



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

109514



HUMAN RESOURCES
DIVISION

MAY 29, 1979

B-164031(4)

The Honorable Joseph A. Califano, Jr.
The Secretary of Health, Education,
and Welfare *ABCOWZ*

Dear Mr. Secretary:

Your Department has proposed implementing a computerized National Recipient System (NRS). This system would be designed to help States and territories reduce fraud, abuse, and error in the Aid to Families with Dependent Children (AFDC) program, administered by the Social Security Administration (SSA). NRS will [match State-supplied applicant/recipient identification data with records from other sources to identify overpaid or ineligible program participants.] ✓

However, in reviewing HEW data on the proposed system, we have noted several issues warranting further study before a decision is made to implement the system. Specifically, we question the need for a new system to perform functions which may be performed by existing systems, and we believe that SSA should prepare a more complete cost-benefit analysis. We also believe that, before the system is implemented, an expanded initial evaluation, more user input, and a reconsideration of the NRS data searching technique are needed.

[Total estimated Federal and State systems costs for the first 5 fiscal years of NRS implementation and operations are about \$38 million] ranging from \$1.05 million for fiscal year 1979 to \$10.7 million for fiscal 1983. [These estimates, however, cover only the costs of implementation, technical assistance/training, and operation and maintenance. No estimates have been made of the followup investigative



109514

After Report

HRD-79-88
(105074)

805452/109514

costs associated with using the system,⁷ which may be substantial. Initial implementation of NRS, in two States, is scheduled for September 1979. Full implementation, involving all States and territories, is to be completed by 1981.

MAJOR NRS FUNCTIONS MAY NOT BE
COST EFFECTIVE OR NECESSARY

Nationwide interstate search
for duplicate payments

SSA has developed little or no data on geographic patterns associated with high incidences of duplicate AFDC payments to determine the need for a nationwide interstate match. Nevertheless, SSA has designed NRS to detect and prevent multiple public assistance payments to the same recipient from two or more State AFDC programs by matching State-reported records with a national file of current AFDC recipients having social security numbers (SSNs). 1/

SSA has not developed sufficient data to make representative cost/savings projections for nationwide interstate matching under NRS. According to the agency, no savings projections were made because of inconclusive information.

HEW's Office of the Inspector General has disclosed results of an interjurisdictional match of welfare rolls made under Project Match (phase I). 2/ This effort, involving 26 States and jurisdictions and about 8.8 million persons, resulted in about 18,000 matching SSNs, which suggested

1/NRS will not be used to detect duplicate payments within a State. Detecting duplicate payments between local offices in a State's AFDC program or overlapping benefits between the AFDC program and other State-administered assistance programs is a State responsibility. Such matches are being made in a number of States, and impressive savings are being reported.

2/According to HEW personnel, they have made another match of about 50 jurisdictions (phase II) and are awaiting the results of State investigations. They have already begun coordinating a third match of AFDC rolls (phase III); this will be a followup interjurisdictional match.

that duplicate payments may exist in about 9,000 cases. However, most of these cases were found to be clearly eligible. Based on State investigations, the following results were reported as of March 15, 1979:

<u>Case classifications</u>	<u>Number of cases</u>	<u>Percentage of total (note a)</u>
Clearly eligible cases	6,488	70.9
Apparent duplicate cases (note b)	<u>c/</u> 1,284	14.0
Other (note d)	420	4.6

a/Total cases numbered about 9,154. Not all State investigations were complete as of March 15, 1979.

b/One or more payments existed in each of two or more States.

c/This number may include double counts as a result of two or more States reporting the same case.

d/Not enough information available to make a decision.

In analyzing Project Match results, the Office of the Inspector General did not attempt to determine whether most of the State-reported apparent duplicate cases occurred between neighboring States or whether they were more or less scattered across the Nation. Such an analysis would give HEW insight into whether a national matching system such as NRS is really needed. If most of the identified duplicate payments occurred between neighboring States (which appears likely based on the results of State welfare matches) 1/ or if this problem is unique to certain jurisdictions, then a nationwide system may not be needed. In this case, SSA should consider expanding use of the existing Interjurisdictional Data Exchange system or using similar methods of discovering interstate duplicate payments.

