



Testimony

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U.S. Senate

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IMPROPER PAYMENTS

GOVERNMENT-WIDE ESTIMATES AND USE OF DEATH DATA TO HELP PREVENT PAYMENTS TO DECEASED INDIVIDUALS

Statement of Daniel Bertoni,
Director, Education, Workforce, and
Income Security Issues
Beryl H. Davis,
Director, Financial Management and Assurance

Accessible Version

GAO Highlights

Highlights of [GAO-15-482T](#), a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

As the steward of taxpayer dollars, the federal government is accountable for how it spends hundreds of billions of taxpayer dollars annually. The Improper Payments Information Act of 2002, as amended, requires federal executive branch agencies to (1) review all programs and activities, (2) identify those that may be susceptible to significant improper payments, (3) estimate the annual amount of improper payments for those programs and activities, (4) implement actions to reduce improper payments and set reduction targets, and (5) report on the results of addressing the foregoing requirements. In general, reported improper payment estimates include payments that should not have been made, were made in the incorrect amount, or were not supported by sufficient documentation.

Implementing strong preventive controls can serve as the frontline defense against improper payments. One example of a preventive control is verifying eligibility through data sharing, which can allow agencies that make payments to compare information—such as death data—from different sources to help ensure that payments are appropriate before they are made.

This testimony addresses (1) issues related to government-wide improper payments and (2) use of death data to help prevent improper payments to deceased individuals. This testimony is primarily based on GAO's body of work related to improper payments and SSA's death data, as well as information obtained from agency financial reports.

View [GAO-15-482T](#). For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov or Beryl H. Davis at (202) 512-2623 or davisbh@gao.gov.

March 16, 2015

IMPROPER PAYMENTS

Government-Wide Estimates and Use of Death Data to Help Prevent Payments to Deceased Individuals

What GAO Found

Government-wide, improper payment estimates totaled \$124.7 billion in fiscal year 2014, a significant increase of approximately \$19 billion from the prior year's estimate of \$105.8 billion. The estimated improper payments for fiscal year 2014 were attributable to 124 programs spread among 22 agencies. The reported government-wide error rate was 4.5 percent of program outlays in fiscal year 2014 compared to 4.0 percent reported in fiscal year 2013. The increase in the 2014 estimate is attributed primarily to increased error rates in three major programs: the Department of Health and Human Services' (HHS) Medicare Fee-for-Service and Medicaid programs, and the Department of the Treasury's Earned Income Tax Credit program. These three programs accounted for \$80.9 billion in improper payment estimates, or approximately 65 percent of the government-wide total for fiscal year 2014.

Agencies continue to face challenges in reducing improper payments. In GAO's report on the *Fiscal Year 2014 Financial Report of the United States Government*, GAO identified the federal government's inability to determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them as a material weakness in internal control. Some agencies reported in their fiscal year 2014 agency financial reports that program design issues hindered efforts to estimate or recover improper payments. For example, HHS reported that statutory limitations prevent the agency from requiring states to estimate improper payments for its Temporary Assistance for Needy Families program. Further, inspectors general at 10 agencies identified noncompliance with improper payment requirements in fiscal year 2013. GAO has reported that strategies for reducing improper payments include analyzing the root causes of improper payments and developing strong preventive and detective controls. Recent laws and guidance support some of these strategies, including the Do Not Pay initiative, a web-based, centralized data-matching service that could help prevent certain improper payments.

Sharing death data can help prevent improper payments to deceased individuals or those who use deceased individuals' identities, but the Social Security Administration (SSA) faces challenges in maintaining these data, and other agencies face challenges in obtaining them. The Social Security Act requires that SSA share its full death file, to the extent possible, with agencies that provide federally funded benefits, provided that the arrangement meets statutory requirements. An agency that does not access SSA's full death file can instead access the publicly available Death Master File, a subset of the full death file that does not include state-reported death data. GAO has reported on payments to deceased individuals that could have been prevented by using SSA's death data in programs related to disaster assistance, farming, and rural housing. While verifying eligibility using SSA's death data can be an effective tool to help prevent improper payments to deceased individuals or those who use their identities, agencies may not be obtaining accurate data because of weaknesses in how these data are received and managed by SSA. In November 2013, GAO reported that SSA needed to take action to address data errors and agency access issues, including assessing the risks that errors in death data pose. GAO also recommended that SSA ensure appropriate agency access by developing written guidance on eligibility requirements for access to the full death file.

Statement of Daniel Bertoni, Director, Education, Workforce, and Income Security Issues

Chairman Johnson, Ranking Member Carper, and Members of the Committee:

Thank you for the opportunity to be here today to discuss the issue of improper payments.¹ As the steward of taxpayer dollars, the federal government is accountable for how it spends hundreds of billions of taxpayer dollars annually. This includes safeguarding those expenditures against improper payments and establishing mechanisms to recover those funds when overpayments occur. It is important to note that reported improper payment estimates may not represent a loss to the government. For example, underpayments and errors consisting of insufficient or lack of documentation for a payment are included in improper payment estimates.

