

GAO

**Report to the Chief Benefits Director,
Department of Veterans Benefits
Veterans Administration**

June 1986

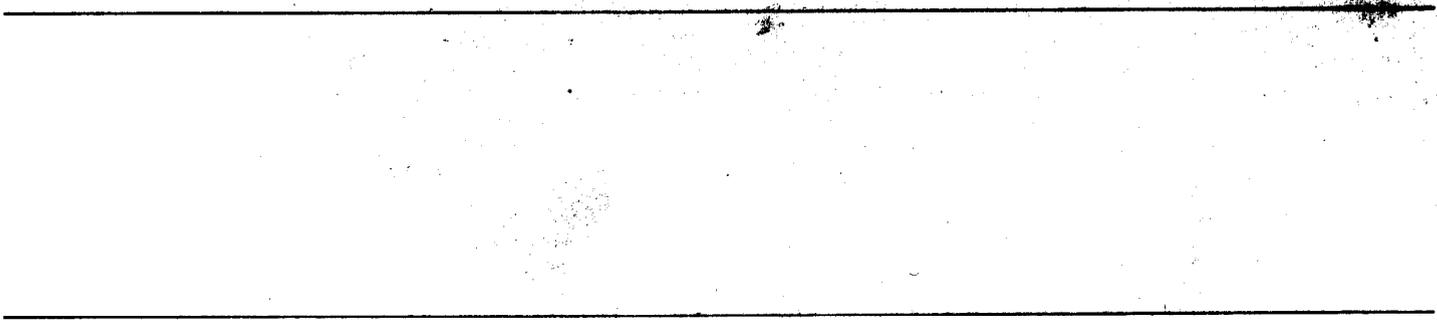
**VETERANS
BENEFITS**

**Verification of Selected
Eligibility Factors**



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

**Human Resources Division
B-219253**

June 18, 1986

Mr. R. J. Vogel
Chief Benefits Director
Department of Veterans Benefits
Veterans Administration

Dear Mr. Vogel:

A few years ago, we undertook a broad computer-based study of selected aspects of the Veterans Administration (VA) benefit programs. Central to this study were computer matching and analyses of VA and Internal Revenue Service (IRS) files on 1.7 million recipients of various VA benefits.

The study was designed to serve several purposes. Certain purposes were "internal" in nature—to improve our understanding and planning for future studies of the VA program. Also, the resulting data have been used in some ongoing efforts, including our current reviews of VA's Unemployability Program and needs-based pension program. For the latter review, we are performing our analysis of prospective overpayments using "3rd party" tax information made available for certain other needs-based programs by the Deficit Reduction Act of 1984 (DEFRA)—which is discussed later.

We designed this study to identify the extent to which taxpayers' Form 1040 tax return information could be used to identify persons receiving benefits to which they were not entitled. By computer matching selected VA benefit records with IRS records of Form 1040 tax returns, we obtained tax return information for 451,664 VA cash benefit recipients. We compared the 1040 filing status and income recorded in IRS computer records of these beneficiaries' tax returns to the marital status and income criteria specified for VA benefit eligibility.

Although the data are old (1981) and limited in scope, your office has expressed interest in the results, so we are providing you with our study relating to the comparisons made with individuals' income data and program disability criteria.

Our study showed for certain types of VA beneficiaries, (1) the number of 1040 records VA might obtain through computer matching IRS and VA records, (2) the number of benefit awards VA would have to examine because of differences between beneficiaries' tax data and corresponding benefit entitlement criteria, and (3) the estimated number and

dollar amount of certain types of benefits that may have been paid to persons not entitled to them.

Our study included veterans receiving disability compensation for spouses, veterans' widows¹ and surviving parents receiving death benefits subject to income limits, and widows receiving death benefits not subject to income limits.² We sought to determine if unmarried veterans were receiving benefits for spouses, if married widows were receiving benefits as unmarried widows, and if widows and veterans' surviving parents were receiving benefits while their incomes exceeded program limits. For those whose 1040 record we obtained, we compared to VA benefit eligibility criteria (1) the marital status of veterans and widows and (2) the wage, interest, and dividend income of widows and parents receiving death benefits subject to income limits.

