

**EXAMINING FEDERAL IMPROPER PAYMENTS AND
ERRORS IN THE DEATH MASTER FILE**

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

MARCH 16, 2015

Available via the World Wide Web: <http://www.fdsys.gov/>

Printed for the use of the
Committee on Homeland Security and Governmental Affairs



U.S. GOVERNMENT PUBLISHING OFFICE

94-278 PDF

WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
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EXAMINING FEDERAL IMPROPER PAYMENTS AND ERRORS IN THE DEATH MASTER FILE

MONDAY, MARCH 16, 2015

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 4:03 p.m., in room SD-342, Dirksen Senate Office Building, Hon. Ron Johnson, Chairman of the Committee, presiding.

Present: Senators Johnson, Lankford, Ayotte, Ernst, Carper, McCaskill, and Peters.

OPENING STATEMENT OF CHAIRMAN JOHNSON

Chairman JOHNSON. This hearing will come to order.

First of all, I want to welcome all of our witnesses here. I appreciate your thoughtful testimony. The hearing's title is "Examining Federal Improper Payments and Errors in the Death Master File." And, in particular, we have a very interesting witness who has certainly been the victim of inaccuracies in our Death Master File (DMF): Ms. Judy Rivers from Logan, Alabama. And, Ms. Rivers, I have to say that when I read your testimony—and I would really recommend everybody reading the full testimony. It is quite the story. But I was struck by very early on you made the statement, "It has often been said that Washington, D.C., is the capital of unintended consequences." And we are going to be seeing that here today.

But what I would like to say is that we are going to start off with Ms. Rivers testifying, and then I am going to offer every Senator a chance to ask one question, no statements, because then we have to move on with the rest of the panel. We are somewhat time-constrained. But we really want to hear Ms. Rivers' story. It is a powerful testament of unintended consequences.

But I have a written opening statement which I will enter into the record,¹ without objection.

And what I would really like to do is turn it over to our Ranking Member, Senator Tom Carper, who has really done yeoman work on this particular issue for—I will not say how many years, but you have certainly been dedicated to trying to correct the problem of improper payments in the Federal Government. So I think you probably have a few words to say, and I will turn it over to you.

¹The prepared statement of Chairman Johnson appears in the Appendix on page 43.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thank you very much, Mr. Chairman. Thanks for pulling this together. And thanks to our witnesses for joining us today.

As some of you know, the work that I have done on improper payments for the last decade or so, I have done with Tom Coburn, whose birthday was just this weekend. He is retired, and I know he is here in spirit with us today because he cares a lot about all the money that we are leaving on the table.

Remember the story about Willie Sutton? They used to say to Willie Sutton, "Why do you rob banks?" He said, "That is where the money is." Why do we go after improper payments? That is where the money is, and there is a whole ton of it, as we know.

While our fiscal situation is improving, we still have a big budget deficit. It is about one-third of what it was maybe 5, 6 years ago, but it is still too much. We have a debt of about \$18 trillion. At a time when many agencies are struggling with tight budgets and facing sequestration on the horizon, we just cannot afford to be making \$125 billion in improper payments like we apparently made last fiscal year (FY).

This latest improper estimate represents an almost \$19 billion increase over the previous year. After the level of improper payments went down for a number of years, we saw an increase of \$19 billion. These payments come from over 70 programs at more than 20 agencies in programs ranging from Medicare and Medicaid to the Department of Defense (DOD). And if we are going to get a better handle on our debt and our deficit—and, frankly, improve Americans' impression of how we take care of their money—we need to sharpen our pencils and need to stop making the kind of expensive, avoidable mistakes that lead to wasteful spending, and make our agencies and programs vulnerable to fraud and abuse.

Congress has already taken some steps that are helping agencies to address this challenge. Our improper payments problems were first addressed through legislation that originated in the House in 2002. The Improper Payments Information Act required agencies to estimate the levels of improper payments made each year.

In 2010, Dr. Coburn and I followed up on this effort with the Improper Payments Elimination and Recovery Act (IPERA), which expanded the requirements for agencies to identify, prevent and recover improper payments. In 2012, Senators Susan Collins, Scott Brown, and I went further with the Improper Payments Elimination and Recovery Improvement Act. Building off a very good initiative of the Administration, the law made permanent the "Do Not Pay" program, which is designed to screen all Federal payments in order to double check basic eligibility requirements. Simply put, "Do Not Pay" allows a government agency to check whether someone should be paid before the government pays them. I think that is common sense. I hope to have a discussion with our witnesses from the Office of Management and Budget (OMB) and the Government Accountability Office (GAO)—about how all of these legislative initiatives are working, or are not working, and what additional measures we should consider.

We will also spend some time today discussing the specific problems of agencies making payments to people who are actually de-

ceased. For example, the Office of Personnel Management (OPM) Inspector General (IG) reported just 4 years ago that some \$600 million in improper payments were made to Federal retirees found to have died over the previous 5 years. However, such payments to dead people are not unique to this one program, and improving the collection, verification, and the use by Federal agencies of data on individuals who have died will help curb hundreds of millions, maybe billions of dollars in improper payments.

I am actively working with Chairman Johnson, with the Administration, and with our colleagues here on this Committee to reintroduce legislation from the last congressional session to tackle the very frustrating problem of improper payments to dead people. Unfortunately, we have more work ahead.

Last week, the Social Security Inspector General released a report stating that 6.5 million people have active Social Security numbers (SSN) who, based on the Social Security Administration's (SSAs) own records, would be more than 112 years old. I think maybe in our country we have had just a handful of people actually live that long. Now we are told there could be 6.5 million? I am not sure where they are, or if they are out there. Maybe not.

In fact, a few thousand of the records reviewed by the Inspector General seem to show "living" individuals with active Social Security numbers who were born before the Civil War. In the real world, public records show that only 35 people worldwide are 112 or older.

We will hear today from the Social Security Administration about their efforts to ensure accurate information about who is alive or dead. However, what should be extremely concerning to us is that inaccurate death data may lead to improper payments by many other agencies across the government and also creates greater vulnerability for fraud and identity theft. We will hear more about this problem and the opportunities for a solution from today's witnesses.

I want to make clear my view that the Administration deserves a lot of credit for many initiatives to curb waste and fraud, as Controller David Mader of the Office of Management and Budget will soon describe. But we need to do more, and we have to use every tool available to put our fiscal house back in order and give the American people the government that they expect and deserve.

It is the right thing to do on behalf of the taxpayers of our country who entrust us with their hard-earned money. I often think of how the Preamble to the Constitution speaks of "a more perfect union." We will never be perfect in this area, maybe in any area, but we should strive for perfection because everything we do we know we can do better.

So in that spirit, I look forward to working with the Administration, with our Chairman, and with our colleagues on this Committee and outside this Committee to make real progress this year on reducing improper payments.

Thank you so much.

Chairman JOHNSON. Thank you, Senator Carper.

It is the tradition of this Committee that we swear in witnesses, so if you would all stand and raise your right hand. Do you swear that the testimony you will give before this Committee will be the

truth, the whole truth, and nothing but the truth, so help you, God?

Ms. RIVERS. I do.

Mr. BRUNE. I do.

Mr. O'CARROLL. I do.

Mr. MADER. I do.

Ms. DAVIS. I do.

Mr. BERTONI. I do.

Chairman JOHNSON. Thank you.

Our first witness this afternoon will be Ms. Judy Rivers. She is a private citizen from Logan, Alabama. She has twice been mistakenly listed as deceased by the Federal Government. Today she will tell her story of the financial impact errors in the Death Master File have on innocent taxpayers.

And, Ms. Rivers, I just have to again commend you for being willing to go public with certainly your trials and tribulations, and hopefully your story can help prevent this from happening to other Americans. So we look forward to your testimony.

TESTIMONY OF JUDY C. RIVERS,¹ LOGAN, ALABAMA

Ms. RIVERS. Thank you very much.

First of all, good afternoon, Chairman Johnson, Ranking Member Carper, and distinguished Members of this Committee. Thank you for inviting me to speak about my experiences with the Death Master File.

My name is Judy Rivers, and I have twice been listed on the Death Master File. The first incidence occurred in 2001, and it was actually fairly painless because, first of all, I had no idea that it actually happened. I had a couple of identity theft situations. Someone forced some money through my bank, but I had never heard of the Death Master File. And we got those cleared up, and I just continued on.

The second occurrence happened during one of the worst periods of my life. I had just spent 17 months taking care of two terminally ill parents, and I think I was probably at one of the lowest points of my life at that time. So this situation did not help anything.

I could never have imagined I would reach the point of hopelessness, homelessness, financial destitution, loss of reputation and credibility, unable to find a job, an apartment, a student loan, or even buy a cell phone. Without a Social Security number, you can do nothing in the United States.

Suspected as an identity thief became a way of life for me. During the last 5 years, every H.R. person I have interviewed with, police who have pulled me over for perhaps going a little too fast, the first thing they do is go through your records, put you through a file, and when you come up as deceased or that the insurance—they actually do not know if it belongs to you or not—then a lot of questions start, and it becomes extremely uncomfortable.

I would like to make it clear that all of the problems I have had during the past 5 years are not only a direct result of the Death Master File. However, the Death Master File has been like a propagating hydra underneath all of my problems. So every single prob-

¹The prepared statement of Ms. Rivers appears in the Appendix on page 47.

lem that I had, the Death Master File and the fact that I did not have an identity made everything worse.

It started when I was providing full-time care to my parents, as I said. When my parents passed away, their home was sold, and I had to relocate very quickly. In my entire life, since the age of 17, I have supported myself, put myself through school. I have never not had a job, not worked, owned my own firm for 30-something years, and really have been very blessed in that area. So when I start looking for a job and an apartment and I am not able to get one, it is like, "Wait a minute, what is going on here?"