As we previously reported, implementing strong preventive controls can serve as the frontline defense against improper payments.² Proactively preventing improper payments increases public confidence in the administration of benefit programs and avoids the difficulties associated with the “pay and chase” aspects of recovering overpayments.³ Sharing of data—including death data maintained by the Social Security Administration (SSA)—can allow entities that make payments to compare information from different sources to help ensure that payments are appropriate before they are made.⁴

¹An improper payment is defined by statute as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. Office of Management and Budget guidance also instructs agencies to report as improper payments any payments for which insufficient or no documentation was found.

²GAO, *Improper Payments: Government-Wide Estimates and Reduction Strategies*, [GAO-14-737T](#) (Washington, D.C.: July 9, 2014).

³“Pay and chase” refers to the labor-intensive and time-consuming practice of trying to recover overpayments once they have already been made rather than preventing improper payments in the first place.

⁴Death data include names, Social Security numbers, dates of birth, and dates of death.

Our testimony today will focus on (1) issues related to government-wide improper payments and (2) use of SSA's death data to help prevent improper payments.

This statement is primarily based on our body of work issued from May 2012 to February 2015 on improper payments and SSA's death data, as well as information obtained from agency financial reports.⁵ Each of the GAO products cited in this statement includes detailed explanations of the methods used to perform our work. We conducted the work that this statement is based on in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for our findings and conclusions.

Improper Payments Remain a Government-Wide Challenge

The Improper Payments Information Act of 2002 (IPIA)—as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA)⁶—requires federal executive branch agencies to (1) review all programs and activities, (2) identify those that may be susceptible to significant improper payments,⁷ (3) estimate the annual amount of improper payments for those programs and activities, (4) implement actions to reduce improper payments and set reduction targets, and (5) report on the results of addressing the foregoing requirements.

⁵See Related GAO Products at the end of this statement. An agency financial report is a report on an agency's fiscal year-end financial position that includes, but is not limited to, financial statements, notes on the financial statements, and a report of the independent auditors.

⁶IPIA, Pub. L. No. 107-300, 116 Stat. 2350 (Nov. 26, 2002), *as amended by* IPERA, Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010), *and* IPERIA, Pub. L. No. 112-248, 126 Stat. 2390 (Jan. 10, 2013), *and codified as amended at* 31 U.S.C. § 3321 note.

⁷For fiscal year 2014 and beyond, "significant improper payments" is defined as gross annual improper payments in the program exceeding (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments during the fiscal year reported or (2) \$100 million (regardless of the improper payment error rate).

Improper Payment Estimates Increased in Fiscal Year 2014

Government-wide, improper payment estimates totaled \$124.7 billion in fiscal year 2014, a significant increase of approximately \$19 billion from the prior year's estimate of \$105.8 billion. The estimated improper payments for fiscal year 2014 were attributable to 124 programs spread among 22 agencies. Table 1 shows the improper payment estimates, error rates, and examples of reported root causes for those 12 programs that had improper payment estimates exceeding \$1 billion for fiscal year 2014, which accounted for approximately 93 percent of the government-wide estimate.

Table 1: Programs with Improper Payment Estimates Exceeding \$1 Billion in Fiscal Year 2014

Program	Agency	Fiscal year 2014 reported improper payment estimates		Examples of reported root cause(s)
		Dollars (in millions)	Error rate (percentage of outlays)	
Medicare Fee-for-Service	Department of Health and Human Services (HHS)	\$45,754	12.7%	Insufficient documentation for home health claims and medical necessity errors for inpatient hospital claims
Earned Income Tax Credit	Department of the Treasury	17,700	27.2%	Inability to authenticate requirements, improper income reporting, and inability to verify income before processing returns
Medicaid	HHS	17,492	6.7%	Verification errors caused by noncompliant state claims processing systems, provider billing errors, and insufficient documentation
Medicare Advantage (Part C)	HHS	12,229	9.0%	Insufficient documentation to support diagnoses
Unemployment Insurance	Department of Labor	5,604	11.6%	Failure to actively seek employment, claims for benefits after returning to work, and inadequate reporting of separation data by employers
Supplemental Security Income	Social Security Administration (SSA)	5,107	9.2%	Errors or omissions in reported income or resources by recipients and other individuals who determine applicants' eligibility

