reviews, released March 1990.
14. Two reports released by the OIG discuss problems with the accuracy of SSNs in welfare programs and organizations (public and private). The report entitled, "Extent of Social Security Number Discrepancies" (OAI-06-89-01120) was released in 1990 and found significant SSN discrepancies in the files of public and private organizations (e.g., banks, prisons). The other report entitled, "Effect of Unverified Social Security Numbers on Public Assistance Programs" (OAI-09-86-00068) revealed weaknesses in the SSN verification process administered by SSA. Based in part on findings from this inspection, the SSA has made significant improvements in the SSA verification process through implementation of SVES.
15. Rising costs and enrollment are severely straining Medicaid, the largest government program financing health care for the poor. During most of the 1980s, Medicaid costs grew up to 10 percent a year and, in 1989, began to rise even more rapidly. In Fiscal Year 1992, Federal and State spending on Medicaid totaled \$120 billion - a 29 percent increase over the previous year's total. In addition, the number of beneficiaries from 1991 to 1992 increased an estimated 10 percent to about 30 million.
16. **Some Jurisdictions Confronted by Short- and Long-Term Problems (GAO/T-HRD-94-1).**
17. Representatives from the five States in the southwest region (Texas, Oklahoma, Arkansas, Louisiana, and New Mexico) met in 1992 to discuss IEVS concerns. The group prepared an issue paper which they submitted to Federal program officials.
18. **Audit Report No. 27006-1-Te prepared by the USDA Office of Inspector General, March 1991.**

19. Section 205(r) of the Social Security Act established a program in 1984, under which States voluntarily contract with SSA to furnish death certificate information periodically at reasonable costs. SSA shares this information with other Federal and State agencies administering Federally funded benefits. Similar SSA-State agreements allow SSA to provide information for use in State funded programs. Some State contracts will allow SSA to redisclose death information only with the written consent of the State. In an attempt to discourage such restrictions, OBRA 1993 amended the Internal Revenue Code to deny access to Federal tax returns or tax return information to States that continue their restrictions, effective 1994. (States may restrict redisclosure to Federal agencies only.)

The proposed NPR legislation would require States to send death information to SSA and for SSA to make it available to other Federal and State agencies. SSA would make its technical expertise available at reasonable cost to other agencies paying Federal and Federally-assisted benefits so they can prevent erroneous payments.

20. GAO's Report was entitled "States Need Social Security's Death Data to Avoid Payment Error or Fraud" (GAO/HRD-91-73, April 1991). The OIG Audit Services report was issued in 1992 and entitled "The Social Security Administration Needs to Improve Procedures in Its Death Match Operations" (A-13-90-00046).
21. The president's welfare reform proposal contains a provision setting up several new databases. One of these databases is composed of employment information from required employer reporting of new hires. Such a database may drastically alter the importance of the State wage and BEER matches.

Unrelated to welfare reform, SSA is proposing a Simplified Wage Reporting System (STAWRS) which could impact IEVS. The proposed STAWRS would provide both State and Federal agencies with a single repository of timely and accurate wage/income information. Also, it would include data on Federal employees and reflect the most current death information.

APPENDIX A

SSA's File Transfer Management System and SVES

Over the years, SSA has made efforts to modernize the process of exchanging information with States. Historically, the only method for a State to exchange files with SSA was through the sending and receiving of tapes by mail. Recognizing the possibility of using modems and phone lines (wire-to-wire) to pass data to and from SSA, SSA instituted in 1974 (in 6 States) the use of the Batch Data Transmission System (BDTS) which used Programmable Magnetic Tape Transfer Terminals (PMTTs). The PMTT was a piece of computer equipment which facilitated transfer of files. When a State had a file to transfer, the State would produce a tape and, rather than send the tape in the mail, would load the tape on the PMTT and transmit the files over phone lines. In 1982, the number of States using PMTTs was increased to 10. By 1990, 15 States were using PMTTs.