Everywhere I searched, everywhere I applied, I was turned down. Finally, I had to leave my parents' home quickly, so I contacted an old friend and asked if I could borrow a spare room for a few weeks. That few weeks turned into 3 months. Unfortunately, his landlord asked me to leave at that point because I was not on the lease.

So I again went apartment searching. Again, the question of my validity, my credibility, and because my Social Security number did not check out, I was unable to find an apartment anywhere.

After searching for a period of 3 weeks and with no choice and something that I thought really only happened on television, I had to move into my car. I did some research on the Internet, got some basic information on how to do that, and the best places to park, such as a truck stop for protection. So my two puppies and I lived in my car for 3½ months. During that entire time, I was constantly searching for a room, for an apartment. I kept going out further in the areas of Alabama, such as Logan, in order to find someone that probably did not check that closely, but I was still unsuccessful.

My situation improved after I ran into an old friend named Mary Kate. Mary Kate had a business building, and the top of it she had converted to an apartment. And, knowing my parents very well and being sympathetic to my situation, she offered the apartment to me. I was in the apartment 2 hours later—after the approval. It was huge, it was empty, and I felt like I was living in a castle at that moment. No bed, no chair, no sofa, no nothing, because all of my furniture was still in Dallas where I was living when my parents became ill. She even brought me a few houseware items, some towels, et cetera, and I was one very happy person.

During the period of time I lived there, I continued my search for a job. I continued my search for a student loan. I had reviewed what was available on the Internet and decided that I needed to increase my skills, particularly in the area of project management. So I applied to over 20 online schools and 3 physical schools for a student loan in order to take the courses and get my certification. Everyone turned me down. The information that I received when I asked why I was being turned down always included comments such as, "Your information cannot be verified"; "Your Social Security number did not match"; or "We cannot find your records."

Finally, becoming concerned, I went to my local SSA office and asked them to check my records to see if I was in the files and if everything was fine. They did a very fast check, said, "No, your records are all in order. Everything is fine, and, yes, you are alive." I asked, "Well, could there have been a mistake in the past?" And I was informed at that time, "We cannot check the past. If you had

been listed at some time, when the new files are created on a weekly basis and sent out, your name would have been removed, and we do not retain those.” So there was really no way for them to tell me if I had been listed or if I had not been listed. But since everything was in order, it was fine, and I thought I was fine.

My situation at that point went from bad to worse. The apartment building that I had lived in—and this was approximately a year and a half later—a fire code made it necessary for me to leave. As an office building, it only had one entrance and exit, which was not acceptable in the Walker County area at that time.

Again, I went on an apartment search. No luck, so, unfortunately, one more time I had to move back into the car. It was beginning to become a habit.

The next thing that happened to me, in March 2010, I was involved in a car accident. A lady hit me, rear-ended me while I was sitting at a red light. I did not feel anything, hear anything. I woke up in the hospital a few days later and was told that I had seven vertebrae that were in pretty bad shape. They also kept asking me all of these questions, and there was a lot of confusion about my insurance, whether I owned the car that I was in, whether I really was who I said I was.

So I called an attorney, turned everything over to a legal firm, and said, “Whatever is happening, please get me out of this.”

I went home—excuse me. When I say “home,” I mean a car. I went back to the car, started researching the DMF, and, frankly, trying to find anyone that could help me. During that time, I contacted the Internal Revenue Service (IRS), the Social Security Administration, the Fair Credit Reporting Agency (FCRA), everyone that I could think of and every name that came up in my searches for any information or any help. No agency could offer me any help.

The first people that I spoke to that offered me any type of insight was Pam Dixon and Nina Olsen, both were of great help to me in providing information and also advice on what to do. Nothing to do, no apartment, still no job, still unable to find any kind of job. A couple at my church found out my situation and offered me a camper they had on their property in which to live. I graciously and humbly accepted the invitation and said, “I will only be here for a few months, and then I will be out of your hair.” Well, actually, I am still there.

The good thing out of it is the fact that these people have become very close to me. They are very close to parents. They have taken me into their family, and I have really enjoyed knowing them. I will tell you that living in a camper, and especially with two puppies, is not a lot of fun, but I did that.

The only work I have been able to obtain is work such as cleaning houses and caregiving. And, very candidly, coming from an executive position with a six-figure income, it is not something you like but something you do when you have to do it.

One of the problems with the DMF, it is a bad database that paves the way for millions of dollars of identity theft, tax fraud, health care fraud, medical theft for both the living and the deceased, and the U.S. Government. It seldom goes away when it hits you, as with my experience. The problem is when you get one area cleared up, such as one credit reporting agency (CRA) or one bank-

ing institution report, someone calls in for a report, and when they are on the phone—and I have listened to this happen—they say, “Well, this woman has applied for 23 credit cards in a period of 4 years. No one needs that many credit cards. She cannot be honest.” So then you are right back on the death list again, and nothing goes forward.

So it is a matter of every time you get one spot solved, it pops up somewhere else. You get one school to approve a loan. Two weeks later, you get a notice because they have contacted other people, and they have denied the loan.

So from a standpoint of trying to handle the entire situation, at this time have not figured out a way to control it. And I would like to say this: I had contacted all three CRAs, the major ones, the banking financial institutions that provide information. Only one company in a period of 3 years ever responded to me. They did not answer a phone call. They did not answer a letter. So I had no idea of what was going on and where.

Finally, I contacted Mr. Ron Perholtz who started the DMF. Ron and his brother, Robert, had several conference calls with me. They checked their databases, and told me that I had been listed in January 2001. And, finally ChexSystems sent me a letter telling me that, yes, they had reported me as deceased, and the information they received was directly from the Social Security Administration and that I was listed as dead in 2008. They did not provide the month, however.

So I found out where the information was coming from, but I did not find any way to stop it, even though I have been removed from the Death Master File.

What I do not understand is in the research I have done, I have seen over 20 hearings in the Senate and in Congress on the Death Master File. So far I have seen nothing come out of any of these hearings. What I am hoping is that you will create a program that will, first of all, provide help for victims, because we have nowhere to go; second, that you will either stop distributing the database or find a way to toss it out, start over again, rebuild it, and do it correctly, and have zero mistakes.

Thank you very much for having me here. I appreciate it. And, please, do something for the government and do something for the victims.

Chairman JOHNSON. Well, thank you, Ms. Rivers. Very powerful testimony, and obviously that is the goal of this Committee hearing, to try and work toward solutions so this does not happen to another American.

My question is: You have been removed from the Death Master File. Was that prompted by your action? Do you know when that occurred? Or have you just found out that it just happened?

Ms. RIVERS. Actually, I only found out in the last couple of weeks that I was actually listed on the Death Master File in 2008. ChexSystems had—the one person that answered my letter—sent me a letter that was dated August 22. The reality is I was still sending them correspondence in October and further. In this letter, it stated that they had reported me as deceased upon information received from the Social Security Administration and that I had died in 2008.

Chairman JOHNSON. But, again, there was not a process of you working with the Social Security Administration where you filled out some forms and you knew that your name was removed from the Death Master File?

Ms. RIVERS. Yes, sir. Although I presented paperwork to check my DMF status, the SSA stated I was not and never had been listed on the DMF or that I had ever been removed.

Chairman JOHNSON. You did go through that process?

Ms. RIVERS. I went through the process of completing forms several times in order to find out if I had been listed on the DMF.

Chairman JOHNSON. But you only just found out that you have been removed?

Ms. RIVERS. Yes, sir. I had the letter, but, unfortunately, since the letter said, "Send us all of your information, and we will do an investigation," I actually missed the part that said, "We did report you as deceased in"—they did tell me the year.

Chairman JOHNSON. OK.

Ms. RIVERS. "We did report you as deceased. Based on the information from Social Security, you died in 2008." And then asked me to send them information and they would do an investigation.

Chairman JOHNSON. OK. Well, we will ask some of those question of our other witnesses. And, again, I would encourage everybody to read Ms. Rivers' full testimony. It is a powerful story. Senator Carper.

Senator CARPER. Thank you so much for joining us. I apologize for what you have had to go through.

Ms. RIVERS. Thank you.

Senator CARPER. Somebody needs to, on a lighter note, I once asked a friend of mine, I said, "Tell me about this Death Master File. What is it?" And he said to me, with tongue in cheek, he said, "It is a file in which you do not want your name to appear, because if it does you are dead." Well, as it turns out, not always. Not always. You are living proof that it does not always happen that way.

If you had to go through this all over, knowing what you know now, what would you do differently? And, again, what specifically would you suggest that we do? Every one of us has constituent services teams in our States, and their job is to help people with a wide variety of problems. We are called every day. And one of the issues that we deal with a lot is Social Security. If you had been in Delaware, a citizen of Delaware, and you called my office or Senator Chris Coons' office or Congressman John Carney's, we would have been all over this, all over this on your behalf. So just keep that in mind. But what would you do differently? What should we do differently, having heard your testimony?

Ms. RIVERS. Right at this moment other than flying up to Washington and sitting in the Social Security Administration's office until I found some answers, I do not know what I would have done differently. Having been in the marketing and communications and business development area for 35 years, when I found out what was happening, I sat down and created a marketing plan for myself. And I am very thorough in that area, a letter campaign to companies all over the United States. I contacted everyone in the system that I could think of. I searched for companies. I found that if I had experienced a major identity theft right at the beginning,

I would have been much better off because at that point I would have been alerted. I could have filed a police report and somebody would have started investigating. But at that point where there was no identity theft, very candidly no one really took it seriously and no one believed it.