We sought IRS records of 1981 Forms 1040 for 1.7 million persons entitled to VA cash benefits on December 31, 1981. By computer matching VA and IRS records, we obtained 1040 records for 451,664, or 26 percent, of these persons. The marital status or income shown on the 1040 records of 18,234 VA beneficiaries differed with the requirements for benefit eligibility. The 1040 records of 8,471 VA widows receiving income-tested benefits showed wage, interest, and dividend income exceeding benefit program limits, and the records of 8,464 veterans showed a single marital status although they were receiving benefits for spouses. The 1040 records of 516 widows indicated that they were married (although they must be unmarried to be eligible for VA benefits), and the records of 783 veterans' surviving parents showed income exceeding benefit eligibility limits.

Conflicts between persons' income or marital status on IRS computerized 1040 records and VA benefit eligibility criteria do not necessarily indicate that persons received benefits to which they were not entitled. Conflicts shown are the result of our comparison of records as of about the same date—December 31, 1981. Beneficiaries may have reported to VA at year-end annual income or changes in marital status, and VA may have adjusted benefits after December 31, 1981. Furthermore, there may be explanations for conflicting data in some cases. For example, a pension benefit recipient may have reported to VA unreimbursable medical expenses which, when deducted from 1040 income, brought the

¹The term "widows" includes widowers.

²We did not include veterans and children receiving VA pensions in our study.

income within the limits for benefit eligibility. Also, there may have been errors in either VA or IRS computer records.

Of the 8,471 widows whose 1040 record showed wage, interest, and dividend income exceeding VA benefit eligibility limits, we estimate (based on a random sample of 205 records) that at least 3,058 did not accurately report their 1981 income to VA and received \$6.1 million in benefits in 1981 to which they were not entitled. Of the 8,464 veterans who received spouse benefits and whose 1040 records showed a single marital status, we estimate (based on a random sample of 177 VA records) that at least 669 received \$436,000 in spouse benefits to which they were not entitled for at least a year. VA records indicated that these veterans' benefits were terminated due to a change in marital status that was effective at least one year before the date VA terminated benefits.

Based on our sampling of records, we estimate that another 5,356 of the 8,464 veterans mentioned above had 1040 records showing a single marital status (on Dec. 31, 1981) and VA records showing they were still receiving spouse benefits at the time of our review (28 months later). These veterans may have been legally separated from their spouses during this period. If they were in such status, they were allowed to file 1040's as single and continue to receive VA spouse benefits because their marriages had not legally ended. We could not determine from VA records whether these veterans were legally separated and entitled to benefits they received.

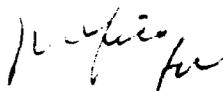
We did not sample records of the other 1,299 persons whose income or marital status differed from VA benefit eligibility criteria due to their small number.

As mentioned, our study was limited in scope. It did not include all VA beneficiaries whose benefit entitlement might be verified through the use of tax data (874,000 veterans receiving VA pensions); it did not examine all types of income reported on 1040 records that are countable for VA benefit eligibility; and was based on relatively old data (1981 tax and benefit data). Furthermore, we did not assess the potential impact of recurring use, for the purposes discussed, of Form 1040 tax return information on taxpayers' voluntary compliance with tax reporting requirements.

Further details on the results of our study are contained in appendix I. Appendix II further explains the objectives, scope, and methodology of the study.

Since we completed this work, major changes have come about in the area of computer matching for the purpose of determining eligibility for needs-based programs. DEFRA, for example, required states to verify eligibility for certain needs-based programs using 3rd-party tax information maintained by both IRS and the Social Security Administration. As mentioned, we are reviewing VA's needs-based pension program within the DEFRA framework, and also are separately reviewing states' implementation of income and eligibility verification systems that DEFRA requires.

Sincerely yours,



Barry D. Tice
Group Director

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Abbreviations

DEFRA	Deficit Reduction Act of 1984
IRS	Internal Revenue Service
VA	Veterans Administration

Comparison of Selected VA Beneficiaries' Tax Returns With VA Benefit Eligibility Criteria

Background

The Veterans Administration (VA) administers two major types of programs that pay monthly cash benefits to veterans and their survivors. Compensation programs pay benefits for service-connected disabilities and deaths. Pension programs pay benefits for non-service-connected disabilities and deaths.