Instituted by SSA in 1989, the Wire Third Party Query (WTPY) system provided the same kind of information as the third party query (TPQY) requested from local SSA field offices, except the request went directly to SSA centrally using a tape to tape transfer or a computer to computer transfer. WTPY usually returns Old Age Survivors and Disability Insurance (RSDI) and the Supplemental Security Income (SSI) information back to the State in 24 to 48 hours through a batch process. This is a significant improvement over TPQY response time which can be from one to several weeks depending on SSA field office workload. Tennessee and California were the first States to use WTPY. WTPY was a system intended to lessen use of the manual TPQY process. Draft guidelines on WTPY were issued by SSA in 1989.

In May of 1990, the PMTTs were discontinued and replaced with modems and a data transfer software product called National Data Mover. PMTTs were replaced because they were not adequate to meet the anticipated data exchange needs of SSA (e.g., expected data transfer traffic to be caused by use of WTPY by all States). SSA refers to the new system of data transfer as the File Transfer Management System (FTMS). SSA began purchasing and providing the necessary equipment and software, along with dedicated phone lines, to all States as funding allowed. The first twelve States to receive the FTMS were Arizona, California, Florida, Louisiana, Nebraska, New Mexico, New York, North Carolina, Pennsylvania, Tennessee, Texas, and Wisconsin.

In an effort to address State concerns that inconsistent responses are sometimes provided depending on what exchange process and data base is queried, SSA has developed and implemented the State Verification and Exchange System (SVES). WTPY was a precursor of SVES and became an integral part of the new transfer system. Prior to October 1993, if a State wanted BENDEX information, a special file had to be prepared. If the State wanted a WTPY response, a special file had to be created. SVES lessens the workload of producing multiple files by allowing the State to send only one file to get information from all of the various exchanges. All that is required is a code or codes indicating which exchange(s) is to be accessed for each individual record. These codes can vary by record. By using SVES, a State can accomplish any or all of the following queries with a single input: 1) SSN verification, 2) WTPY query, 3) BENDEX accretion/deletion, 4) SDX welfare number transactions, 5) SDX Interim Assistance Reimbursement (IAR) transactions, and 6) BEER requests.

APPENDIX B

IRS BENEFIT COST ANALYSIS 07/01/90 - 06/30/91 FOR MATCH AGREEMENTS 07/01/91 - 06/30/92

	SAVINGS	COSTS	COST BENEFIT
AL	\$237,523	\$58,199	\$179,324
AK	\$22,928	\$125,976	(\$103,048)
AZ	\$13,859	\$97,371	(\$83,512)
AR	\$7,219	\$98,781	(\$91,562)
CO	\$206,132	\$259,494	(\$53,362)
CT		\$10,057	
FL	\$458,599	\$624,112	(\$165,513)
GA	\$32,078	\$230,838	(\$198,760)
HI	\$37,565	\$9,085	\$28,480
ID	\$51,884	\$167,036	(\$115,152)
IL	\$2,724,912	\$915,002	\$1,809,910
IN	\$822,262	\$1,148,131	(\$325,869)
IA	\$963,420	\$46,668	\$916,752
KS	\$632,357	\$7,551	\$624,806
KY	\$35,434	\$382,318	(\$346,884)
LA	\$716,352	\$115,377	\$600,975
MD	\$65,984	\$211,850	(\$145,866)
MA	\$1,177,000	\$290,000	\$887,000
MN		\$457,000	
MO	\$226,456	\$99,408	\$127,048
MT	\$1,393,177	\$2,753,590	(\$1,360,413)
NE	\$250,000	\$23,700	\$226,300
NV	\$12,147	\$19,109	(\$6,962)
NH	\$35,877	\$3,575	\$32,302
NJ	\$3,154,083	\$923,351	\$2,230,732
NY	\$13,071,000	\$1,755,000	\$11,316,000
NC	\$98,883	\$43,151	\$55,732
ND	\$155,643	\$18,557	\$137,086
OH	\$426,889	\$307,493	\$119,396
OK	\$249,337	\$64,751	\$184,586
OR	\$276,450	\$60,250	\$216,200
RI	\$32,832	\$77,800	(\$44,968)
SC	\$5,844	\$123,618	(\$117,774)
SD	\$3,283	\$17,600	(\$14,317)
TN	\$2,193,980	\$3,159,716	(\$965,736)
TX	\$450,572	\$287,160	\$163,412
VT	\$84,130	\$32,650	\$51,480
VA	\$4,000	\$57,224	(\$53,224)
WA	\$650,544	\$427,062	\$223,482
WI	\$639,162	\$149,280	\$489,882
WY	\$90,609	\$41,319	\$49,290
	\$31,710,406	\$15,700,210	\$16,010,196