**Statement of Daniel Bertoni, Director,
Education, Workforce, and Income Security
Issues**

Program	Agency	Fiscal year 2014 reported improper payment estimates		
		Dollars (in millions)	Error rate (percentage of outlays)	
Old Age, Survivors, and Disability Insurance	SSA	3,000	0.4%	Insufficient documentation or nonverification of recipients' work activity and earnings and errors in computations
Supplemental Nutrition Assistance Program	Department of Agriculture (USDA)	2,437	3.2%	Not reported ^a
Medicare Prescription Drug (Part D)	HHS	1,931	3.3%	Administrative and documentation errors
School Lunch	USDA	1,748	15.3%	Not reported ^a
Direct Loan	Department of Education	1,532	1.5%	Verification errors for eligibility, academic progress, and incorrectly calculated return periods
Public Housing/Rental Assistance	Department of Housing and Urban Development	1,029	3.2%	Program administrator errors and underreporting of income by recipients

Source: GAO summary of agencies' fiscal year 2014 agency financial reports. | GAO-15-482T

^aIn its fiscal year 2014 agency financial report, USDA reported on the types of improper payments at the agency level, not by program.

When excluding the Department of Defense's (DOD) Defense Finance and Accounting Service Commercial Pay program, the reported government-wide error rate was 4.5 percent of program outlays in fiscal year 2014, compared to 4.0 percent reported in fiscal year 2013.⁸ The increase in the 2014 estimate is attributed primarily to increased error

⁸In February 2015, we reported concerns that the fiscal year 2014 improper payment estimate for DOD's Defense Finance and Accounting Service (DFAS) Commercial Pay program may not be reliable. The foundation of reliable statistical sampling estimates is a complete, accurate, and valid population from which to sample. Because of long-standing financial management weaknesses, DOD reported in its fiscal year 2014 agency financial report that it could not demonstrate that all payments subject to improper payment estimation requirements were included in the population of payments for review. Therefore, the fiscal year 2014 improper payment estimate for the DFAS Commercial Pay program may not be reliable. When including the DFAS Commercial Pay program, the government-wide improper payment error rate was 4.0 percent of program outlays in fiscal year 2014, an increase from 3.5 percent in fiscal year 2013. See GAO, *Financial Audit: U.S. Government's Fiscal Years 2014 and 2013 Consolidated Financial Statements*, [GAO-15-341R](#) (Washington, D.C.: Feb. 26, 2015).

rates in three major programs: the Department of Health and Human Services' (HHS) Medicare Fee-for-Service, HHS's Medicaid, and the Department of the Treasury's (Treasury) Earned Income Tax Credit. These three programs accounted for \$80.9 billion in improper payment estimates, or approximately 65 percent of the government-wide total for fiscal year 2014. Further, the increases in improper payment estimates for these three programs were approximately \$16 billion, or 85 percent of the increase in the government-wide improper payment estimate for fiscal year 2014.

Agencies Continue to Face Challenges in Estimating and Reducing Improper Payments

IPERIA is the latest in a series of laws aimed at reducing improper payments. IPERIA directs the Office of Management and Budget (OMB) to annually identify a list of high-priority programs for greater levels of oversight and review, including establishing annual targets and semiannual or quarterly actions for reducing improper payments. IPERIA also enacted into law a Do Not Pay initiative, elements of which already were being developed under executive branch authority. The Do Not Pay initiative is a web-based, centralized data-matching service that allows agencies to review multiple databases—including certain death data maintained by SSA—to determine a recipient's award or payment eligibility prior to making payments. Similarly, the Digital Accountability and Transparency Act of 2014 (DATA Act) calls on Treasury to establish a data analysis center, or to expand an existing service, to provide data, analytic tools, and data management techniques for preventing or reducing improper payments.⁹ Effective implementation of the DATA Act and the use of data analytic tools could help agencies to detect, reduce, and prevent improper payments.

In addition to these legislative initiatives, OMB has continued to play a key role in the oversight of government-wide improper payments. OMB has established guidance for federal agencies on reporting, reducing, and recovering improper payments as required by IPIA, as amended, and on protecting privacy while reducing improper payments with the Do Not Pay

⁹Pub. L. No. 113-101, 128 Stat. 1146 (May 9, 2014), *codified at* 31 U.S.C. § 6101 note. The DATA Act amended the Federal Funding Accountability and Transparency Act of 2006.

initiative.¹⁰ For example, the most recent revision to OMB's guidance for estimating improper payments directs agencies to report on the causes of improper payments using more detailed categories than previously required, such as program design issues or administrative errors at the federal, state, or local agency level. As we previously reported, detailed analysis of the root causes of improper payments can help agencies to identify and implement targeted corrective actions.¹¹ Although the revised guidance is generally effective for fiscal year 2015 reporting, OMB has requested that the four agencies with the largest high-priority programs implement the revised guidance early—by April 30, 2015—using fiscal year 2014 information. This includes developing comprehensive corrective action plans for each program that describe root causes and establish critical path milestones to meet improper payment reductions; identifying improper payments using the new, more detailed categories outlined in the guidance; and developing plans to provide reasonable assurance that internal controls over improper payments are in place and are working effectively.