VA pays disability compensation to veterans disabled by injury or disease incurred or aggravated while on active duty. Benefit amounts vary by the degree of disability. VA rates veterans' disabilities from 0 through 100 percent disabling. Veterans whose disabilities are rated 30 percent or higher are entitled to receive additional compensation if they have spouses, children, and parents. VA pays death compensation¹ to widows² and surviving parents and children of veterans whose deaths were caused by military service.

VA pays disability pensions to veterans who served in the military during periods of war, are permanently and totally disabled from causes not related to military service, and whose income does not exceed specified limits. Death pensions are paid to widows and surviving children of veterans who served in the military during periods of war but who did not die of service-related causes. For widows and children to be eligible for benefits, their income must be below certain limits.

In fiscal year 1985, VA paid about \$8.3 billion in disability compensation, \$1.9 billion in death compensation, \$2.5 billion in disability pension, and \$1.3 billion in death pension.

Table I.1 shows the number of persons who were receiving VA cash benefits in 1981 (the year of our review), fiscal year 1981 benefit expenditures, and benefit recipients included in our review.

¹Death compensation is paid to survivors of veterans who died before January 1, 1957; dependency and indemnity compensation is paid to survivors of veterans who died on or after that date. In this report, both these benefits will be referred to as death compensation.

²The term "widows" includes widowers.

**Appendix I
Comparison of Selected VA Beneficiaries' Tax
Returns With VA Benefit Eligibility Criteria**

Table I.1: VA Cash Benefit Recipients in 1981, Fiscal Year 1981 Benefit Expenditures, and Benefit Recipients Included in Our Review

Dollars in billions		
	Compensation (service- connected)	Pension (non-service- connected)
Disability		
Veterans	2,279,070 (637,926) ^{a,b}	874,783
(Expenditures)	\$7	\$2.4
Death		
Widows	207,852 ^a	806,267 ^a
Children	74,571	357,741
Parents	79,291 ^a	0
(Expenditures)	\$1.5	\$1.4

^aBenefit recipients included in our review.

^bReceiving benefits for spouse.

Benefit Eligibility Depends on Income and Marital Status

Many VA cash benefits are payable only to persons of certain marital status and/or with income below specified limits. As shown in table I.2, pension benefits, death compensation benefits, and additional disability compensation for spouses depend on beneficiaries' marital status. Veterans must be legally married to be eligible for additional disability compensation for spouses; they may be married or unmarried to receive pension benefits, but their marital status affects benefit amounts. Widows and children must be unmarried to be eligible for death benefits (either compensation or pension), and parents may be either married or unmarried to receive death compensation, but their marital status affects benefit amounts.

Table I.2 also shows that all pension benefits (both disability and death) and death compensation benefits to veterans' surviving parents are subject to income limits.

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Comparison of Selected VA Beneficiaries' Tax
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Table I.2: VA Cash Benefit Income and Marital Status Eligibility Criteria

Disability	Compensation (service-connected)	Pension (non-service-connected)
Veterans	Must be legally married to receive additional compensation for spouses ^a	May be either married or unmarried but marital status affects benefit amounts Income must be below certain limits
Death		
Widows	Must be unmarried ^a	Must be unmarried ^a Income must be below certain limits ^a
Children	Must be unmarried	Must be unmarried Income must be below certain limits
Parents	May be either married or unmarried but marital status affects benefit amounts Income must be below certain limits ^a	Not eligible

^aEligibility criteria included in our review.

Eligibility for pension benefits and parents' death compensation depends on income from multiple sources, including taxable and nontaxable, cash and noncash, and earned and unearned income. Deductions from income are allowed for unreimbursable medical expenses exceeding 5 percent of the maximum annual pension rate.

VA Relies Primarily on Beneficiaries to Report Changes in Income and Marital Status

VA relies almost entirely on veterans and their survivors who are receiving benefits to promptly and accurately report changes in income and marital status that may affect their entitlement to benefits. VA sends periodic questionnaires regarding income and marital status to persons receiving income-dependent benefits.

VA does not send questionnaires on marital status to widows receiving death compensation or veterans receiving additional disability compensation for spouses. According to VA officials, recipients of these benefits, which do not depend on income, are legally required to report to VA only when changes occur in data affecting their entitlement. VA officials informed us that VA cannot legally require or request from such beneficiaries reports certifying their continued entitlement. VA has, however, sent information to recipients of these benefits to remind them of their responsibility to report changes in data affecting their entitlement.