22 COST EFFECTIVE
17 NOT COST EFFECTIVE
12 NO DATA or
INCOMPLETE DATA

States not reporting: CA, DE, DC, ME, MI, MS, NM, PA, UT, WV

SOURCE: IRS

APPENDIX C

SSA's Statement of Data Accuracy Provided the DHHS Data Integrity Board for Its Ruling

Statement of the Accuracy of SDX/BENDEX Files

Each year in mid-November, the Social Security Administration (SSA) provides computer files to State agencies that indicate the amount of the cost of living allowances (COLA) for Title II beneficiaries and Title XVI recipients. States use this information to adjust the payments of individuals in the AFDC, Medicaid, and food stamps programs. These COLA files that SSA provides to States are covered under the SDX/BENDEX computer matching act agreement that was approved by the HHS Data Integrity Board and was effective on January 1, 1990.

OMB issued temporary guidance on evaluating the reliability of data provided to States for COLA determinations. The following provides the pertinent information that OMB suggested would be needed for the Board's analysis.

- Descriptions of the SDX and BENDEX files follow. They describe how SSA acquires and maintains the data in these files, along with a description of the COLA files. The information provided to the States in the COLA files is limited to identification of the individual recipient and the amount of benefits SSA pays.
- There have been no audits or risk assessments of the COLA files. However, in recent testimony to Congressional staff SSA stated that the BENDEX files are accurate.
- No material weaknesses have been identified in either the SDX/BENDEX systems or the COLA files.
- The computer programs used to perform the COLA adjustments are highly reliable. These programs have been operational for a number of years and do not require an annual change to the computer logic. The only change required is a change to the payment amount and this is validated both manually and by an automated validation process.
- The SSA Personnel Security program is effective. Employee access is restricted through the use of Personal Identification Numbers to only those files needed by employees to perform their job duties. An audit trail system maintains information about employees who have accessed files.
- The SSA Security Plan is in place for SSA Systems. The associated security risk is low. As stated above, employee access to data is restricted. The possibility of non-employee access is remote. Physical access to the building housing the central data processing facility for SSA is also restricted. Employees with access to this building are restricted to certain areas.

- It is SSA management's position that both the SDX and BENDEX COLA files reflect a high degree of data integrity and are delivered to the States in a timely manner. SSA estimates that both COLA files are in excess of 99 percent accurate. Most of the inaccuracy is related to the differences in timing between when the COLA tapes are produced and when the January payment tapes are sent to the Treasury Department. States are informed of subsequent payment changes by later SDX/BENDEX files.

Following is additional information about the SDX and BENDEX systems and the COLA files that are produced.

BENDEX

The Beneficiary and Earnings Data Exchange (BENDEX) file is extracted from SSA's master beneficiary record (MBR). The MBR data base is the source for determining Title II benefit payments to which individuals are entitled. Information to establish entitlement is received directly by field offices from the claimant or his or her authorized representative and verified with documentary evidence.