1/Several States have made successful interstate matches of welfare files with neighboring States. This demonstrates the likelihood that instances of AFDC recipients receiving benefits from two or more programs occur in neighboring States. We did not determine what costs/savings States are experiencing based on such matches.

The Interjurisdictional Data Exchange system gives a State welfare agency an increased capability to (1) verify the earnings of AFDC recipients, (2) verify unemployment compensation payments received by AFDC recipients, and (3) detect duplicate public assistance payments received from neighboring jurisdictions. The system may be used by States with either a central or a county-operated system and by jurisdictions with either manual or automated files. Thus, this system would appear to be well suited to performing duplicate payment searches between neighboring States.

Verification of social security numbers

NRS will verify SSNs of current AFDC recipients and those of subsequent State-reported applicants/recipients. If the State provides an SSN and a matching record is not found through the interstate duplicate payment search, a record is generated to interface with SSA's number identification system (Numident) to verify the SSN. NRS requires a matching SSN, name, and date of birth before recognizing a record as being verified. It appears, however, that the SSNs of most AFDC recipients on public assistance rolls have already been verified and that existing systems may be able to verify the SSNs of program applicants.

SSA officials were unable to adequately justify the need for a new system to verify AFDC applicants/recipients' SSNs, and their savings projections are inconclusive and, in our opinion, somewhat unsupportable.

Mass enumeration and verification of the AFDC caseload was completed in early 1978, under an agreement between 49 States and HEW, at a cost of about \$6 million. According to SSA, the January-June 1978 AFDC quality control data showed that about 97.5 percent of the total caseload either had an SSN or had applied for one. A recent SSA analysis of that data further showed that about 70 percent of the SSNs were verified on all four of the matching elements required by SSA (SSN, name, date of birth, and sex). Agency officials said that another 10 percent would have been verified if the match criteria were slightly less stringent than SSA's. Thus, about 80 percent of the cases examined had

valid SSNs. Furthermore, 31 States recently reported that about 88 percent of the AFDC caseload had verified SSNs. From this information, it appears that most current recipients have verified SSNs and that mass verification of the AFDC caseload, as proposed under NRS, may not be necessary.

According to AFDC quality control findings, erroneous AFDC payments caused by earned income are estimated to be about \$100 million to \$300 million annually. SSA officials believe that (1) NRS will help reduce erroneous payments by quickly validating SSNs for States to use in determining earned income and (2) if NRS reduces the payment error rate by a given percentage, savings can be realized. Continuing with this rationale, SSA arbitrarily projected that NRS validation of SSNs would reduce the error rate by 10 percent, resulting in annual savings of \$10 million to \$30 million. Savings attributed to the discovery of fraudulent use of SSNs were not measured, and no related projections were made.

A validated SSN facilitates file searching for verifying income, and States may thus be able to identify individuals who attempt to defraud the program by establishing another identity. However, since most of the current AFDC caseload appears to have verified SSNs, the need to reverify them does not seem critical. A system to verify new applicants/recipients' SSNs, however, may warrant consideration. One such system--the Electronic Verification of Alleged Numbers system--already exists within SSA. This system is intended for routine processing of SSN requests; it offers fast, efficient SSN screening service for anyone alleging a number.

As a result of the mass enumeration effort, States can request that SSA periodically validate SSNs of persons on State AFDC rolls. Using a combination of this procedure and the Electronic Verification of Alleged Numbers system, rather than establishing a completely new system, may provide adequate verification of AFDC applicants/recipients' SSNs.

Interfaces with Federal benefit programs

NRS will identify AFDC recipients/applicants who are also receiving benefits from Federal programs. Persons receiving such benefits may not be entitled to their full

AFDC grant or may be totally ineligible. Using AFDC quality control data, SSA estimated potential AFDC program savings of up to \$35 million annually from interfacing with the Retirement, Survivors, and Disability Insurance program.

However, the agency has not attempted to project potential savings from interfacing with other Federal programs. Similarly, pilot implementation of NRS will apparently include test interfacing only with Federal systems maintained by SSA. Furthermore, although existing systems are already providing Federal program benefits data to the States, SSA has not made detailed comparative analyses of NRS and existing systems to determine the most effective, economical, and efficient means of providing States with such data.