While these efforts are positive steps toward estimating and reducing improper payments, agencies continue to face challenges. In our report on the *Fiscal Year 2014 Financial Report of the United States Government*, we identified the issue of improper payments as a material weakness in internal control because the federal government is unable to determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them.¹² We found that not all agencies had developed improper payment estimates for all of the programs and activities they identified as susceptible to significant improper payments. Specifically, two federal agencies did not report estimated improper payment amounts for four risk-susceptible programs. For example, HHS did not report an improper payment estimate in fiscal year 2014 for its Temporary Assistance for

¹⁰Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, OMB Memorandum M-15-02 (Washington, D.C.: Oct. 20, 2014); *Financial Reporting Requirements - Revised*, OMB Circular No. A-136 (Washington, D.C.: Sept. 18, 2014); and *Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative*, OMB Memorandum M-13-20 (Washington, D.C.: Aug. 16, 2013).

¹¹[GAO-14-737T](#).

¹²[GAO-15-341R](#).

Needy Families (TANF) program, which had program outlays of about \$16.3 billion.¹³

Furthermore, IPERA established a requirement for agency inspectors general (IG) to report annually on agencies' compliance with specific criteria contained in IPERA. Under OMB implementing guidance, these reports should be completed within 180 days of the publication of the federal agencies' annual performance and accountability reports or agency financial reports.¹⁴ In December 2014, we reported that 10 agencies did not comply with one or more of the criteria contained in IPERA for fiscal year 2013, as reported by IGs.¹⁵ We noted that the most common instances of noncompliance as reported by the IGs related to two criteria: (1) publishing and meeting improper payment reduction targets and (2) reporting improper payment rates below 10 percent.¹⁶ For fiscal years 2012 through 2014, we identified five programs with improper payment estimates greater than \$1 billion that were noncompliant with at

¹³The three remaining risk-susceptible programs that did not report an improper payment estimate for fiscal year 2014 were in the Department of Homeland Security—the Customs and Border Protection Administratively Uncontrollable Overtime, Port Security Grant, and Federal Emergency Management Agency Vendor Pay (non-Disaster Relief Fund) programs. According to its fiscal year 2014 agency financial report, DHS plans to report improper payment estimates for these programs in fiscal year 2015.

¹⁴Generally, agencies must issue their performance and accountability reports or agency financial reports by November 15. Fiscal year 2013 was the third year for which IGs were required to issue annual reports on agencies' compliance with criteria listed in IPERA. IG reports on fiscal year 2014 compliance with the criteria listed in IPERA are generally expected to be issued by May 2015.

¹⁵GAO, *Improper Payments: Inspector General Reporting of Agency Compliance under the Improper Payments Elimination and Recovery Act*, [GAO-15-87R](#) (Washington, D.C.: Dec. 9, 2014).

¹⁶IPERA contains six criteria for compliance. The six criteria are that the entity has (1) published an annual financial statement and accompanying materials in the form and content required by OMB for the most recent fiscal year and posted that report on the entity website; (2) conducted a risk assessment for each specific program or activity that conforms with IPIA, as amended; (3) published estimates of improper payments for all programs and activities identified as susceptible to significant improper payments under the entity's risk assessment; (4) published corrective action plans for programs and activities assessed to be at risk for significant improper payments; (5) published and met annual reduction targets for all programs and activities assessed to be at risk for significant improper payments; and (6) reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published.

least one of these two criteria for 3 consecutive years.¹⁷ In addition to the legislative criteria, various IGs reported other deficiencies in their most recent annual compliance reports, including risk assessments that may not accurately assess the risk of improper payments and estimation methodologies that may not produce reliable estimates. Similarly, we have found weaknesses in improper payment risk assessments at the Department of Energy and in the estimating methodology for DOD's TRICARE program, which could result in understated estimates of improper payments.¹⁸ We recommended that the Department of Energy take steps to improve its risk assessments, including revising guidance on how to address risk factors and providing examples of other risk factors likely to contribute to improper payments. For DOD's TRICARE, we recommended that DOD implement a more comprehensive method for measuring improper payments that includes review of medical records. Both agencies concurred with our recommendations.

In addition to the challenges that we and the IGs reported, some agencies reported in their fiscal year 2014 performance and accountability reports or agency financial reports that program design issues could hinder efforts to estimate or recapture improper payments. These included the following:

- **Coordination with states.** HHS cited statutory limitations for its state-administered TANF program, which prohibited it from requiring states to participate in developing an improper payment estimate for the program.¹⁹ Despite these limitations, HHS reported that it had taken actions to assist states in reducing improper payments, such as working with states to analyze noncompliance findings from audits related to TANF and requiring more accurate information about the ways states used TANF block grants.