The data base is maintained through beneficiary reporting and numerous postentitlement operations such as earnings and student enforcement, death match and accountability reviews. These operations are an additional measure for monitoring continuing beneficiary entitlement. Debit and credit actions are maintained in the data base to update the records.

The BENDEX computer system operates without personal intervention. BENDEX information is released to States in response to requests by the State agencies for information on individuals who are receiving payments under the AFDC, Medicaid, food stamps, or other State administered programs. Personal identifying information is submitted by States, and SSA employs a matching criteria which must be met before data are released. States are required to disclose the information only to those with a need to know.

Regular BENDEX files are released twice a month to States; any changes occurring are reported automatically in the next monthly BENDEX run. The BENDEX files are either electronically transmitted or sent via an express mail carrier.

The cost-of-living adjustment file is electronically produced by SSA in mid-November each year. This file provides the amount of increase to be paid on January 3 to Title II beneficiaries who are also receiving payments under a State administered program.

In 1990, the COLA file was provided to States on November 19. With the manual and systems checks built into the BENDEX system, SSA believes the COLA file to be highly accurate.

SDX

The State Data Exchange (SDX) data that are sent to the States are extracted from the Supplemental Security Record (SSR) data base. The information on the SSR data base is manually input by SSA's district offices with managerial/supervisory checks. Before data are input to the SSR, the district offices are required to verify and maintain the verification (e.g., marriage/birth certificates, pay stubs, etc.) in the claimant's folder that is retained in the servicing district office. A periodic reverification (the frequency depends on the particular case) of the information on the SSR data base is required. This requires direct contact with the Supplemental Security Income claimant.

Once the district office transmits the data to the central SSR data base, there is an extensive computer edit process that verifies the accuracy and integrity of the input. Various input fields are cross-checked with each other to ensure consistency of the data. Should the input fail the edit process, the case is referred back to the district office for correction.

Whenever a change in computer program logic is made to the SSR or to the SDX, a validation plan must accompany the change. This plan ensures that any changes are thoroughly validated before the change is actually made to the "live" computer system.

Changes to the computer program logic for both the SSR and the SDX are prohibited shortly before the cost of living change, thereby, adding assurance to the integrity of the cost of living process.

The cost of living change does not involve a change to the computer logic. It basically involves a change to the money amount. Even though this change is not as extensive as a change in the logic, it is validated both manually and by an automated validation process before the change is made to the "live" system.

The SDX cost-of-living adjustment file is electronically produced by SSA in mid-November each year. This file provides the amount of increase to be paid on December 31 to Title XVI recipients who are also receiving payments under AFDC, Medicaid, or food stamps. In 1990, the SDX COLA file is to be provided to States on November 27. SSA believes this file to be highly accurate.

Prior to the cost of living process, each SSA regional office is alerted to the cost of living schedule and, in turn, alerts the States. This is to detect any non-receipt problem at the earliest possible date.

APPENDIX D

COMMENTS FROM THE ADMINISTRATION FOR CHILDREN AND FAMILIES

MAY 27 1994

DATE:

TO: June Gibbs ~~BLOWN~~
Inspector General

SUBJECT: OIG Draft Report: "Reforms Are Needed In State Income-
and Eligibility Verification Systems," OEI-06-92-00080

FROM: *Mary Jo Bane*
Mary Jo Bane
Assistant Secretary
for Children and Families

We have reviewed the subject draft and consider the Income Eligibility Verification System (IEVS) process description to be a comprehensive presentation which captures the essence of the issues States have regarding use of the system in their efforts to address income and verification activities for the entitlement programs. As the OIG study points out, there are operational weaknesses in the IEVS. Similarly, the study correctly identifies several of the major problems confronting the States in their administration of welfare programs such as fiscal pressures, resource limitations, and the complexity of the many policy issues that prevail in the States. Additionally, States are contending with the impact of welfare reform initiatives. We will continue to assist States as they confront the IEVS issues highlighted in the study and emphasize the importance of the required matches (or alternative matches approved under the regulatory waiver authority). Furthermore, we will maintain our interagency working relationship with the Food and Nutrition Service (FNS).