Once an SSN is verified, NRS will match it with SSNs in Federal program records to identify Federal benefit payments to welfare recipients. Although the AFDC applicants/recipients' SSNs will be verified, there are no assurances that SSNs in the Federal program records will be validated. SSA has proposed NRS interfaces with the

- SSA master beneficiary file,
- SSA Supplemental Security Income file,
- Veterans Administration Compensation and Pension file,
- Office of Personnel Management pensions file, and
- Office of Personnel Management Personnel Extract file.

On all matches, the types, amounts, and dates of last non-AFDC benefit payments are sent to the States for investigation.

According to a 1979 HEW assessment report, about 45 States can or do routinely match against Federal and State files as part of the eligibility verification process. The most frequently occurring Federal interface is the State Data Exchange program. This program is used to extract eligibility and payment information from SSA's Supplemental Security Record on Supplemental Security Income recipients

and to prepare this information for distribution to the States. The Supplemental Security Record contains data from payment files maintained by other Federal agencies, such as the Veterans Administration, the Railroad Retirement Board, and the Office of Personnel Management. About 30 States receive information under the State Data Exchange program.

Another Federal interface currently in use is the Beneficiary Data Exchange program. This program is used to search the title II (Old Age, Survivors, and Disability Insurance) system, extract benefit information from selected records, and report it to the State agencies.

SSA officials have differing views on the feasibility of using the State Data Exchange and Beneficiary Data Exchange systems rather than developing a new, separate system to accomplish the same objectives. Some officials believe that using these existing systems for AFDC program purposes would require additional computer workload and would provide untimely results to States. They further believe that privacy implications would limit such use of the two systems. Another SSA official, however, stated that interfaces with other agencies are now being made. He further stated that current systems, with slight modifications, can accomplish the same objectives as NRS while providing timely and more complete data. Thus, some duplication could be avoided. In addition, States would not be burdened with using and securing still another data file being provided in a different format. Under either position additional data processing equipment will be required. Despite these differing views, no detailed comparative analyses have been prepared to identify the most effective, economical, and efficient means of providing States with Federal program benefits data.

OTHER QUESTIONABLE
ASPECTS OF NRS

Pilot implementation weighted
in favor of NRS

On April 30, 1979, the HEW Systems Review Board established a work group to proceed with initial implementa-

tion of NRS. Initial implementation--scheduled for September 1979 in Ohio and Michigan--is supposed to serve as a pilot test and pave the way for participation of all other States. However, the test will only demonstrate system utility in two States with almost optimum characteristics for successfully using NRS. Both States have (1) large AFDC caseloads, (2) extensive automated administration, (3) minimal data collection requirements, (4) considerable communications experience, and (5) the advantage of being neighboring jurisdictions. These characteristics are not representative of many other States.

A select panel will evaluate the results of the initial implementation and report to you. An SSA official said that certain aspects of the system will be tested and each function will be evaluated. Since the evaluation plan has not been finalized, it is impossible to determine how the evaluation will be made. However, we assume that, since the system will be tested under favorable conditions, the evaluation results will be favorable.

Limited user involvement
in NRS design

Reflected in NRS design is the basic assumption that all States will participate in the system. Full implementation is essential to maximum use of NRS. SSA, however, has not adequately informed States about the system or the extent of resources they will be required to furnish and has made only limited solicitation of their comments as users of the system.

SSA did receive input on NRS design from an advisory group of systems personnel representing four States, but input from key State program officials regarding the system's cost effectiveness should also have been obtained. For example, a key program official in one of the four States told us that NRS will not be cost beneficial to his State. A program official from a State not participating in the advisory group commented that not enough is known about NRS to determine whether it will improve administration of the AFDC program or whether it will be cost beneficial. As a result of the limited State involvement, SSA does not know how receptive States will be to the new system. Since State participation is voluntary, we believe this information is vital to HEW's decisionmaking process regarding NRS development and implementation.

SSA has estimated total Federal and State systems costs for the first 5 fiscal years of NRS operations to be about \$38 million. This estimate, however, does not consider certain additional administrative costs associated with the system. For example, some States will have to establish an oversight agency that will probably require additional staff and resources. Also, for each questionable case NRS identifies, States are responsible for verifying the results, initiating action, and following up on corrective action taken--a potentially time-consuming process. For example, the complete results of Project Match are still pending because of lengthy State investigations.