Senator CARPER. OK. The second half of my question was: What should we do differently? Those of us who serve here in Congress, we serve you and the people in all 50 States. What should we do differently?

Ms. RIVERS. Regarding the DMF totally or just—

Senator CARPER. Just to try to make sure this kind of thing does not happen again to other folks in our country, given what you have learned.

Ms. RIVERS. Well, as I mentioned, I think the database needs to be cleansed thoroughly. I think an agency should be put in charge of it that actually can control it. Also, I think the sources from which the information is obtained should be clarified. I think very strong regulations should be placed on the agencies that are distributing this information, because one of the regulations is verify the information before it is used. I was listed twice. No one ever contacted me. And of all the people that I have talked to, no one has ever contacted them.

The first thing I would do immediately is develop a complete communications program for people, both living people that have been listed mistakenly and families of individuals that have been deceased and the deceased person has been used for tax fraud, identity theft, draining a bank account, et cetera. These people have nowhere to go either, and they hurt just as badly as I do. But there is not one website, there is not one place to call, there is no one that knows anything. I visited 18 separate Social Security offices. Out of those 18, only 12 knew what the Death Master File was. So even within the Social Security system, the word is not getting through. These people need to be trained to provide information.

Senator CARPER. Thank you.

Chairman JOHNSON. Senator Lankford, one question?

Senator LANKFORD. Just a point of interest for me. How did you prove you are alive? What documents did you have to bring and the final shift on it when you finally had the opportunity to be able to explain to someone, "This is really me, I am still alive"? What were you asked to be able to show to verify that?

Ms. RIVERS. The Social Security Administration asks for your birth certificate, if you have it; driver's license with photo or photographic ID. They would like to have copies of invoices or correspondence that you have received either at your place of business or your home, copies of check stubs. Every single thing that you have that would identify you as you and prove that it is you. And they are very thorough going through that material.

All of that same material I included in every package I sent out to every company I contacted.

Senator LANKFORD. OK. Thank you.

Chairman JOHNSON. Senator Peters, one question?

Senator PETERS. Thank you, Mr. Chairman.

Quite compelling testimony, Ms. Rivers. I also feel bad for you and apologize that you have gone through all of this. We have to get to the bottom of this. And I will say this is not the first time I have heard of this case. We actually had a case in Michigan earlier this year with a marine who was listed as dead twice and lost veterans' benefits and had the Treasury Department close his account, a whole host of difficulty. So, unfortunately, there are others that are in this situation, not just yourself.

The question by far is the timeline. You mentioned in your testimony that in 2008 is when you learned that you were listed as dead. But you also mentioned that you went to the Social Security Administration, and they told you everything was OK, not to worry. Where was that in the sequence of events? And when did the record actually get cleared? Or is this something that you get constantly put back on the list? If you could clarify that for me, that would be helpful.

Ms. RIVERS. OK. Let me step back and clarify one thing. I did not learn that I was deceased in 2008. 2008 was when the problem started happening, but I was not aware of what was causing it. That is what caused me to go to the Social Security office.

The first time I found out that I had been listed as deceased was when, after my accident, the insurance company settled, I went to a new bank and opened an account. And they were happy to open an account and take my money. When I went back 3 days later to open a savings account, they ran me through the system. The bank manager came over and ran me through the system, and said, "We cannot help you today." And I said, "Why not?" And she said, "Because information we have reports you as deceased." I demanded to know who was reporting the information and also where it was coming from and supposedly what date I died. They absolutely refused to tell me anything. By laws and under FCRA, I thought that I was entitled to that information. However, the bank refused to give it to me, and later when I found our ChexSystems was the one that supplied that information, they still refused to provide me with anything.

So April 2010 was when I actually found out I was on the Death Master File.

Senator PETERS. And is that when you went to the Social Security Administration and—

Ms. RIVERS. Again. I had already been—

Senator PETERS. Several times?

Ms. RIVERS. Yes, sir.

Senator PETERS. And several times you had gone, and they had told you repeatedly you were OK.

Ms. RIVERS. Each time.

Senator PETERS. But it was clear you were not OK, as every time you turned around, it was not. So you were being given inaccurate information even though you were going into the office?

Ms. RIVERS. Correct.

Senator PETERS. Very good. Thank you.

Chairman JOHNSON. Again, Ms. Rivers, thank you for your testimony. I think every Member of this Committee offers an apology and certainly our commitment that we are going to work with the people in the agencies to try and create law, create legislation that

will prevent this from happening to another American. So thank you again for your testimony, and you are dismissed. Thank you.

Ms. RIVERS. Thank you, sir.

Chairman JOHNSON. Our next witness will be Sean Brune. He joins us today from the Social Security Administration where he serves as a Senior Advisor for Audit in the Office of Budget, Finance, Quality, and Management. Mr. Brune.

TESTIMONY OF SEAN BRUNE,¹ SENIOR ADVISOR TO THE DEPUTY COMMISSIONER, OFFICE OF BUDGET, FINANCE, QUALITY AND MANAGEMENT, U.S. SOCIAL SECURITY ADMINISTRATION

Mr. BRUNE. Thank you, Chairman Johnson, Ranking Member Carper, Members of the Committee. Thank you for inviting me to discuss steps to strengthen the integrity of Federal payments. I am Sean Brune, Senior Advisor to the Deputy Commissioner for Budget, Finance, Quality, and Management at the Social Security Administration. My remarks will focus on our collection of death information, its accuracy, and how we share it with other agencies.

We collect death information to timely stop paying Social Security beneficiaries who have died and to begin paying benefits to survivors. Each year, we post about 2.8 million death reports, primarily from family members, funeral homes, and States. This information serves us well, preventing around \$50 million in improper payments each month.

Over the years we have significantly improved our death information collection process, and this information is highly accurate. Of the millions of reports we receive annually, less than one-half of one percent are subsequently corrected. Still, we continually strive to improve the accuracy of our records.

Since 2002, we have worked with States to increase the use of electronic death registration (EDR). EDR automates the death reporting process by enabling States to verify the name and Social Security number of a deceased individual against our records before they issue a death certificate or transmit a report of death to us. Thus, death information reported through EDR is the most accurate possible. Currently, 37 States, the city of New York, and the District of Columbia provide death reports to us through EDR.

We are also currently carrying out a major multiyear redesign of our death information system to make it more efficient and reliable. Accurate information is important not only for the administration of our programs, but because we share the information with other agencies and with the public. As a result of a lawsuit brought against us under the Freedom of Information Act, we must share death information we collect and maintain from non-State sources. We do so by distributing information through the Department of Commerce. In sharing this public file, subscribers are informed, and have been informed for many years, that SSA does not have a death record for all persons, that we cannot guarantee the veracity of the file, and that the absence of a particular person is not proof that that person is alive.

¹The prepared statement of Mr. Brune appears in the Appendix on page 61.

The Department of Commerce is authorized to share non-State death information on an immediate basis with entities that have a legitimate business purpose or a fraud prevention interest for such information. However, under the Bipartisan Budget Act of 2013, the public may only access non-State death information that is at least 3 years old. Congress put this restriction into place to ensure that fraudsters could not use a deceased person's personally identifiable information (PII) to seek a fraudulent tax refund.

We are limited in our ability to share State death information. Specifically, under the Social Security Act, we may share State death information with agencies administering federally funded benefits. Thus, we share all of our death information, including State records, with the Centers for Medicare and Medicaid Services (CMS), the Department of Defense, and the Internal Revenue Service, among others.

Treasury's Do Not Pay portal is an important part of the Administration's efforts to fight improper payments and allows Federal agencies to carry out a review of available databases with relevant information on eligibility before they release Federal funds. However, under current law, we cannot provide State death information to the Department of Treasury for purposes of Do Not Pay.

To remedy this, the Fiscal Year 2016 President's budget includes a legislative proposal that would authorize us to share all of the death information we maintain with Do Not Pay. We note that S. 614, introduced by Ranking Member Carper, cosponsored by Chairman Johnson and recently considered by this Committee, also aims to address this gap. We would be happy to provide technical assistance to this Committee on its bill.

We would also ask Congress to support the Department of Health and Human Services (HHS) request for funding to increase participation in EDR. Because death reports collected through EDR are highly accurate, we believe that universal adoption of EDR would be the single most effective step in ensuring that our death records are of the highest quality.

Additionally, I would hope that you will support the robust package of program integrity-related legislative proposals, proposals that will help detect, prevent, and recover improper payments included in the President's Fiscal Year 2016 budget proposal.

Finally, I would like to recognize the work of our Office of Inspector General—most recently in an audit in which they looked at death information and decades-old records. We are pleased that they found no fraud in either the Social Security program or any other Federal program. We have agreed with 28 of the 31 recommendations that the Office of Inspector General (OIG) has made in this area over the past few years. As I explain in my written statement, these recommendations have led to enhancements in our systems.

Thank you for the opportunity to appear before you today to discuss this very important issue. I would be happy to answer any questions you may have.

Chairman JOHNSON. Thank you, Mr. Brune.

Our next witness is Patrick O'Carroll, Jr. He has been the Inspector General for the Social Security Administration since 2004.

Mr. O'Carroll has 26 years of service for the United States Secret Service. Mr. O'Carroll.

**TESTIMONY OF THE HON. PATRICK P. O'CARROLL, JR.,¹
INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION**

Mr. O'CARROLL. Good afternoon, Chairman Johnson, Ranking Member Carper, and Members of the Committee. Thank you for the invitation to participate in this discussion.

My office investigates hundreds of cases of Social Security number misuse every year, but recently one incident stood out from the rest. A man opened two bank accounts with Social Security numbers that belonged to people born in 1886 and 1893. We can safely assume these people, who today would be 129 and 122 years of age, are deceased.