In an effort to verify income from federal programs reported by recipients of income-dependent benefits, VA has performed computer matches of benefit records with those of other federal agencies. VA has implemented routine matches with the Social Security Administration to verify veterans', widows', and parents' receipt of retirement or disability benefits and with the Office of Personnel Management to verify receipt of civil service annuity income. VA has conducted similar data exchanges to verify beneficiaries' receipt of Black Lung and railroad retirement benefits. To verify reported wage income, VA's Office of Inspector General has matched records of VA pension recipients to selected states' wage files (used to administer unemployment compensation insurance programs). VA's Office of Inspector General has also conducted a computer match of state of Virginia marriage records for 1978-83 with the VA compensation and pension master records for surviving spouses as of September 30, 1984.

Other than the Internal Revenue Service (IRS), we know of no centralized sources that VA could use to verify the marital status of non-income-dependent benefit recipients. Although individual states maintain files of marriages and divorces, access to these records would require a separate arrangement with each state. Furthermore, an official of the National Center for Health Statistics told us that state marriage records are often not computerized and are generally kept in chronological order as opposed to order by personal identifiers, such as name or social security number. In our opinion this would make their use impracticable for benefit rolls as large as VA's. In addition, the state of residence of VA beneficiaries may not be the same as the one in which their marriage or divorce would be recorded.

Although VA is not authorized access to IRS tax return information, VA has submitted a legislative proposal to the Office of Management and Budget for authority to obtain access to such data.

Objective, Scope, and Methodology of Our Records Match

The objective of our comparison of tax and benefit data was to identify unmarried veterans receiving compensation for spouses, married widows receiving compensation or pension as unmarried widows, and parents and widows receiving compensation and pension, respectively, while their incomes exceeded program limits. We compared the marital status and income of those for whom we obtained an IRS 1040 record to corresponding VA benefit criteria as the first step to identify persons who may have received benefits to which they were not entitled.

Subsequently, we reviewed (1) income questionnaires and computerized benefit history records of a sample of cases of widows receiving pensions whose 1040 records showed income exceeding program limits and (2) benefit history records of a sample of veterans receiving spouse benefits whose 1040 records indicated that they were not married. We reviewed these records to determine if the veterans' and widows' benefits had been adjusted or terminated in response to reports of changes in marital status or excess income and if the widows had reported all their income to VA.

We did not perform a similar review of cases of widows whose 1040 records indicated they had remarried (making them ineligible for benefits) or cases of parents whose 1040 records showed incomes exceeded eligibility limits for death compensation.

We obtained authorization to access VA beneficiaries' tax return information from the House Committee on Ways and Means. We were not authorized to access tax data of veterans or children receiving pensions. In addition, we were not authorized to disclose any individual tax return information that we obtained.

Appendix II explains the objectives, scope, and methodology of our review in more detail.

IRS Records Obtained and Cases of Income and Marital Status Conflicting With Benefit Eligibility Criteria

Table I.3 shows the number of VA beneficiaries whose 1040 records we sought, the number whose 1040 records we obtained, and the number whose 1040 records showed income or a marital status in conflict with VA benefit eligibility criteria. As shown in the table, we obtained 1040 records through a records match for 451,664, or 26 percent, of the 1.7 million persons included in our study. For 18,234 persons, the income or marital status shown on 1040 records conflicted with VA benefit eligibility criteria.

**Appendix I
Comparison of Selected VA Beneficiaries' Tax
Returns With VA Benefit Eligibility Criteria**

Table I.3: 1040 Records Sought, 1040 Records Obtained, and Cases of 1040 Income and Marital Status Conflicting With Benefit Eligibility Criteria

Benefit group	Number of VA beneficiaries whose 1040 records we sought	Number of VA beneficiaries whose 1040 records we obtained	Percent of 1040 records sought	Number of 1040 records showing conflicting data	Percent of 1040 records obtained	Conflicting data
Veterans receiving additional disability compensation for spouses	637,926	334,524 ^a	52.4	8,464	2.5	1040 record indicates that veterans are not married
Widows' death compensation	207,852	72,888	35.1	259	0.4	1040 record indicates that widows are married
Widows' pension	806,267	41,676	5.2	257	0.6	Same as above
Same as above	^b	^b	^b	8,471 ^c	20.3	1040 record shows wage, interest, and the dividend income above eligibility limits
Parents' death compensation	79,291	2,576	3.2	783	30.4	1040 record shows wage, interest, and dividend income above eligibility limits
Total	1,731,336	451,664	26.1	18,234	4.0	

^aIncludes some veterans with disability ratings less than 30 percent (see p. 8). The number included is more than 0.5 percent of the number of records on which matches were attempted.