¹⁷These five programs are (1) HHS's Medicare Fee-for-Service, (2) Treasury's Earned Income Tax Credit, (3) the Department of Labor's Unemployment Insurance, (4) SSA's Supplemental Security Income, and (5) the Department of Agriculture's School Lunch.

¹⁸GAO, *Improper Payments: DOE's Risk Assessments Should Be Strengthened*, [GAO-15-36](#) (Washington, D.C.: Dec. 23, 2014), and *Improper Payments: TRICARE Measurement and Reduction Efforts Could Benefit from Adopting Medical Record Reviews*, [GAO-15-269](#) (Washington, D.C.: Feb. 18, 2015). TRICARE is a health care program for military servicemembers, retirees, and their families.

¹⁹The term state-administered refers to federal programs that are managed on a day-to-day basis at the state level to carry out program objectives.

- **Recovery auditing.** The Department of Agriculture (USDA) reported that section 281 of the Department of Agriculture Reorganization Act of 1994 precluded the use of recovery auditing techniques.²⁰ Specifically, the agency reported that section 281 provides that 90 days after the decision of a state, a county, or an area committee is final, no action may be taken to recover the amounts found to have been erroneously disbursed as a result of the decision, unless the participant had reason to believe that the decision was erroneous. This statute is commonly referred to as the Finality Rule, and according to USDA, it affects the Farm Service Agency's ability to recover overpayments.

While agencies continue to face challenges, there are a number of strategies that can help agencies in reducing improper payments, including analyzing the root causes of improper payments to identify and implement effective preventive and detective controls.²¹ Detective controls are critical for identifying improper payments that have already been made, but strong preventive controls can serve as the frontline defense against improper payments. One example of preventive controls is up-front eligibility verification through data sharing, which allows entities that make payments to compare information from different sources to help ensure that payments are appropriate. Specifically, one type of data sharing we are highlighting today is the use of SSA death data.

²⁰According to OMB guidance, a recovery audit is a review and analysis of an agency's or program's accounting and financial records, supporting documentation, and other pertinent information supporting its payments that is specifically designed to identify overpayments.

²¹[GAO-14-737T](#).

Use of Death Information Can Help Prevent Improper Payments, but Agencies Face Challenges in Obtaining Accurate and More Complete Data

Programs Can Use Death Information to Help Prevent Improper Payments

Because of its mission, SSA is uniquely positioned to collect and manage death data at the federal level, and these data can be helpful in preventing improper payments to deceased individuals or those who use deceased individuals' identities. SSA maintains two sets of death data. The complete file of death data, which we refer to as SSA's full death file,²² includes data from multiple sources—such as funeral directors, family members, certain federal agencies, and states—and is available to certain eligible entities. The Social Security Act requires that SSA share its full death file, to the extent feasible, with agencies that provide federally funded benefits, provided that the arrangement meets statutory requirements.²³ A subset of the full death file, which SSA calls the Death Master File (DMF), is available to the public.²⁴ However, SSA may not

²²Use of the term "full" is not meant to indicate that a file contains all deaths but rather that a file includes deaths reported by states. SSA does not guarantee the completeness or accuracy of its death data. SSA does not have a death record for all deceased individuals.

²³42 U.S.C. § 405(r)(3). Under the act, SSA is required to provide the data under a cooperative arrangement with benefit-paying agencies for the purpose of ensuring proper payment of those benefits, provided that the recipient agency reimburses SSA for its reasonable costs and the arrangement does not conflict with SSA's duties with respect to state death information. Benefit-paying agencies may be state agencies, and the act also authorizes SSA to use or provide for the use of records from its full death file for certain other purposes, such as statistical and research activities conducted by federal and state agencies; see 42 U.S.C. § 405(r)(5). However, in this testimony, we discuss only federal agencies' use of the data to prevent improper payments.

²⁴A subscription to the DMF can be purchased through the Department of Commerce's National Technical Information Service.

include death data received from states in the DMF.²⁵ We have previously reported on the value of using SSA's death data—the full death file, if possible, or the DMF—to guard against improper payments to deceased individuals or those who use deceased individuals' identities. For example, we have reported on payments to deceased individuals that could have been prevented by using SSA's death data in the following areas.