However, according to SSA's database of Social Security number holders, these people are alive. They are living in the sense that SSA does not have dates of death for either person on their number holder records.

Our auditors followed up and found out these two records were anything but unique. We recently reported that 6.5 million people whose Social Security records indicate that they are over 112 years old do not have a date of death on their Social Security number record. Without a date of death in SSA's database, these people do not appear on the agency's Death Master File.

I should note that none of these aged number holders are improperly receiving Social Security benefits, and overpayments are not occurring. But these inaccuracies create a significant void in SSA's death data that is available to the public. We have recommended that SSA update the records and resolve the discrepancies we identified in our report.

This audit is relevant to today's discussion on improper payments because benefit-paying agencies like HHS and the IRS, and other public and private entities, use the Death Master File to verify deaths and ensure payment accuracy.

Additionally, as the Committee knows, the Improper Payments Elimination and Recovery Improvement Act of 2012 included a Do Not Pay provision which requires Federal agencies to review lists of deceased or ineligible individuals before making payments. The Death Master File is one of those lists. To identify and prevent its own and other agencies' improper payments, SSA must collect and maintain accurate death records. It is equally important to ensure living individuals are not listed as deceased in SSA's records.

There are less than 1,000 cases each month in which a living individual is mistakenly included on the Death Master File. SSA said it moves quickly to correct the situation when errors occur. The agency reports that it has not found conclusive evidence of past data misuse. However, we remain concerned because these errors can lead to premature benefit termination and Social Security underpayments and cause financial hardship and distress to those affected.

I have addressed in my written statement recent actions that limit the sharing of personal information on SSA's death records

¹The prepared statement of Mr. O'Carroll appears in the Appendix on page 68.

and will delay the public release of death data through the Death Master File. We believe these actions could mitigate some of the issues I just mentioned.

SSA must accurately process the death reports it receives to terminate payments to deceased beneficiaries and avoid overpayments. In several audits, we have estimated SSA has paid millions of dollars to beneficiaries after their deaths.

Based on our audit work and recommendations, SSA now matches and corroborates its payment records with its number holder records every month and exchanges data with HHS to identify deceased beneficiaries based on their enrollment in, but non-usage of, Medicare. These initiatives have improved SSA's ability to process benefit terminations due to death, recover overpayments, and refer allegations of deceased payee fraud to our office.

Last year, we investigated over 600 people for deceased payee fraud. These are cases of individuals who conceal someone's death to illegally collect their Social Security benefits, with criminal convictions of about 150 people and \$55 million in recoveries, restitutions, and projected savings.

In one example, a woman collected her mother's Social Security and Federal Civil Service benefits for 35 years after her mother died. SSA identified this case through the Medicare Non-Utilization Project and referred it to us to investigate. Last year, the woman pled guilty to government theft and was sentenced to 18 months of house arrest. She was ordered to repay about \$350,000 to the SSA and OPM. This is a high investigative priority. Cases of deceased payee fraud can lead to significant government recoveries and savings, and Federal prosecution efforts help deter others from committing this crime.

Before I conclude, I want to acknowledge that our auditors' and special agents' outstanding work on this topic has recently garnered national media attention. We are pleased that our efforts are making an impact and promoting overdue discussions on these issues. But I speak for my entire staff when I say we do not do this work to make news headlines. We do this work, and we will continue to do it to ensure the integrity of SSA's programs and to promote public confidence in Social Security and the Federal Government. This is and always will be our sole mission.

We will continue to work with SSA and your Committee to address the issues discussed today. Thank you again for the invitation to testify, and I will be happy to answer any questions.

Chairman JOHNSON. Thank you, Mr. O'Carroll.

Our next witness is Mr. David Mader. He is the current Controller of the Office of Management and Budget. Mr. Mader held various positions at the IRS from 1971 to 2003 and then 10 years in the private sector before rejoining the Federal service. Mr. Mader.

**TESTIMONY OF THE HON. DAVID MADER,¹ CONTROLLER,
OFFICE OF MANAGEMENT AND BUDGET**

Mr. MADER. Thank you, Chairman Johnson, Ranking Member Carper, and distinguished Members of the Committee, for inviting me here today to discuss the Federal Government's ongoing efforts to prevent, reduce, and recapture improper payments. I appreciate the opportunity to provide an update on this important topic. Our partnership with the Congress, consultation with GAO, and the important support of the IG community over the years has been vital to our efforts.

Addressing improper payments is a central component of this administration's effort to eliminate waste, fraud, and abuse. When the President took office in 2009, the improper payment rate was 5.2 percent, an all-time high. Since then, the Administration, working together with the Congress, has made progress by strengthening the accountability and transparency through annual reviews by Inspectors General and expanded requirements for high-priority programs such as the requirement to report supplemental measures and program information on paymentaccuracy.gov. As a result of this concerted effort, in 2013 we reported an improper rate of 3.53 percent.

During fiscal year 2014, we experienced an improper payment rate increase in major programs including Medicare Fee-for-Service, Earned Income Tax Credit (EITC), Medicaid, and Unemployment Insurance. Over the same period, other major programs experienced improper payment rate decreases, including Medicare Part C, the Supplemental Nutrition and Assistance Program (SNAP), and Public Housing/Rental Assistance. As a net, these changes resulted in a governmentwide improper payment rate of 4.02 percent, or \$125 billion. Notwithstanding this, agencies recovered roughly \$20 billion in overpayments through payment recapture audits and other methods in 2014.

While progress has been made over the years, the time has come for a more aggressive strategy to reduce the levels of improper payments that we currently are seeing. That is why the Administration has proposed to make a significant investment in activities to ensure that taxpayer dollars are spent correctly, by expanding oversight activities in the largest benefit programs and increasing investments.

Over the years the Administration has worked with the Congress on legislation regarding this topic, and these laws have provided agencies with new tools and techniques to prevent, reduce, and recover improper payments.

The President's Fiscal Year 2016 budget provides the opportunity to build on this congressional support and administration activities to reduce improper payments. There is compelling evidence that investments in administrative resources can significantly decrease the rate of improper payments and recoup many times their initial investment.

Examples of proposals in the fiscal year 2016 budget include: a robust package of Medicaid and Medicare program integrity proposals; strategic reinvestments in the IRS; a robust package of So-

¹The prepared statement of Mr. Mader appears in the Appendix on page 74.

cial Security program integrity proposals; a proposal to expand the Department of Labor's initiative to conduct Reemployment and Eligibility Assessments and Reemployment Services; and improving further the accuracy of the Death Master File by sharing across multiple agencies.

And this began long before we knew what the improper payment rate was going to be for the Office of Management and Budget issued an appendix to its circular on internal controls entitled, "Requirements for Effective Estimation and Remediation of Improper Payments," and agencies were instructed to re-examine improper payment strategies on a number of fronts governmentwide. These new guidelines were issued in October 2014 and provide strategies for agencies and Inspectors General on key improper payments.

In addition to these governmentwide initiatives, on February 26, 2015, the Director of OMB sent letters to agency heads in four organizations—Department of Labor (DOL), HHS, SSA, and Treasury—that have the largest priority programs. This direction requires the early implementation of the Appendix C requirements that I just mentioned by April 30 of this year.

The direction further requires that each agency conduct the following analysis and present it to OMB: one, provide a comprehensive corrective action plan for each program in question; two, review new categories for reporting improper payments; and, three, provide analysis linking the agency efforts in establishing internal controls to the internal controls that they have for improper payments.

Under this administration we have focused on the increased use of technology and sharing data to address improper payments. The effective use of data analytics also provides insight into methods of improving performance and decisionmaking capabilities.

Examples of agencies currently using data analytics to prevent improper payments include the CMS' Fraud Prevention System and DOL's Integrity Center of Excellence.

Improper payments remain a priority to this Administration. Although progress has been made, much more remains to be done, and we need your help. We look forward to working with the Congress to pass the President's 2016 budget, and we expect additional progress as we execute against our new improper payments guidance during this fiscal year.

Thank you for giving me the opportunity to testify, and I look forward to your questions.

Chairman JOHNSON. Thank you, Mr. Mader.

Our next witness is Ms. Beryl Davis. Ms. Davis is the Director of Financial Management and Assurance at the Government Accountability Office. Ms. Davis.

TESTIMONY OF BERYL H. DAVIS,¹ DIRECTOR, FINANCIAL MANAGEMENT AND ASSURANCE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; ACCOMPANIED BY DANIEL BERTONI, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY

Ms. DAVIS. Chairman Johnson, Ranking Member Carper, Members of the Committee, thank you for the opportunity to be here today to discuss improper payments and the use of death data to prevent payments to deceased individuals.

In fiscal year 2014, Federal agencies estimated that improper payments totaled \$124.7 billion. This represents a significant increase of almost \$19 billion from the fiscal year 2013 estimate. The increase can be attributed primarily to increased error rates in three major programs: Medicare Fee-for-Service, Medicaid, and the Earned Income Tax Credit. These three programs accounted for about 65 percent of the 2014 estimate.

Nevertheless, improper payments are a governmentwide problem. The \$124.7 billion estimate was attributable to 124 programs across 22 agencies. Twelve programs had estimates exceeding \$1 billion. One large program, Temporary Assistance for Needy Families (TANF), with outlays of more than \$16 billion, did not report an estimate, citing statutory limitations.

Senator CARPER. Say that again, please.

Ms. DAVIS. TANF, with outlays of more than \$16 billion, did not report an estimate, citing statutory limitations.

In the Financial Report of the U.S. Government for 2014, GAO reported 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.

Inspectors General are required to report annually on their agencies' compliance with criteria in improper payments legislation. In December 2014, we reported that 10 agencies did not comply with all of the criteria for 2013, as reported by their Inspectors General. The two most common areas of noncompliance were publishing and meeting improper payment reduction targets and reporting error rates below 10 percent.