^bSame as above.

^cExcludes 1040 records indicating that widows are married.

Conflicts between persons' income or marital status on IRS computerized 1040 records and VA benefit eligibility criteria do not necessarily indicate that persons received benefits to which they were not entitled. Conflicts shown are the result of our comparison of records as of about the same date—December 31, 1981. Beneficiaries may have reported to VA at year-end, annual income or changes in marital status, and VA may have adjusted benefits after December 31, 1981. Furthermore, there may be explanations for conflicting data in some cases. For example, a pension benefit recipient may have reported to VA unreimbursable medical expenses which, when deducted from 1040 income, brought their income within the limits for benefit eligibility. Also, there may have been errors on either VA or IRS computer records.

Further information follows about cases of conflicting data, our review of these cases, and the percentages of different benefit recipients for whom we obtained 1040 records.

Widows With Income Exceeding Benefit Limits

We identified 8,471 widows whose 1040 records showed wage, interest, and dividend income exceeded pension benefit eligibility limits. Based on a random sample of 205 VA records, we estimate that at least 3,058 (or 36 percent) of these received benefits throughout 1981 to which they were not entitled. Although VA counts several sources of income in determining pension benefit eligibility, these widows' 1981 income from only three sources—wages, interest, and dividends—exceeded program limits. Furthermore, the widows in our sample did not accurately report their income to VA on their annual income questionnaires. None of these widows reported medical expenses on their income questionnaires to VA that, when deducted from their income, brought it within benefit eligibility limits. At a 95-percent confidence level, we estimate that in 1981 benefit overpayments to these widows amounted to \$6.1 million (plus or minus \$1.4 million).

The other 5,413 widows were age 72 or older and not subject to income reporting, were not receiving benefits as of May 1984 (the time of our review), or their VA records were not available to us. We did not review records of these widows to determine if they received benefits in 1981 to which they were not entitled. Such a task would have required reviewing voluminous records at several VA regional offices. We decided to limit our review to VA's computerized records because this was less time consuming.

Our estimate of the number of widows who received pension benefits in 1981 to which they were not entitled is probably conservative due to several factors. For one, we compared only wage, interest, and dividend income to program limits, whereas pension benefits depend upon several sources of income. If we had considered additional sources—such as pensions and annuities, self-employment income, business income, and rents—we might have identified more widows with income in excess of program limits.

A second factor limiting our identification of widows who may have received benefits to which they were not entitled is the number of widows in our sample who were not receiving benefits at the time we sampled computerized benefit history records—May 1984. Such widows numbered an estimated 4,711 of the 8,471 we identified with 1040 records showing income in excess of program limits. We could not determine if these widows received benefits in 1981 because VA does not retain computerized benefit history records for persons who have not received benefits for 6 months or longer, and because we limited our review to this type of record. Some of these widows may have received

1981 benefits to which they were not entitled. VA may have terminated their benefits for reasons other than excess 1981 income (such as for excess 1982, 1983, or expected 1984 income or due to change in marital status).

A third factor limiting our estimate is the low proportion (5 percent) of widows for whom we obtained a 1040 record. As explained on page 16, there may be several explanations for this—one may be that many widows remarried (making them ineligible for benefits) and changed their names to ones different from those on their VA benefit records.

Veterans Receiving Spouse Benefits Who Filed 1040's as Unmarried

We identified 8,464 veterans who received spouse benefits and whose 1040 records showed a single marital status. Based on a random sample of 177 veterans in this group, we estimate that at least 669 received benefits to which they were not entitled for at least a full year. VA records indicated that these veterans' benefits were terminated due to a change in marital status which was effective at least 1 year before the date that VA terminated benefits. Either these veterans were untimely in reporting a change in their marital status to VA, or VA was untimely in processing reports of the changes. We did not examine the records necessary to determine which of these situations occurred. This would have required us to obtain and review hard-copy records from several VA regional offices. We considered that such an effort was not justified by the amount of benefit overpayments involved. At a 95-percent confidence level, we estimate that VA paid 669 veterans \$436,000 (plus or minus \$258,000) in benefits to which they were not entitled.