- **Disaster assistance.** In December 2014, we identified 45 recipients of Hurricane Sandy disaster benefits from the Federal Emergency Management Agency's (FEMA) Individuals and Households Program that appeared on SSA's full death file and had applications for the program dated after the reported date of death.²⁶ Of these 45 cases, FEMA officials stated that they submitted 7 for review to determine if the assistance could be recouped, 2 payments were returned voluntarily, and 1 was under investigation for fraud. While FEMA developed a process to review SSA's DMF, use of the more comprehensive full death file could have helped to identify likely deceased individuals who were not listed in the DMF. We recommended that FEMA collaborate with SSA to assess the cost and feasibility of checking recipient information against the full death file. FEMA concurred with our recommendations and stated that it will work with SSA to determine the feasibility and cost of this effort.
- **Farm programs.** In June 2013, we reported that USDA needed to do more to prevent improper payments to deceased individuals made under various farm programs, including those related to farm income, disasters, conservation, and crop insurance.²⁷ We found that while one USDA component had developed procedures for reviewing SSA's DMF and recovered approximately \$1 million, certain payments to deceased individuals that were deemed to be proper did not have sufficient support for the decisions. Further, the other two USDA components we reviewed did not have procedures in place to prevent

²⁵The Social Security Act prohibits SSA from using death information it obtains from the states for purposes other than those described in section 205(r) of the act and exempts that information from disclosure under the Freedom of Information Act and the requirements of the Privacy Act. 42 U.S.C. § 405(r)(6).

²⁶GAO, *Hurricane Sandy: FEMA Has Improved Disaster Aid Verification but Could Act to Further Limit Improper Assistance*, [GAO-15-15](#) (Washington, D.C.: Dec. 12, 2014).

²⁷GAO, *Farm Programs: USDA Needs to Do More to Prevent Improper Payments to Deceased Individuals*, [GAO-13-503](#) (Washington, D.C.: June 28, 2013).

potentially improper payments to deceased individuals. We recommended that USDA strengthen its existing DMF review processes and establish review processes for its two remaining components. As of March 2015, USDA reported that it is still working to address our recommendations.

- **Rural housing.** In May 2012, we reported that USDA could enhance its efforts to identify and reduce improper rental assistance payments.²⁸ We found that USDA's efforts to identify improper payments did not examine payments made on behalf of deceased tenants, among other types of payment errors. When a tenant dies, rental assistance should either be discontinued or adjusted to reflect a change in household composition. We found that USDA relied on a deceased tenant's landlord or family to provide notification of a tenant's death. Failure to report such information could lead the agency to continue to make rental assistance payments on the deceased tenant's behalf. We recommended that USDA complete steps to use SSA's DMF to identify these improper payments and to conduct oversight of program payments. Consistent with our recommendation, USDA officials told us in March 2015 that they have been using the DMF since fiscal year 2013 to avoid making payments on behalf of deceased tenants and are planning to use the DMF to detect improper payments in future improper payment audits.

Challenges Exist in Maintaining and Sharing Death Information

While verifying eligibility using SSA's death data can be an effective tool to help prevent improper payments to deceased individuals, SSA faces challenges in maintaining accurate death data, and other federal agencies face challenges in accessing these data. Inaccuracies in death data could adversely affect their usefulness in helping agencies prevent improper payments. In November 2013, we reported on errors and issues we found and recommended that SSA take specific actions to address death file data errors and agency access issues, as detailed below.²⁹

²⁸GAO, *Rural Housing Service: Efforts to Identify and Reduce Improper Rental Assistance Payments Could Be Enhanced*, [GAO-12-624](#) (Washington, D.C.: May 31, 2012).

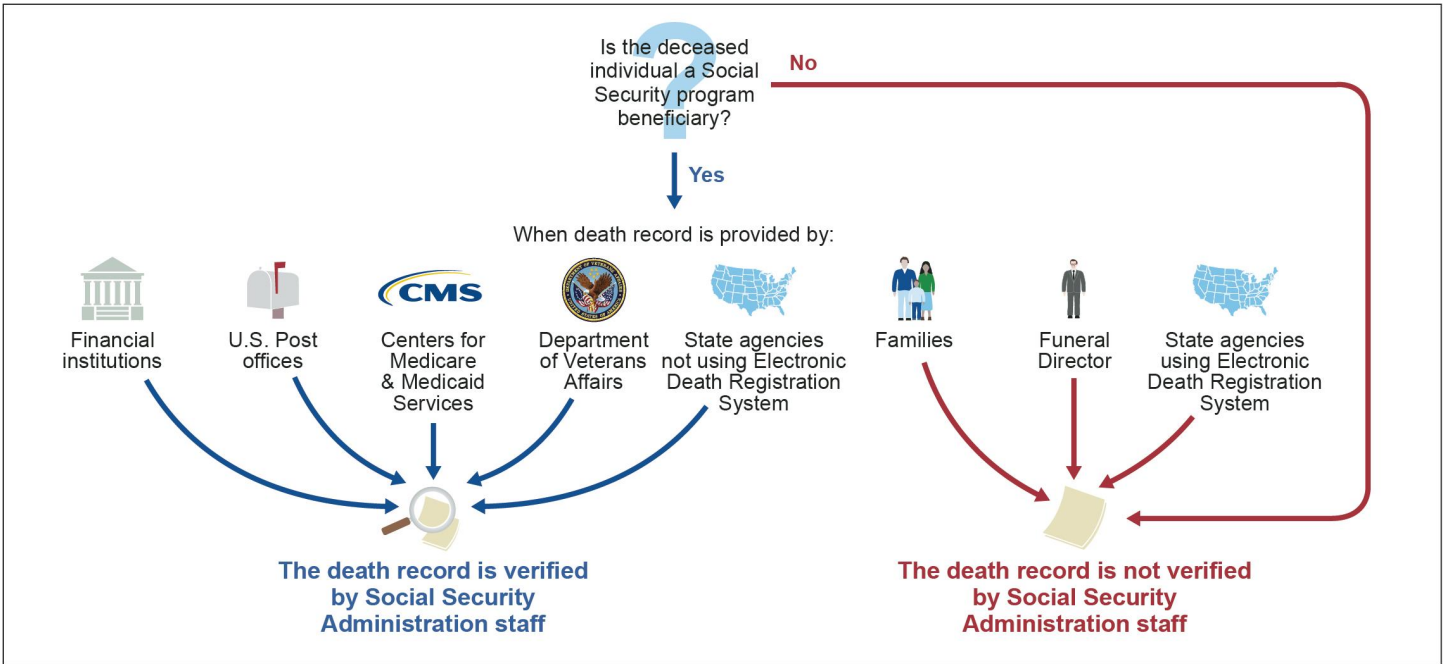
²⁹GAO, *Social Security Death Data: Additional Action Needed to Address Data Errors and Federal Agency Access*, [GAO-14-46](#) (Washington, D.C.: Nov. 27, 2013).