There are a number of strategies that agencies can employ to reduce improper payments, including analyzing the root causes of improper payments in order to design and implement effective preventive controls.

One major root cause for improper payments is insufficient documentation. For example, HHS reported this is a primary root cause of improper payments for home health claims in its fee-for-service program.

Another driver for many programs, such as the Earned Income Tax Credit Program, is agencies' inability or failure to verify eligibility requirements, including recipient income or the number of dependents.

One example of preventive controls to address underlying root causes is eligibility validation through sharing of data, such as the

¹The joint prepared statement of Ms. Davis and Mr. Bertoni appears in the Appendix on page 80.

SSA death data. 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 payment eligibility prior to making payments. SSA is uniquely positioned to collect and manage death data to help prevent improper payments at the Federal level.

SSA maintains two sets of death data. Its full death file, which is only available to certain eligible entities, contains data from many sources, such as funeral directors, family members, other Federal agencies, and States. The Death Master File, which is available to the public, is a subset of the full file because it does not contain death data from States.

While reviewing death data can be a useful tool for agencies, there are opportunities for SSA to improve the accuracy and completeness of these data. We have reported that SSA's procedures for collecting, verifying, and maintaining death reports could result in untimely or erroneous death data.

For example, we reported in November 2013 that SSA did not independently verify death reports for all Social Security beneficiaries or any non-beneficiaries before including them in death records.

When data is not verified, there is an increased risk that such data will be inaccurate or incomplete. This can result in other Federal benefit-paying agencies using these data to make improper payments.

In our November 2013, we identified several types of errors with SSA's death data. For example, we found instances of records where the date of death preceded the date of birth and records showing recorded ages at death between 115 and 195 years of age.

We recommended that SSA conduct a risk assessment to identify the scope and extent of these types of errors, ways to address them, and the feasibility and cost-effectiveness of doing so.

Our report also noted that SSA lacked written guidelines for determining agency eligibility to access the full death file. We recommended that SSA develop and publicize guidance to more systematically determine access eligibility and, thus, better inform agencies as to when they might be eligible for access to more complete death data.

Because death data can be a useful tool in data matching to prevent improper payments, continuing efforts are needed to help minimize the risks posed by inaccurate and incomplete death data and ensure that agencies receive appropriate access to these data.

As a final point, we would like to emphasize that with outlays from major programs expected to increase, it is critical that actions are taken to reduce improper payments. There are considerable opportunities for agencies' auditors and other members of the accountability community to work together with Congress in ensuring that taxpayers' dollars are adequately safeguarded and used for their intended purposes.

Chairman Johnson, Ranking Member Carper, Members of the Committee, this completes my prepared statement. I, along with my colleague, Mr. Bertoni, who does work on the Death Master File, are happy to answer any questions.

Chairman JOHNSON. Thank you, Ms. Davis. I was actually going to point out the fact that Mr. Bertoni has joined the panel here. He is the Director of GAO's Education, Workforce, and Income Security team, and he might assist in answering questions.

I will start questions with Mr. Brune. Prior to coming here today, did you take a look at Ms. Rivers' case just to find out exactly what the status is with her current status?

Mr. BRUNE. Senator, the news media did not share the case with us beforehand. I did know that Ms. Rivers was testifying today. I did not look at the specifics of her case. I think it would be unwise to discuss that in an open forum. But I would be happy to answer questions about the scenario.

Chairman JOHNSON. Fair enough. How many people are you aware of are in Ms. Rivers' position?

Mr. BRUNE. Fewer than 9,000 a year have that circumstance happen to them. Usually, Senator, we learn of the occurrence by the individual reporting it directly to us. We advise the individual that we can correct their record if they visit our office. As Ms. Rivers identified, we request that an individual bring several proofs of identity with them, including a State-issued form of identity, a birth certificate if they have one, so that we can correct the record. And when the individual leaves our office, we issue them a letter indicating that there was an error and that it has been corrected.

Chairman JOHNSON. So the name may be removed from the Death Master File, but the effects continue to linger, correct? Can you just describe what happens there with credit agencies and banks and credit card companies?

Mr. BRUNE. Sure. The Social Security Administration shares the public Death Master File—as Ms. Davis just indicated—that does not include State data, but still contains around 84 million records—with the Department of Commerce. Commercial entities can procure that file from the Department of Commerce. It is widely used across not only the government but the commercial sector as well.

The Department of Commerce requires parties that receive that information to subscribe to updates, but sometimes some entities who have looked at a Death Master File have not looked at the most current Death Master File.

Chairman JOHNSON. So how often do you update your Death Master File with Commerce?

Mr. BRUNE. Weekly.

Chairman JOHNSON. Weekly. And how often are the commercial entities required, supposedly, to update those files?

Mr. BRUNE. It depends on the contractual arrangement that an entity has with the Department of Commerce.

Chairman JOHNSON. Can you describe how somebody who is listed on the Death Master File, how identity thieves can create fraud with those names? I can understand the Master File is published and people can quickly try and claim a tax refund with that Social Security number, which is why now the law states that that information is going to be held for 3 years. But how else is that fraud committed?

Mr. BRUNE. Well, I think our Inspector General might be in a better position to answer that.

Chairman JOHNSON. Mr. O'Carroll.

Mr. O'CARROLL. Yes, Chairman. One of the ways that we are finding that the fraudsters are doing it is they will go to one record that is out there, for example, a State record listing all the deceased people in it. And then they will go, and they will take a look at the Death Master File and see if a person is alive in one record and then dead in the other record. And then what they will do is they will claim to be that person and then go after their benefits. So that is one method of it.

And as we know, in other cases, they will adopt the name and the information of the person and then file for credit and default.

Chairman JOHNSON. Mr. Brune, is there a law that prevents you from doing this? Why do not we just purge the Death Master File from anybody over a certain age?

Mr. BRUNE. Let me first say, Senator, that the records from which we extract the Death Master File we procure largely from the States. The primary reporters are State Bureaus of Vital Statistics, the individual's family members, doctors. The database contains over 100 million records. We have collected this information since SSA began, approximately 80 years ago.

The recordkeeping processes, as you might imagine, have evolved over 80 years. In most cases, our current program policy requires evidence of death. The risk in just doing a blanket update or blanket change in data is that it is highly likely that we would create another scenario just like Ms. Rivers, because in the IG's report they identified—in that group of 6.5 million records—that there were, in fact, living individuals. The reason that is, is because oftentimes individuals who are auxiliaries on the record—spouses, children, et cetera—are listed under a wage earners number and thus are connected in our databases. But the way we connected them in years past is not as accurate as it is right now. So it is possible that while the primary number holder—the wage earner may be deceased, there are records linked to that that are records of individuals that are not deceased.

So the primary reason we do not do that is that we want to prevent any inadvertent additions to the DMF of individuals who are still alive.

Chairman JOHNSON. Mr. O'Carroll, we are talking about how many people over 112 that you identified?

Mr. O'CARROLL. 6.5 million, Chairman.

Chairman JOHNSON. Right. On the Numident file, correct? That is where we need to purge these.

Mr. O'CARROLL. Yes.

Chairman JOHNSON. This is where we want to put in a date of death, basically, correct?

Mr. O'CARROLL. Correct.

Chairman JOHNSON. But how many people actually are living today that are over 112?

Mr. O'CARROLL. Well, in one of SSA's databases it will show them as deceased, and then in another database it will show them alive, and there are 1.4 million of them. And we have not set any number in terms of the actual living. We use the estimate similar to Mr. Brune's of about 1,000 a month living people are listed on the Death Master File.

Chairman JOHNSON. But, again, those would be much younger people, so I am still not getting a good answer to my question. Why do not we just purge the Numident—or list on the Numident a date of death for people that are over—I do not know, let us start with 150. Then maybe next month we knock it down to 140, then 130, and have some protection for somebody that just might—again, when we are talking about 6.5 million records out there, obviously there are about 6.499999 million of those people that really are dead and are not going to be affected by this. But why do not we do that to prevent the type of fraud that this type of situation occurs or allows?

Mr. O'CARROLL. Well, correct, Chairman, on that. One of our recommendations is just as you are saying with purging it. One thought is that SSA could just make a notation on each of those files of people over 112 years of age like they do for other reasons. If you have to get a replacement Social Security number as a battered spouse, for security reasons, they put a notation or a SPINCODE and it shows that you have two Social Security numbers. What we are recommending is that they just put a record like that on all the people over 112 years of age, so that way, one, it would reflect the SSN as inactive but also, if accidentally somebody who had a birth date of, let us say, 1957 and it was keyed in as 1857, when they realize that they are losing benefits, it would be easy for SSA to remove the code.

Chairman JOHNSON. So can the Social Security Administration do that themselves administratively, or do you need Congress to pass a law to allow that to happen?

Mr. BRUNE. Senator Johnson, we are currently in the analysis phase of doing just that. The audit was issued approximately 10 days ago. The good news is Mr. O'Carroll and his team have looked at this topic previously, so we had begun an analysis prior to the audit's release. So far we have been able to electronically verify data and update 200,000 records based on prior audits. We are currently initiating the review of those 6.5 million records. We are hopeful that there is information in our data set that will allow us, maybe not to confirm the actual date of death but to confirm that an individual is deceased and that individual's SSN can be marked as such.

Chairman JOHNSON. When you complete your analysis and you need a legislative fix for this, please come to us as quickly as possible. Senator Carper.

Senator CARPER. Thanks very much. Again, our thanks to all of you. Mr. Bertoni, nice of you to join us. We appreciate it. I am going to ask you a question. We are not going to let you just sit here and just look good.