In response to OIG recommendations 1, 2, and 4 (we have not addressed recommendation 3 which pertains to HCFA) we offer the following comments:

RECOMMENDATION #1: The Assistant Secretary for Management and Budget (ASMB) should establish, with the Administration for Children and Families (ACF), the Health Care Financing Administration (HCFA), and the Social Security Administration, a departmental IEVS Governing Council.

ACF RESPONSE: We do not concur. We believe the relevant Federal agencies, including FNS, should address IEVS issues through existing interagency coordination mechanisms rather than through the creation of a Department level council. Although the recommendation considers welfare reform and acknowledges that changes will be occurring, we believe that it is premature to

Page 2 - June Gibbs Brown

devote substantial resources to tackle IEVS issues while myriad welfare reform options are being evaluated. We need not place additional burdens upon States or the affected Federal agencies during this period of transition to a new system.

RECOMMENDATION #2: ACF should continue to seek a rule change which would allow the AFDC program an equivalent degree of flexibility currently available to the Food Stamp program with regards to IEVS (e.g., waiver of 45 day follow up timeframe).

ACF RESPONSE: We concur and will pursue options to accomplish this change. An equal degree of flexibility will enable the States to coordinate data exchange activities for all programs in a consistent fashion.

RECOMMENDATION #4: ACF and HCFA should inform State public assistance agencies of their willingness to work with them to strengthen automated eligibility verification activity.

ACF RESPONSE: We concur. Staff from ACF, HCFA, and FNS have worked with States in the past on IEVS issues and will continue to do so in the future.

We appreciate the opportunity to review and comment on the draft report. If you have any questions or wish to discuss these comments further, please contact Robert Laue on (202)401-5040.

COMMENTS FROM THE ASSISTANT SECRETARY FOR PLANNING AND EVALUATION

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

MEMORANDUM TO THE INSPECTOR GENERAL

From : Kenneth S. Apfel *K. S. Apfel*
Assistant Secretary for Management and Budget

Subject: OIG Draft Report: *Reforms Are Needed in State Income and Eligibility Verification Systems*--OEI-06-92-00080--
Comments

In response to your request for comments we have reviewed the draft inspection report, *Reforms Are Needed in State Income and Eligibility Verification Systems (IEVS)*.

We concur with the report's second and third recommendations, that ACF and HCFA should seek regulatory changes to provide IEVS for the AFDC and Medicaid programs, a degree of flexibility which is equivalent to that currently available to the Food Stamps program. This flexibility will allow these programs to decide which matches to run, as well as the timing on when to conduct the matches. Our understanding is that ACF has already begun the process of drafting such regulations for the AFDC program.

We also agree with the report's final recommendation, that ACF and HCFA should inform State public assistance agencies of their willingness to work with them to strengthen automated eligibility verification activity.

However, we are troubled by the report's focus given the change that is transpiring in the context of welfare reform. Rather than serving as a forum for discussing old paradigms, this report could be far more useful if it sought to direct attention towards new opportunities and solutions to problems of eligibility verification.

Rather than simply accepting as valid all of the existing data matches, and suggesting that States should simply better use existing matches, the report could recommend using States as laboratories, by having States request and participate in demonstrations to evaluate:

- whether IEVS should remain the preferred approach, or whether other approaches exist to better accomplish the same goals, especially in the context of proposed welfare reform changes;
- under IEVS, what matches are or aren't effective, and why some States, like California... find matches like IRS and BEER effective when the majority of States rate them as ineffective; and,

- whether statistical techniques could be used to improve the utility of data from matches that States now find ineffective.