Improving the Accuracy and
Completeness of Death Data

SSA receives death reports from multiple sources, but its procedures for collecting, verifying, and maintaining death reports could result in erroneous or untimely death information. For example, as we reported in November 2013, SSA did not independently verify all reports before including them in its death records. SSA only verified death reports for Social Security beneficiaries in order to stop benefit payments and did not verify death reports for nonbeneficiaries. Further, for Social Security beneficiaries, SSA verified only those reports from sources that it considered to be less accurate, such as reports from other federal agencies. SSA did not verify reports from what it considered to be more accurate sources, such as funeral directors, family members, and states using the Electronic Death Registration System.³⁰ SSA considered death reports submitted by states through this system to be the most accurate because the information is verified with SSA databases before the reports are submitted to SSA. Because SSA verifies a limited portion of death reports, it increases the risk of having erroneous information in its death data, such as including living individuals or not including deceased individuals. Figure 1 illustrates SSA's death report verification procedures.

³⁰The Electronic Death Registration System automates the electronic registering and processing of death reports in order to improve timeliness and accuracy.

Figure 1: Social Security Administration’s (SSA) Death Report Verification Procedures



Source: GAO analysis of SSA data. | GAO-15-482T

Additionally, we reported in November 2013 that death reports that did not match information in SSA’s database of all Social Security number-holders, known as the Numerical Index File (Numident), were not included in SSA’s death data.³¹ SSA also did not attempt to follow up with the sources of these reports in part because, according to agency officials, it is unlikely that the sources would have any additional information. However, by not contacting the source of the death report or conducting any other outside investigation to resolve the discrepancy, the risk that death data will be inaccurate or incomplete increases, and federal benefit-paying agencies relying on these data could make improper payments as a result.

³¹The Numident file contains identifying information associated with Social Security number-holders, and there is one record for each Social Security number-holder.

Further, we found that SSA did not perform additional reviews of reports of deaths that occurred years or decades in the past. In our November 2013 report, we identified cases in which death reports submitted to SSA in early 2013 listed dates of death that were more than a year old, and in some cases, more than 10 years old.³² This is of concern because, if these dates of death are accurate, SSA and other agencies may have been at risk of paying benefits to these individuals for long periods after they died. SSA officials were not able to explain with certainty why this was occurring but suggested that some cases might be the result of data entry errors.

In our November 2013 report, we also identified other instances of potentially erroneous information in the death data that raise concerns about their accuracy and usefulness. For example, we found records where the date of death preceded the individual's recorded date of birth and records where the date of death was prior to 1936—the year Social Security numbers were first issued—although the decedents had Social Security numbers assigned to them. Other records showed a recorded age at death of between 115 and 195. Despite these vulnerabilities, SSA had not performed risk assessments to determine the impact of erroneous, untimely, or incomplete death information on SSA's ability to prevent improper benefit payments. We recommended that SSA conduct such a risk assessment to identify the scope and extent of errors, ways to address them, and the feasibility and cost-effectiveness of addressing various types of errors based on the risk they pose. SSA partially agreed with our recommendation. According to officials, SSA recently conducted a risk assessment as a part of redesigning how the agency processes death reports and compiles the data for dissemination; however, we have not yet had an opportunity to review the risk assessment.