Mr. BERTONI. Sure.

Senator CARPER. We are going to ask you to give us some good advice.

I want to go back a little bit in time. I never thought much of improper payments until 2002, and I think it was a House member who proposed that we at least start requiring agencies to note what improper payments are and, second, begin reporting them. And every year after that, 2003, 2004, 2005, I noticed there was an increase in the level of improper payments, and I did not feel good

about it because the number just kept going up. And somebody finally said, well, the reason why they are going up is more and more agencies are actually getting on board and beginning to report improper payments.

I am still not convinced the Department of Defense fully reports their improper payments. You may be a better judge of that than I am.

But around 2010, we reached a point where Dr. Coburn and I sensed that maybe most of the lion's share of agencies were actually reporting their improper payments. And we added a reform. Not only did we want agencies to figure out—to record their improper payments, and report them. That was the 2002 law. We said we also want the agencies to stop making improper payments. We also said we want them to the extent they can recover monies, we wanted them to recover monies.

Did somebody report that last year—I thought I heard \$20 billion was recovered.

Mr. MADER. \$20 billion, sir.

Senator CARPER. \$20 billion. That is a good amount of money. And our next step was to say we want to help the administration on Do Not Pay, the Do Not Pay list, which was part of, I think, our 2012 legislation.

Last Congress, we tried to go further and go after payments to dead people and that sort of thing. And we did not get our legislation through the House, because of the objection of one Subcommittee within the Ways and Means Committee, and so we are going to take another run at it.

I was stunned when I saw the number, the improper payments number, for 2014, because we had seen during a number of years that the number was going down beginning in 2010, 2011, 2012, 2013. And then it pops up by about \$20 billion in 2014.

Our friend Mr. Mader has given us, I think, a very good to-do list—I mentioned this to the Chairman—a very good to-do list on, I think, pages 2 and 3 of his testimony. I will not go through it all, but it involves program integrity work in a variety of areas. And it involves actually spending some money at the IRS to give them the tools that they need. I think we have a lot of people who do work on the Earned Income Tax Credit filings. I think about two-thirds to three-fourths of the people who help people file for the EITC are people that are not CPAs. They might be very good people, but they are not really regulated by the Treasury. They may not have the kind of credentials that we might hope.

I want you to drill down on that point. There is a lot of talk here, a lot of important discussion on the Social Security aspects of this and paying people that are dead and having folks listed that are 150 years old. I want you to drill down for us on the EITC. I want you to drill down on the credentials of the folks that are literally helping most people file for the EITC and what the problem is here and what we should do about it.

Mr. MADER. Thank you, Senator. Well, I think—

Senator CARPER. Because it is a lot of money. As I recall, it is a lot of money.

Mr. MADER. It is a lot of money, and I think it is important to at least step back and remember that the Earned Income Tax

Credit Program was passed under President Reagan back years and years ago.

Senator CARPER. I think he called it the “best anti-poverty program in the country,” and he was probably right.

Mr. MADER. And last year, actually 26 million American families benefited from that program, so I think it is a program that over the decades has proven its value. And I think, Senator, you touched on—and, actually, Ms. Davis touched on it, too. It is a program that has a high degree of complexity in that it is really based on claiming dependent children at a certain income level. And, with separations, with divorces, establishing the custodial parent, making that determination, and then also as Ms. Davis testified, actually verifying the income when you are making that credit adds to the complexity of that program.

But I think you touched on an area that the Administration has been asking for help of the Congress over the last couple years, and that is the fact that well over 50 percent of these 26 million EITC payments are actually done by third-party providers who are not CPAs, they are not enrolled agents, they are not individuals who are authorized to actually represent you or I in front of the Internal Revenue Service. They are just preparers.

And having dealt with this issue for a number of years at the IRS, I am struck by the fact that as a society we seem to register, regulate, and license electricians and plumbers and health care workers, yet we do not want to regulate individuals who actually have a partnership with the IRS in administering the tax administration and this important credit in a very fair way—fair to the taxpayers and fair to the government.

So I think in the President’s budget he once again asks for a series of initiatives, whether it be resources or some assistance in regulating and licensing these preparers.

Senator CARPER. I would just say to my colleagues, I would just invite their attention to your testimony, and I think it maybe starts on pages 2 and 3. But it says, “Examples of proposals that are in the 2006 budget include,” and you give us five or six really good ideas for—I call it a “to-do list.” I like to say GAO gives us a good to-do list every other year, the high-risk list, and you have given us a really good to-do list, and I hope we take it seriously. I plan to.

Let me just ask each of you, starting with you, Mr. Bertoni, you heard this other testimony. You heard the testimony of the opening witness. Give us one thing—say if you do nothing else, Committee, Senate, do this to address this problem.

Mr. BERTONI. I think the first step is to really look at cleaning up the data in the file. There is a lot of noise in that file. When I hear things like we receive millions of reports annually, less than one-half of one percent are corrected, that gives me a real concern that this is being brushed off in some ways. We know there are issues. We know there are problems. And it is easy to say that when you are not looking at large blocs of cases. If you are not verifying reports from family members, if you are not verifying reports from funeral directors, if you are not verifying reports from folks who are non-beneficiaries, and last, you are not verifying reports where some piece of the data does not match the Numident

record, that is a significant potential amount of potential non-matches that you might have to correct down the road had you done those verifications.

And to tee off Pat's report, you cannot fix 6.5 million reports if you do not know about it. So we have to look at the integrity of the data, clean it up, whether it is a lookback or whether it is prospective, but there is a lot of noise in this file that needs to be taken care of before it can be a much better program integrity tool.

Senator CARPER. Good. Thank you very much, all of you.

Chairman JOHNSON. Senator Lankford.

OPENING STATEMENT OF SENATOR LANKFORD

Senator LANKFORD. Thank you. Thank you all for being here. I will get a chance to talk through several things.

Let me just make a quick comment, Social Security Administration. This has been an ongoing issue for a while that several of us have talked about dealing with Social Security disability. I know this Committee for a while has dealt with it. I have dealt with it for quite a while as well. I have a letter that is still outstanding with SSA dealing with the Notice of Proposed Rulemaking from February of last year dealing with just getting a full record, medical record that has to be submitted. I am not going to bring that up today, but just saying that is a letter that is outstanding. We know that that is coming, are still watching for that and anticipating that to be able to come soon. So I am not going to try to ask you a question directly because that is not related to this hearing, but I did want to tell you we are still waiting.

Mr. Mader, let me ask you a question. Is the Social Security Administration the right place to be able to manage the Death Master File? It seems like that has kind of grown up organically as a place that is going to be gathered. Is that the right spot, according to OMB? Or is there a better place to be able to manage that file?

Mr. MADER. Senator, we believe that Social Security is the organization that is best suited to collect this data, and I think as my two colleagues from Social Security have testified, they are receiving the information both directly from families, from funeral homes, from States, but I think what we have is a process and a system that needs to be expanded. As both gentlemen testified, we do not have every State that has access in using the electronic system, which clearly improves the quality of the data.

So I think a lot of the fixes that we talked about today need to be put in place.

Senator LANKFORD. But fixable in that current structure and leave it in SSA?

Mr. MADER. Yes, I believe so. Yes, sir.

Senator LANKFORD. The Social Security Administration, do they feel like this is part of their mission to be able to keep up this file, this is important? Because obviously it is being shared with multiple agencies, multiple entities are looking to the Social Security Administration to get that information.

Mr. BRUNE. Senator, it is important to understand that we do need the death information to administer our programs. The use of our death information, because it is consolidated across multiple reporting sources and it is, in fact, very reliable, has grown in value

over time, and so now those records are being used for purposes they were not intended for when they were actually collected decades ago. A date of birth and a date of death from several decades ago, nobody envisioned that in this day and age that it would be available electronically to multiple parties outside the agency.

Senator LANKFORD. But is that something the agency sells at this point? What is the asset there?

Mr. BRUNE. We provide the information to the Department of Commerce. Commerce distributes it.

Senator LANKFORD. OK. Is there a cost to that from Commerce or a cost to Commerce or to other agencies that they pay to be able to get that information?

Mr. BRUNE. Yes, there is. We are reimbursed for our cost to generate the file.

Senator LANKFORD. OK. What about to private entities?

Mr. BRUNE. Commerce deals with the private entities.

Senator LANKFORD. Does that come back to the Social Security Administration to reimburse them? Or—

Mr. BRUNE. No.

Senator LANKFORD [continuing]. Come back to Commerce?

Mr. BRUNE. Commerce.

Senator LANKFORD. OK. Do States charge us to be able to get that information?

Mr. BRUNE. Do States charge us?

Senator LANKFORD. Yes.

Mr. BRUNE. It depends on their purpose. If they are administering a federally funded benefit, they are entitled to the data.

Senator LANKFORD. But when you get the death information from States, do they charge the Social Security Administration for that information?

Mr. BRUNE. We pay the States to provide us death information.

Senator LANKFORD. That is what I am asking. So then how much are we paying the States for that?

Mr. BRUNE. It depends on whether they provide it via electronic death registration. Today that price ranges from is \$3.09 to \$0.86 per record, depending on how quickly we receive it. The reason we offer a premium there is—it comes to us now pre-verified. So the State has run the name and number against our record and confirmed that it is a match. We also get the reports more timely.

Senator LANKFORD. So give me an approximate cost there? We are talking \$3 a person to be able to get that information—

Mr. BRUNE. Generally, \$3 a record, correct. And for those that send the information via non-electronic death registration means, it is under \$1 reimbursement.

Senator LANKFORD. And then what does SSA do with that then to be able to verify? It has not been verified. You bought the information for \$1 from the States. Then is it \$2 cost to be able to go and verify those records?