What is also needed but not provided by the report, is empirical evidence about the cost effectiveness of the different IEVS matches. We understand that this was what ACF had in mind when they originally requested that OIG examine IEVS. Such data, which may need to be the subject of a subsequent study, would allow an evaluation in terms of dollars and outcomes, to determine whether we should propose legislation to no longer require those matches found to be ineffective. Unfortunately, the current report only provides State perceptions of IEVS cost effectiveness, making objective decisions difficult.

Lastly, we would like to state our opposition to the report's initial recommendation, that the Assistant Secretary for Management and Budget (ASMB) should establish, with ACF, HCFA, and SSA, a departmental IEVS Governing Council. Creation of such a council:

- Does not address the key issue for States. Specifically, the States (and the Department) would like to increase States' flexibility to match against those data bases which produce maximum results (and not to have to match against data bases viewed as producing little or no result), and to tailor the verification process to account for variability in workload. All that is needed to address this issue, as noted above, is to change existing regulations;
- Is unnecessary and the Council would lack the authority to require the OPDIV's to actually do anything. The Federal programs affected by IEVS already communicate with each other. Creation of a governing council may or may not increase such communication, but unless ASMB is vested with authority to require the OPDIV's to adopt certain policies, which is not the case under the recommendation, the Council is unlikely to be any more or less effective than are existing communication channels; and,
- As envisioned, would not include key players who are already part of the debate on issues in this area. We expect that in the near future the Social Security Administration will become an independent agency, which would leave only ACF and HCFA on the Council. In addition, the Council does not include as members other key players, such as the Department of Agriculture.

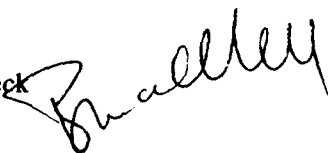
In addition, IEVS is also under study as part of welfare reform. Until the Administration's package is finalized, any recommendation for a governing council would be premature. For this and the reasons above, we believe that creation of yet another coordinating body, to guide IEVS policy, should not be pursued.

On a technical note, we suggest dropping from the first recommendation the bullet which suggests the Governing Council should take a proactive role by acting in an advisory capacity to the welfare reform task force concerning eligibility verification issues. As the task force is nearing the end of its mission to draft a welfare reform package, this role will shortly be overtaken by events.

COMMENTS FROM THE HEALTH CARE FINANCING ADMINISTRATION

Date JUN 17 1994

From Bruce C. Vladeck
Administrator



Subject Office of Inspector General (OIG) Draft Report: "Reforms Are Needed in State
Income and Eligibility Verification Systems," OEI-06-92-00080

To June Gibbs Brown
Inspector General

We reviewed the above-referenced report in which OIG found continued Income and Eligibility Verification Systems (IEVS) operational weaknesses which directly impact the degree to which States are performing data matches and the utility of required IEVS sources.

We agree with recommendations 1 and 4, defer comment to the Administration for Children and Families regarding recommendation 2, and nonconcur with recommendation 3.

Our detailed comments on the report's findings and recommendations are attached for your consideration. Thank you for the opportunity to review and comment on this draft report. Please contact us if you would like to discuss our comments.

Attachments

Office of Inspector General (OIG) Draft Report:
"Reforms Are Needed in State Income
and Eligibility Verification Systems"
(OEI-06-92-00080)

OIG Recommendation 1

The Assistant Secretary for Management and Budget (ASMB) should establish, with the Administration for Children and Families (ACF), the Health Care Financing Administration (HCFA), and the Social Security Administration, a departmental Income and Eligibility Verification Systems (IEVS) Governing Council.

HCFA Response

HCFA supports the recommendation that we "take a proactive role in streamlining the welfare eligibility determination process by offering to act in an advisory capacity to the welfare reform task force concerning eligibility verification issues." However, we do not concur with the need for a new council. We believe the issues concerning IEVS can be resolved by working with the existing IEVS interagency work group which ACF coordinates.