An estimated 5,356 of the 8,464 veterans cited above had 1040 records showing a single marital status as of December 31, 1981, and they received VA spouse benefits continuously from December 1981 until at least April 1984—the time of our review of VA benefit records. Without determining these veterans' legal marital status,³ we could not determine if they received benefits to which they were not entitled. These veterans may have been legally separated from their spouses during this 28-month period. In such status, they are allowed to file 1040's as unmarried while continuing to receive VA spouse benefits because their marriages had not legally ended. These veterans may, however, have

³We did not make this determination because of the difficulties discussed on page 11. In addition, we did not attempt to contact the veterans themselves to determine marital status because this would have involved unauthorized disclosure of tax return information.

become unmarried, failed to report this to VA, and received benefits to which they were not entitled.

The other 2,439 veterans either died, were not receiving benefits as of mid-April 1984, or their VA records were not available to us.

**The Number of 1040's
We Obtained Varied by
Type of Benefit
Recipient**

As shown in table I.3, we obtained 1040 information for 26.1 percent of the persons included in our study.

We obtained 1040 records for 52.4 percent of the veterans receiving additional compensation for spouses, 5.2 percent of the widows receiving death pension, and 35.1 and 3.2 percent, respectively, of the widows and veterans' surviving parents receiving death compensation.

We obtained the least number of 1040 records for persons who, as groups, are older and are receiving income-dependent benefits—widows receiving death pension and veterans' surviving parents receiving death compensation. As groups, these persons had average ages as of September 1981 of 70 for widows and 78 and 79 for veterans' surviving mothers and fathers, respectively. Widows receiving death compensation and veterans receiving compensation for spouses are, in contrast, not receiving income-dependent benefits, and both groups are younger. As of September 1981, widows receiving death compensation averaged 62 years of age. The average age of all veterans receiving disability compensation as of September 1981 was 54.6 years.

We obtained 1040 records from IRS computer files only for persons whose name and social security number on their VA benefit record matched the same on an IRS 1040 record. We did not investigate reasons for the lack of matching 1040 records for persons in our study. Nonmatching records could have several explanations, including errors in names or social security numbers used to match records, name changes not reported to VA or IRS, and taxpayers' errors in filing 1040's.

Using only names and social security numbers to match records in our study probably limited the number of 1040's that we obtained. For example, records of persons who changed marital status and reported it to IRS but not VA would not have matched in our study if the changes in

**Appendix I
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marital status involved name changes. The 1040 record of a veteran's widow, for example, who remarried (making her ineligible for benefits) and who assumed the last name of her new spouse (but did not report the name change and marriage to VA) would not match with the name on her VA record. We do not know how many such cases may have occurred in our study.

Objectives, Scope, and Methodology

To determine if persons were receiving VA cash benefits to which they were not entitled, we compared information from selected VA beneficiaries' 1040 tax return records with corresponding VA benefit entitlement criteria. We compared the 1040 filing status and income of selected VA beneficiaries to the marital status and income criteria specified for benefit eligibility. We compared 1981 tax return data with benefit eligibility criteria for persons entitled to benefits on December 31, 1981. We sampled VA records of selected benefit recipients whose 1040 data conflicted with benefit eligibility criteria to determine if they received benefits to which they were not entitled.

We included in our study veterans¹ receiving additional disability compensation for spouses, widows² receiving death pension, and widows and veterans' surviving parents receiving death compensation.³ For those whose 1040 record we obtained, we compared to VA eligibility criteria, the indicated marital status of veterans and widows, and the wage, interest, and dividend income of parents receiving death compensation and widows receiving death pension. Through this comparison we sought to identify unmarried veterans receiving benefits for spouses, and married widows receiving benefits as unmarried widows. For those benefits based on income, we sought to identify parents receiving death compensation and widows receiving death pensions, while their incomes were in excess of eligibility limits.

We identified VA beneficiaries from VA computer records. Since we did not assess the accuracy of VA records, beneficiaries whose records lacked certain entries or had errors in certain fields would have been selected or not selected according to the specific errors or omissions. We excluded beneficiaries whose records lacked social security numbers or had letters (not numbers) in that field. We also excluded nonresident beneficiaries (i.e., in the Philippines and Puerto Rico). Such persons amounted to about 6 percent of all the beneficiaries of interest.