Mr. BRUNE. We annotate our records that it is an unverified report, and we would have to verify the information in order to process it for our benefit purposes.

Senator LANKFORD. OK. So then once it is processed, is there a public and an internal on this Death Master File? I am trying to figure out the process here. We are now paying to get the records.

We are selling those to Commerce who is then selling it to agencies and other private individuals to recoup the cost here. We have a lot of money and a lot of names that are moving at this spot and to be able to verify that. So once we go through the verification—how much does it cost to verify someone that is a non-verified name coming from a State?

Mr. BRUNE. Well, it is not a discrete unit cost that is easy to come to—

Senator LANKFORD. Is there an average cost? I am sure that it is going to cost more for others, but does SSA have an average cost on that?

Mr. BRUNE. Well, usually what we do is we have one of our technicians contact a family member and confirm the death.

Senator LANKFORD. OK. According to the OIG report—and I want to be able to ask you about this, Mr. O'Carroll found 180,000 individuals who died while receiving disability payments but were not recorded in the Death Master File. Obviously, they are already in the Social Security disability process as well. There were e-verify requests for those deceased individuals and more than 90 voter registrations in that group that were already dead.

So help me understand this process. As you see it at this point, we have verified records from States. SSA is verifying them when they are coming in, yet we have 6.5 million that are over 112 years old, and we have individuals that are on Social Security disability, 180,000 individuals that you found that are already dead.

Mr. O'CARROLL. Well, Senator, that is our biggest concern when we take a look at living people over 112 years of age, when we did our audit on it, there were 13 people in the United States. By the time we finished our audit, there were 109. And we figured there are about 35 people over 112 in the whole world.

So, anyway, all those valid Social Security numbers that are out there, if somebody takes those numbers, then they can start mis-using them, and our biggest concern on it, is that they will be ending up using—our concern on it is that when that information gets out there, somebody can impersonate another person, they can vote, they can get driver's licenses, et cetera.

Senator LANKFORD. So are these names that have never been submitted by a State so they have not been verified by SSA because no one has ever turned those names up the first time?

Mr. O'CARROLL. Most of the 112 are from years ago, back in the 1970s, when people came in and reported themselves—

Senator LANKFORD. What about these on disability, that you found these individuals that are already deceased that are also on the disability roll?

Mr. O'CARROLL. We are finding with that issue on it—we are finding people that are listed as deceased and getting benefits. The Numident, which is the record that we are talking about today, the one that is used for the Death Master File, is one file at SSA. And then the other file, the Master Beneficiary Record, is another file. So when somebody calls in and says that there is a deceased person, to immediately stop the benefits from going out, SSA puts it right on the payment record and stops it. But they may not put it on the Numident—and Sean could probably describe it a little bit better. It gets confusing when you are talking auxiliaries and dif-

ferent things like that. So then the Numident does not list the person as being deceased, and that is where the big issue is. Two different records.

Senator LANKFORD. And they are opening bank accounts, they are voting. All these different things that you found as you went through this process on these false Social Security numbers then are people that have died or their number is still being used.

Mr. O'CARROLL. Correct. And it gets even more complicated in terms of that—as I said before, when somebody knows that SSA thinks that a person is alive, but they know the person is dead, they might even try to get Social Security benefits.

Senator LANKFORD. OK. I have exceeded my time. I yield back.
Chairman JOHNSON. Senator Peters.

OPENING STATEMENT OF SENATOR PETERS

Senator PETERS. Thank you, Mr. Chairman.

Thank you for your testimony, and after listening to Ms. Rivers, we have raised a lot of interesting issues here today.

As I mentioned to Ms. Rivers after she testified, this is not an unusual situation that I have run against given the fact that we had a marine veteran in Michigan just recently that was highlighted in the media for his trials and tribulations related to the fact that he was improperly listed as being deceased a couple times, to the point of losing his Veterans Affairs benefits; the Treasury Department shut down his bank account; his credit score was ruined as well when he was trying to purchase a house, and it took him several months to get through that process. And so this is an anguishing issue for many folks, and you mentioned, Mr. Brune, that about 9,000 individuals you believe each year are in this situation?

Mr. BRUNE. Correct, Senator.

Senator PETERS. So my question is: How do they get on that list? Of those 9,000, what is usually the event that is triggering them getting on that list?

Mr. BRUNE. There are two primary events. One would be data entry error and the second would be erroneous information by the reporter, whoever that reporter might be.

Senator PETERS. The reporter?

Mr. BRUNE. Correct, the individual who reports death. So we get reports from family members, from doctors, as I mentioned, also returned mail marked "Deceased" from the Postal Service. We get reports from the Treasury and CMS as well.

Senator PETERS. So a report from the Postal Service. You are not getting a death certificate. You are having the Postal Service saying, someone did not get their mail?

Mr. BRUNE. Correct. Returned mail marked as "Deceased" is an unverified report and would need to verify that before we took any action.

Senator PETERS. So you would not just say, a person is not collecting their mail, let us put them on the death list?

Mr. BRUNE. Correct. We would possibly suspend benefits, but we would not terminate the benefit.

Senator PETERS. How long does it take to fix these, normally? Do you have any kind of analysis of those 9,000 individuals?

Mr. BRUNE. Well, the process is for an individual who is on the death master file incorrectly to visit one of our offices, provide evidence of their identity. We can do that through a scheduled appointment so the individual does not have to wait. And usually it takes an hour or two to complete.

Senator PETERS. But the problem is that even if that is done, then the information is not Proactively communicated to the commercial vendors, banks, others that may want this information, which I think Ms. Rivers was in that trouble. Is there a way to do that proactively? Because otherwise, we are just relying on the service to go back and constantly check the list, and oftentimes, an individual does not know they are on this list as well.

They just are having a situation like Ms. Rivers has, that things are not going well, and even though there is seemingly no explanation for it, and yet there is no proactive measures on the part of the Social Security Administration to say, we made a mistake. We have to try to fix it for this individual because we know this individual is going to be going through an awful lot of heartache.

Mr. BRUNE. Correct. The measure we take, Senator, is to share the updated file the following week with the Department of Commerce. So the mistake is corrected the subsequent week. The record would be identified as being deleted from the death master file that is shared with the Department of Commerce.

You asked specifically about the commercial entities. There may be value in sharing the full death file, as the Ranking Member and the Chairman have proposed in their legislation with a do-not-pay portal and if commercial entities could use that portal, they would have access to the information.

Senator PETERS. Now, going to the, which I think is the other fascinating part of this hearing, are the 6.5 million people at 112 years old. Mr. O'Carroll, now, in your testimony, you said these folks are not receiving Social Security payments; they just simply still have a valid Social Security number out there, and that there is no data in terms of date of death.

At some point, these individuals probably received Social Security checks and then they stopped getting Social Security. Why does not that trigger something? If not picking up your mail is enough to get you on the list, what stopped them, once they stopped receiving a Social Security check, we can probably assume they are no longer alive.

Mr. O'CARROLL. Well, the interesting part, Senator Peters, is that many of these are from the 1970s when people were coming into SSA offices and saying a person had died who was not getting benefits at the time, a family member, a widow, children, or dependents like that, that is where a lot of these records were created.

So the person did not have the benefit from SSA, was not of record with SSA, and that is pretty much the crux the problem. They are old records with little ways for SSA to catch it.

Senator PETERS. Because they never were receiving a check—

Mr. O'CARROLL. Correct.

Senator PETERS [continuing]. To begin with. So is that why it is the 112-year figure? What is the situation of 100-year-old individ-

uals and 105-year-old individuals and 110? Is there something about 112?

Mr. O'CARROLL. What happened was is that we had gotten word from a financial institution that the two accounts were set up, which is in my testimony. But anyway, at that point, our auditors looked and they figured out what was the highest age of record, and that is where we came up with 112. And as I said, there are about 35 people in the world that are 112.

Senator PETERS. But do you see these same kind of numbers of someone who is 105 years old, a large number?

Mr. O'CARROLL. Well, what is interesting on that one is, is that what SSA had been doing and we do is that when a person reached 100 years of age, they would reach out to try to verify that the person was there. That was called the Centenarian Project. We were getting fairly good information on that. We were saving about \$8 million a year by doing that.

I mentioned in my testimony—it would make more sense to start taking a look at people who are not using Medicare for long periods of time in that age group. So then we had two criteria, the age and the fact that they were not seeing a doctor. And in that group there, we are seeing about four or five times better results than we were getting by just using the age limit.

But yes, everybody is aware of that and we keep taking a look. We have had different projects that we have worked with SSA looking at, as an example, 90-year-olds.

Senator PETERS. And where are we on the Medicare project? How many of those records are—and what is the cutoff for Medicare? How long without benefits of Medicare?

Mr. O'CARROLL. We have been using 3 years on that one. That seems fairly good. In fact, what we are looking at right now, because it has been so successful, we are doing an audit, taking a look at Medicaid and see if we can also identify additional deceased people that way.

Senator PETERS. Thank you so much.

Senator JOHNSON. Senator McCaskill.

OPENING STATEMENT OF SENATOR MCCASKILL

Senator MCCASKILL. Thank you. Last year during a hearing on this subject, I learned that we were selling these lists to other government agencies, which is hard for me to wrap my arms around that policy, and I think we were told by Ms. LaCanfora that this was required by law. Is that correct?

Mr. BRUNE. That is correct, Senator. We are required to seek reimbursement for our costs.

Senator MCCASKILL. So let us assume that we could do something legislatively. Would you see any reason why we could not put a secure website up with this information that was properly encrypted and properly pass-coded that would share this information? I mean, we have hundreds of millions of dollars going out the door at other agencies and they are trying to budget paying you for information.