While this report reaffirms findings from prior OIG and HCFA reviews, we believe many of the current problems with State IEVS have escalated because of serious State budget restraints, resource limitations, and program growth. We believe that establishing a full-fledged council would further strain States' resources, especially with the ongoing effort dedicated to health care reform. The report affirms our concerns regarding the strain on limited State resources. For example, it includes a quote from a State worker saying, "We can barely issue benefits in a timely manner, let alone do things like IEVS matches, which are real nice but impractical."

OIG Recommendation 2

ACF should continue to seek a rule change which would allow the Aid to Families with Dependent Children (AFDC) program an equivalent degree of flexibility currently available to the Food Stamp program with regards to IEVS (e.g., waiver of 45-day followup timeframe).

HCFA Response

HCFA defers comment to ACF, the action agency for this recommendation.

OIG Recommendation 3

HCFA should seek regulatory changes for the Medicaid program which provide for IEVS flexibility equivalent to those sought by ACF for the AFDC program.

HCFA Response

We do not concur. In 1989, we amended the IEVS regulations and provided the States more flexibility through targeting (or selective use of data). We continue to believe that these regulations provide sufficient flexibility for States to make IEVS cost-effective. States are authorized to select the most useful IEVS data sources and only follow up on those match results that have proven to be effective.

We reconsidered revising the regulations to provide States further flexibility and discussed it with the interagency work group. We considered permitting a waiver of the Beneficiary Earnings Exchange Record match. We decided not to pursue this change because we believe that many of the State/Federal conclusions of cost-effectiveness were based on program experience and perception rather than cost-benefit studies. We waited for the results of a Food and Nutrition Service (FNS) study of targeting methodologies before making a decision. The FNS study found that IEVS is cost-effective if States target the uses of the data appropriately. We also believe that we should defer initiatives for new regulation changes at this time because of the current discussion of health care reform. Decisions on health care reform may fundamentally change Medicaid's role in IEVS.

We believe that we should continue to work with States to implement targeting strategies that make IEVS less resource intensive. With the proper strategy, States can use the program in a cost-effective manner. We will be flexible in approving State targeting plans.

OIG Recommendation 4

ACF and HCFA should inform State public assistance agencies of their willingness to work with them to strengthen automated eligibility verification activity.

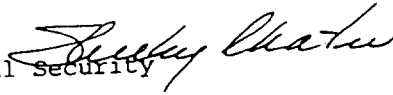
HCFA response

We concur. We will send a copy of this report to our regional offices (ROs) and ask them to share it with the IEVS coordinators in each State. Our RO staffs have made themselves available to work with the States on "automation" issues and eligibility verification in the past and will continue these efforts. Further, our Central Office staff in the Division of Payment Systems, Medicaid Bureau, works closely with the States to improve State use of automated eligibility systems. There is also a Systems Technical Advisory Group devoted to automation issues.

COMMENTS FROM THE SOCIAL SECURITY ADMINISTRATION

Date: MAY 27 1994

From: Shirley S. Chater
Commissioner of Social Security



Subject: Office of Inspector General Draft Report, "Reforms Are Needed
In State Income and Eligibility Verification Systems"
(OEI-06-92-00080) -- INFORMATION

To: June Gibbs Brown
Inspector General

Attached is our response to the subject report. If we can be
of further assistance, please let us know.

Attachment:
SSA Response

**SOCIAL SECURITY ADMINISTRATION COMMENTS ON THE OFFICE OF
INSPECTOR GENERAL DRAFT REPORT, "REFORMS ARE NEEDED IN STATE
INCOME AND ELIGIBILITY VERIFICATION SYSTEMS" (OEI-06-92-00080)**

We appreciate the efforts of the Office of Inspector General (OIG) in assessing the current status of State Income and Eligibility Verification Systems (IEVS). We concur with the four recommendations for the assessment and improvement of IEVS. The findings and conclusions in the report substantially mirror the Social Security Administration's (SSA) experience in dealing with States' users of IEVS. The following comments offer some suggestions for improving the focus of the report.