We obtained 1040 information on VA beneficiaries from IRS centralized computer files by matching names and social security numbers on VA benefit records against those on IRS tax records. We considered two records matching if both the social security number and the first four letters of the last names on each record were the same.

¹We did not include veterans or children receiving pensions in our study.

²The term "widows" includes widowers.

³Death compensation refers to death compensation and dependency and indemnity compensation.

In comparing marital status, we assumed that veterans' 1040's with filing status of "1" (single) or "5" (qualifying widower)⁴ indicated that the veterans were not married. We assumed that widows' 1040 records with filing status of "2" (married, filing joint) or "3" (married, filing separate) indicated that the widows were married. We made this assumption for the widows only if VA records did not also indicate that their veteran husbands had died in 1981. Widows are allowed to file married with IRS in the year of their spouses' death. Accordingly, we assumed that widows whose veteran husbands had died in 1981 were not married but filed married with IRS in that year because they are allowed to do so. We considered it unlikely that such widows had remarried within the same year of their veteran husbands' deaths.

In comparing widows' 1040 wage, interest, and dividend income to pension program limits, we excluded widows with "married" 1040 filing status and widows whose benefits were not subject to income limits due to special entitlement provisions.⁵ In comparing parents' 1040 income for conformance to death compensation limits, we used for all cases the higher limits specified for awards involving two parents living together. For benefits with monthly income limits, we used a limit equivalent to the specified monthly limit multiplied by 12.

We reviewed income questionnaires and computerized entitlement history records of 205 sample cases of widows receiving death pensions whose 1040 incomes exceeded program limits, and computerized entitlement history records of 177 sample cases of veterans (receiving additional compensation for spouses) whose 1040 records indicated that they were not married. We reviewed these records to determine if veterans' and widows' benefits had been adjusted due to changes in marital status or income and if widows accurately reported their income to VA. Based on this review, we estimated the number and dollar amount of benefit awards that VA made to persons who may not have been entitled.

From both samples we excluded (1) cases of persons who had died, (2) cases on which no benefits were being paid as of April (veterans) and May (widows) 1984, and (3) cases for which VA records were not available.

⁴"Qualifying widower" refers to persons whose spouses died during 1979 or 1980 and who did not remarry in 1981.

⁵Receiving benefits based on a special law or veterans' service during the Civil, Indian, or Spanish-American wars.

From our estimate of veterans inappropriately receiving spouse benefits, we also excluded sample cases on which spouse benefits had been terminated any time after January 1981. We considered that spouse benefit terminations during 1981 indicated that these veterans had informed VA of a change in marital status in a timely manner and that they did not inappropriately receive spouse benefits for longer than a year. We also excluded cases of spouse benefit terminations made any time after December 31, 1981. We considered that these veterans may have been legally separated from their spouses between the "as of" date of 1040's (Dec. 31, 1981) and the date of VA benefit terminations. If legally separated, veterans are still eligible for spouse benefits and allowed to file single with IRS.

From our estimate of widows who inappropriately received pension benefits, we also excluded (1) cases of widows age 72 or older who are not required to report income to VA for eligibility determinations and (2) cases of widows who accurately reported their 1981 income to VA and whose benefits were terminated.

We did not review records of widows receiving pension or death compensation whose 1040 filing status conflicted with benefit eligibility criteria (i.e., indicated that they were married) or records of veterans' surviving parents whose 1040 wage, interest, and dividend income exceeded eligibility limits. We decided not to review records of such cases due to their small number relative to other types of cases of conflicting data. Accordingly, we did not estimate how many of these persons may have received benefits to which they were not entitled.

We did not assess the accuracy of IRS' computerized file of 1040 records and we did not, for persons in our study, verify the income and marital status shown on computerized 1040's to the original 1040's submitted. Such a task would have required considerable staff time and travel to the several locations where 1040's are stored. Furthermore, 1040 income computations involving wages, interest, and dividends are subjected to IRS quality control checks after keypunching.

We obtained authorization to access VA beneficiaries' tax return information from the House Committee on Ways and Means. We were not authorized to access tax data of veterans or children receiving pensions. In addition, we were not authorized to disclose any individual tax return information that we obtained.

Appendix II
Objectives, Scope, and Methodology

We performed our work in accordance with generally accepted government auditing standards except that we did not perform a reliability assessment of computer-generated information.



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