Questionable data searching technique

We question the technique NRS will use to make interstate searches for duplicate payments. NRS will maintain two files in name sequence--one representing recipients with verified SSNs; the other, those with unverified SSNs. These two files will form a central repository of records against which NRS will match State-reported information about each welfare applicant or recipient. This State information includes name, date of birth, sex, case/client identification number, and SSN if available. The matching process will determine if a person has been reported as an AFDC applicant/recipient by another State. The State-reported name and date of birth will be used to search one or both of the central files.

Our experience with searching data files has generally shown that, for high volume record searching, using a unique identifier, such as the SSN, as a primary search key will provide a faster and more efficient search by substantially limiting the number of possible matches. In our opinion, NRS' use of name searching will likely be costly, not only because substantial computer processing time will be required, but also because States will incur substantial costs for investigating a large number of possible matches. For example, using only the first six letters of a surname, a distribution of surnames by frequency of appearance in the SSN file shows that about 50,000 names appear from 100 to 200 times and 10,000 names appear from 1,000 to 2,000 times. This represents about 7 million and 14 million records, respectively. Furthermore, the two most common surnames represent about 4 million people.

No one criterion used alone is effective for matching purposes. However, by using a unique identifier as the primary element in automated file searching, the number of possible matches is significantly reduced, thereby saving costly computer processing time. Also, having fewer potential matches will enable a State participating in NRS to reduce its costs for investigating duplicate payments. In conducting Project Match and other computer matching programs, the HEW Office of the Inspector General has noted that the key to matching is the presence of a common data element in the files and that, in most cases, this common element is the SSN. Since SSA's statistics show that AFDC rolls are about 97 percent enumerated and from 80 to 88 percent verified, using the SSN as a unique identifier seems to be the most logical approach to searching AFDC files by computer and a more economical approach than the name-searching technique NRS will employ.

CONCLUSIONS AND RECOMMENDATIONS

According to SSA, NRS is expected to become a deterrent to AFDC fraud and abuse. Although NRS, like Project Match, will probably detect many potential cases of fraud, abuse, and error during the initial period of operation, its long-term usefulness and cost effectiveness are questionable. NRS could represent an expensive, unneeded deterrent.

The NRS concept is consistent with current trends in using computers to help administer Federal and State programs. We believe, however, that the hasty planning and development of NRS has resulted in serious inadequacies in the assessment of its functions and costs.

Certain aspects of NRS should be clarified and its costs and objectives should be thoroughly assessed before implementation is begun. We recommend that you direct the Commissioner of SSA to:

- Assess the need for NRS to perform a nationwide search of AFDC rolls to detect duplicate payments rather than State-initiated matches with neighboring States or jurisdictions using the Interjurisdictional Data Exchange model or other appropriate techniques. In this regard, SSA should analyze the results of Project Match to determine the extent to which duplicate payments occurred in neighboring States.

- Fully assess the need for a new system, NRS, to verify SSNs for the current AFDC caseload and consider alternate means of verifying accretions, such as the Electronic Verification of Alleged Numbers system.
- Develop a detailed cost and feasibility comparison of developing, implementing, and operating NRS, as opposed to using information currently available or, if needed, expanding current Federal/State data exchange systems (e.g., State Data Exchange and Beneficiary Data Exchange). Consideration should be given to the desire and need for a new and separate file being provided to the States that will duplicate currently provided information and burden the States with additional verification and records security responsibilities.
- Expand initial implementation of NRS to include additional States with less than optimum characteristics, as well as all proposed Federal interfaces, and test the complete process from systems implementation to verification of output. This test will provide more realistic and representative results for evaluation and better information for making decisions on full implementation.
- Provide States with enough information about NRS and associated costs so they can make their own cost and savings projections. These, combined with SSA's projections, will provide more representative cost/savings estimates.
- Solicit States' opinions about the need for and cost effectiveness of NRS and determine their receptiveness to such a system.
- Fully assess the feasibility of using the SSN rather than the name for file searching in NRS.

- - - -

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency

to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We would appreciate receiving copies of these statements.

We are sending copies of this letter to the Chairmen of the four above-mentioned Committees and other interested congressional committees and subcommittees and to the Director, Office of Management and Budget.

Sincerely yours,



Gregory J. Ahart
Director