We believe that the outcome of the Wage Reporting Simplification Project, specifically the proposed Simplified Tax and Wage Reporting System (STAWRS), could have a significant impact on IEVS and suggest that the final OIG report reflect this point.

The report indicates that many States are not taking advantage of various Federal and State data sources (computer matching opportunities) because they believe it is not cost-effective to do so. Some States claim that the IEVS process provides inaccurate or untimely data, does not include certain Federal data, and lacks the flexibility necessary to effectively and efficiently implement IEVS requirements. It should be noted that the proposed STAWRS would provide both State and Federal agencies with a single repository of timely and accurate wage/income information. It would also include data on Federal employees and reflect the most current death information.¹ By maintaining this information in one place, State and Federal agencies could avoid having to perform multiple computer matches that are costly and time-consuming.

In addition, STAWRS is expected to provide users with Social Security number (SSN) verification services (validation of name and SSN combinations) which is expected to result in improved record keeping. In short, we believe that STAWRS could help alleviate many of the IEVS problems cited in the report.

There seems to be an inconsistency in the situation described with respect to State use of IEVS data, and the suggestion that more data from additional sources should be made available to States. If the States are unable to use the data they are given now, it seems anomalous to suggest that they be given even more data. We believe this apparent discrepancy needs to be further clarified.

¹Some States do not permit SSA to redisclose the death data they give SSA to other States. The Internal Revenue Code was amended by the Omnibus Budget Reconciliation Act of 1993, P.L. 103-66, to preclude disclosure of Federal tax data to States that restrict redisclosure of their death data to other Federal agencies. However, the law does not require States to authorize redisclosure by SSA to other States. A pending bill, H.R. 3400, if enacted, would remedy this.

OIG Recommendation

The Assistant Secretary for Management and Budget (ASMB) should establish, with the Administration for Children and Families (ACF), the Health Care Financing Administration (HCFA), and SSA, a departmental IEVS Governing Council.

SSA Comment

We concur. The problems delineated in the report are well known to SSA's match coordinators. In our efforts to comply with the Deficit Reduction Act of 1984 and the Computer Matching Act of 1988, we work closely with the States to maintain matching agreements and operations, as prescribed by each Act. For example, we recently sent a third annual request to all SSA Regional Commissioners for updated cost/benefit data and analyses from States on matching programs subject to IEVS regulations. We also raised issues about State priorities and resources and the need to be proactive in seeking solutions to under-utilization of computer matching at the State level. A helping hand to the States at the staff level, however, has had limited effect. Accordingly, we believe the establishment of an IEVS Governing Council is an essential first step to focus attention on State solutions.

SSA took this top-down approach to the organization and management of its own automated data exchange and matching activities in 1984. Some results include the current SSA Cost Benefit Guide and relative state-of-the-art systems technologies and methodologies for planning, implementing and evaluating IEVS type matches. Under the aegis of the Governing Council, SSA's experience could be replicated in the States. SSA can share its methodologies for developing a standard IEVS waiver/targeting approval process with the Governing Council, including computer screening techniques and related systems enhancements.

We believe SSA should have primary responsibility for providing necessary security consultation to the Governing Council. SSA already has the major security responsibility in this area, and as such, possesses the experience necessary to ensure that IEVS security requirements are not made more complicated, but rather consolidated and simplified.

OIG Recommendation

ACF should continue to seek a rule change which would allow the Aid to Families with Dependent Children (AFDC) program an equivalent degree of flexibility currently available to the Food Stamp program with regards to IEVS (e.g., waiver of 45 day follow up timeframe).

SSA Comment

We concur.

OIG Recommendation

HCFA should seek regulatory changes for the Medicaid program which provide for IEVS flexibility equivalent to those sought by ACF for the AFDC program.

SSA Comment

We concur.

OIG Recommendation

ACF and HCFA should inform State public assistance agencies of their willingness to work with them to strengthen automated eligibility verification activity.

SSA Comment

We concur.