Ensuring Appropriate Agency Access to Death Data

Certain federal benefit-paying agencies have obtained SSA's full set of death data directly from SSA, including HHS's Centers for Medicare & Medicaid Services and Treasury's Internal Revenue Service, the entities that administer the three programs with the highest improper payment estimates in fiscal year 2014. According to SSA officials, agencies receiving access to the full death file must make a formal request and have agreements in place with SSA that outline the circumstances of each data-sharing arrangement. An agency that does not access SSA's

³²[GAO-14-46](#).

full death file can instead access the publicly available DMF. However, the DMF is less complete than SSA's full death file because state-reported deaths are removed. As we reported in November 2013, the DMF contained 10 percent fewer records than the full death file because of the removal of state-reported deaths. SSA officials expect the percentage of state-reported deaths as a proportion of all of SSA's death records to increase over time as more states submit records through the Electronic Death Registration System.

We also found in our November 2013 report that SSA lacked written guidelines other than the language in the Social Security Act for determining whether agencies are eligible to access the full death file, and SSA's determinations as to whether agencies met these requirements varied. In one example, officials stated that SSA would generally have the authority to share the full death file with the IGs at benefit-paying agencies for the purpose of ensuring proper payment of federally funded benefits. In fact, SSA officials approved a request for access to the full death file for the HHS IG.³³ However, SSA officials also stated that the Do Not Pay Business Center, operated by Treasury, was not eligible to receive the full death file. Like the HHS IG, Treasury's Do Not Pay Business Center was seeking access to the full death file as part of its efforts to prevent improper payments. SSA officials provided no documentation outlining their rationale for this determination but explained that they were not authorized to provide the state-reported death data to Treasury to distribute them to other agencies. Because agencies' circumstances may differ, this variation in determinations may not represent inconsistency with the act. However, without written guidance for explaining SSA's criteria for approving or denying agencies' requests for the full death file, potential recipient agencies may not know whether they are eligible. We recommended that SSA develop and publicize guidance and the criteria it will use to more systematically determine whether agencies are eligible to receive SSA's full death file. SSA has posted some limited information on accessing the full death file on its website; however, SSA disagreed with our recommendation and said it must review all requests on a case-by-case basis to ensure compliance with the Privacy Act and the Social Security Act. While we appreciate that agencies may request the full death file for a variety of intended uses, and we support SSA's efforts to ensure compliance with

³³The IG ultimately determined it would seek out less costly sources of the data.

all applicable legal requirements, we continue to believe that developing this guidance could help to ensure consistency in SSA's future decision making, as well as enhance agencies' ability to obtain the data in a timely and efficient manner

Further, in November 2013, we found that SSA's projected reimbursement amounts for the reasonable cost of sharing death data varied for different agencies, sometimes because of legal requirements,³⁴ but SSA did not share with agencies how these amounts were determined. While SSA calculated a detailed breakdown of expenses internally, we found that it provided only a summary of these expenses in the estimates and billing statements it provided agencies. Consequently, recipient agencies did not know the factors that led to the reimbursement amounts they were charged, which could prevent them from making informed decisions based on the amount they are spending. We recommended that SSA provide a more detailed explanation of how it determines reimbursement amounts for providing agencies with death information from the full death file.³⁵ SSA partially agreed with our recommendation, stating that SSA refined its process for estimating the cost of sharing death data in fiscal year 2013, but it is not a government-wide business practice for federal agencies to share detailed costs for reimbursable agreements. While we recognize that there may be limitations on the type of cost details SSA can provide to recipient agencies, we continue to believe that more transparency in the factors used to calculate reimbursement amounts could help agencies make more informed decisions.

In conclusion, with outlays for major programs, such as Medicare and Medicaid, expected to increase over the next few years, it is critical that actions are taken to reduce improper payments. While sharing death data can help prevent improper payments to deceased individuals, further efforts are needed to help minimize the risks posed by inaccuracies in the death data and to help ensure that agencies have access to them, as appropriate.

³⁴For example, by statute, the Department of Veterans Affairs is not required to reimburse SSA. 38 U.S.C. § 5106.

³⁵[GAO-14-46](#).

Chairman Johnson, Ranking Member Carper, and Members of the Committee, this completes our prepared statement. We would be pleased to respond to any questions that you may have at this time.

GAO Contacts and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Daniel Bertoni, Director, Education, Workforce, and Income Security issues at (202) 512-7215 or bertonid@gao.gov or Beryl H. Davis, Director, Financial Management and Assurance, at (202) 512-2623 or davisbh@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff members who made key contributions to this testimony are Rachel Frisk (Assistant Director), Phillip McIntyre (Assistant Director), James Healy, Sara Pelton, and Ricky A. Perry, Jr.

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