I mean, all of this is being gathered in the public domain. It seems bizarre to me that we are not focusing on a priority of a policy that would make this information available to others easily and

at as little expense as possible since the taxpayers are paying the bill no matter where this is occurring.

Mr. BRUNE. Yes. We would agree and in our testimony, we supported the goal of the Ranking Member's bill, also in the President's Fiscal Year 2016 budget to make the full death file available to the Do Not Pay Portal, which provides that a complete set of records, over 100 million records, to all Federal agencies for all Federal payments.

Senator MCCASKILL. Well, it would be great if we could get that done. OK. Now, here is the other thing that really gets me. If you get data in, you are putting it in the system and selling it without verifying it if there is not an SSA recipient, correct?

Mr. BRUNE. That is correct. We do not verify records for non-beneficiaries. but we do not sell the information, we are merely reimbursed for the cost of preparing the file.

Senator MCCASKILL. So you get a record and you put it in the system for another agency to buy, but because it is not an SSA recipient, you are not going to the trouble of verifying?

Mr. BRUNE. We have no program purpose to do so.

Senator MCCASKILL. So is it clearly delineated to them what records are verified and what are not?

Mr. BRUNE. It is marked in our Numident as unverified report.

Senator MCCASKILL. Now, are they, to your knowledge, maybe the IG would know or maybe GAO would know, are these other agencies then going and verifying? Mr. Bertoni.

Mr. BERTONI. No, I do not think there is any additional verification. The agencies pay for a dataset. It might be an annual set plus monthly updates or weekly updates. They are getting information that they believe to be true and correct and there is no additional verification.

Mr. BRUNE. Senator, I would add that in our distribution of the file—in my statement, I clearly articulated the intent of the file is for Social Security purposes. We know that because it is aggregated across jurisdictions and it is comprehensive for the most part, that it is of value to others. But we tell folks right up front, it does not include every record, that we cannot confirm the veracity of the file, and that they should, in fact, verify it if they are going to use it for a business purpose.

Senator MCCASKILL. Well, what if they wanted to pay you to verify it? Could you not verify them all and then just charge them for it? You are already charging them for it.

Mr. BRUNE. Under current law, we believe we are verifying all the records that we should be verifying for our program purpose, for those that do not—

Senator MCCASKILL. So the law would have to be changed in order for you to verify everything?

Mr. BRUNE. Correct.

Senator MCCASKILL. No? Daniel says no.

Mr. BERTONI. I do not believe so. They have a pecking order in terms of what the agency believes to be the most accurate reports. Reports from States are deemed the most accurate. They are pre-verified and those are deemed not to be—they have to have a verification. There are also reports from family members and funeral directors that are believed to be highly accurate, that I be-

lieve the agency has decided, per policy, not to verify. I do not think that is in the law.

Mr. BRUNE. That is agency policy, correct.

Senator MCCASKILL. OK.

Mr. BERTONI. Just one example.

Senator MCCASKILL. Have you figured out what it would cost you to verify them and then recover those costs when you sell them?

Mr. BRUNE. I would have to get back to you for the record on that cost.¹

Senator MCCASKILL. Would that not make sense if you are in the business of verifying? So it seems like to me you guys are doing this verification and you know what it costs you because you are charging people for it, but you are not doing it—if there is not an SSA recipient and then that agency is getting it, which heightens the likelihood of an improper payment.

Mr. BRUNE. Senator, this boils down to a fiscal law question. Essentially, the agency is not permitted to spend trust fund dollars or a limited administrative expense account on items that do not have a program purpose. And that is the basis on which we do not verify non-beneficiary reports.

Senator MCCASKILL. I completely get that, but you understand the common sense argument. Tell me you do.

Mr. BRUNE. I do.

Senator MCCASKILL. OK. Good.

Mr. BRUNE. We will get back to you on the costs.

Senator MCCASKILL. OK. I just got worried for a minute. Senator Ayotte and I have a bill, Senator Coburn and I had a bill. This is an agency, we call it, let me Google that for you, because this is an agency that the vast majority of the information that they are supposed to be distributing is easily available online, and they are the distribution source for your public death master file.

Have you all given some thought, if we get rid of the National Technical Information Service (NTIS), which we should because it is a waste of money, what your alternative distribution method would be?

Mr. BRUNE. We have not considered an alternative distribution method because at present, NTIS does serve as that data clearinghouse for the Federal Government.

Senator MCCASKILL. And the money goes into a revolving fund which keeps them in existence, which we get back to the beginning which is, this is agency which has outgrown its usefulness and purpose, and for some reason, we have a really hard time shutting down agencies like that. So I am determined, and I think most of my colleagues on this Committee share my determination about this agency.

So I would think you should begin pricing out what NTIS is making off selling your lists. Maybe you could use that money to verify for the other agencies.

Mr. BRUNE. Understood.

Senator MCCASKILL. Thank you.

Senator JOHNSON. We will be supportive of that effort. Senator Ayotte.

¹The information submitted by Mr. Brune appears in the Appendix on page 101.

OPENING STATEMENT OF SENATOR AYOTTE

Senator AYOTTE. Yes. Let me just say that I completely, wholeheartedly agree with my colleague, Senator McCaskill, on this. So I wanted to ask, just to understand this information sharing piece, in order for you to share information, it sounds to me, because of the limitations that are put on what you can do with regard to the trust fund, that we are going to need some legislative action there to have a broader information sharing across agencies, correct?

Mr. BRUNE. Senator, the response I have provided to Senator McCaskill was relative to verifying records for which we did not have a program purpose. But we would need additional authority to do non-mission work, yes.

Senator AYOTTE. But as I also understand it, that we are also, as we look at this challenge that we are facing in terms of the DMF list, this issue, we are also not sharing among States, right? So do States share with us? I know they are sharing with us in terms of vital records, we have heard, but do we share with States what we know?

Mr. BRUNE. We do. We share all our death information with those State agencies that have a responsibility for administering federally funded benefits.

Senator AYOTTE. Of any kind?

Mr. BRUNE. Yes.

Senator AYOTTE. OK. And so, one of the things that just seems, as I look at this whole thing, as we look, we are not communicating amongst each other, and then there is also the amount of money that is at stake here. A lot of us talk about wanting to address sequester. We could do it if we got improper payments to a much more reduced level.

These resources that we are talking about, whether it is to defend the Nation or NIH or all the things that we would like to do, I mean, this is very big money. And so, I am looking at this thinking, How do we also not only share information with each other, what steps do we need to take to verify it further? And then there is a lot of publicly available information, it seems like, we are leaving on the table to help verify for us.

I mean, I would love to get certainly Mr. O'Carroll and Ms. Davis's impression. Is there not some publicly available information that we are not necessarily cross-checking with?

Mr. O'CARROLL. That is correct, Senator. What we did was an audit a few years ago and in the audit, we went to SSA and we looked at a sample of 58 records that were suspended showing that no payment was going out for some reason of caution. And then we went through the 58 and we found that 57 were deceased. And the way we found it was, it was probably in about thirds. For one-third of them, SSA had been able to find out about, had the information in their records, and it was just a question of cleaning it up.

And then for another one-third, we were able to get death certificates from the States and other ways like that. And then for the other third, we used other databases that were available just to identify the person as deceased and be able to get the information that way. So yes, I find third-party databases are very useful.

Senator AYOTTE. So do we need legislative proposals—in order to incorporate information that is already available and third-party

information, and also when I heard Mr. O'Carroll's example, I also think that apparently the States, what they are doing, is submitting the vital statistics to the Social Security Administration. Apparently it does not have the same level of accuracy as it should, too.

So do you need legislative proposals to be able to consult third-party information or is it a resource issue or is it all of the above? And also, what is it that we need to do from the States' perspective? If we knew that you could get the death certificate for certain individuals, apparently their vital records office would have not submitted that if it did not get into your system properly.

Mr. BRUNE. Senator, two points. The dataset that Mr. O'Carroll just mentioned, the 58 number holders in suspense, those recommendations were just sent to the agency last Friday. We believe that there are policy adjustments we can make to look at third-party datasets, and we agreed with that recommendation. We will be pursuing it.

The agency's position is that full funding of electronic death registration would go a long way to ensuring the integrity of these files. Many of the files that you mentioned are in jurisdictions where our experience is they are not using electronic death registration. Their paper processes are out of date.

Funding these jurisdictions to move to Electronic Death Registration would make the information more accurate because electronic death registration verifies against Social Security before the death certificate is issued, before a report of death is made. And so, that would be the approach, I think. That appropriation falls under the Health and Human Services Department.

Senator AYOTTE. Why is it that this has not been a bigger priority of the Federal Government? I mean, this is a lot of money that we are leaving on the table that is fraudulently going out the door that could be used for real things that we need to do? As I look at the big picture here, why have we not made it a bigger priority?

I guess I would direct it to the Inspector General, Mr. O'Carroll, and from your work that you have done, I would like to hear your impressive GAO, Ms. Davis. Why is this not a bigger priority? You have been working on these issues for years and you have been coming to Congress and this is a huge issue.

Mr. O'CARROLL. Agreed, Senator. We are in a unique position as the SSA OIG because we represent the Council of the Inspectors General as liaison with OMB on this thing. I have to say, there has been a lot more emphasis on identifying improper payments, curbing improper payments, and probably the biggest improvement is the Do Not Pay list, which is making all the government agencies compare this information so that, as an example, OPM will not be sending out a pension check to somebody that another agency thinks is deceased.

And I guess the only other issue that I asked for some help on, and I mentioned this before in another hearing, is that data matching between agencies is handicapped in so many different ways, where one agency is not allowed to provide its data because of the Computer Matching Act.

And that is probably the biggest issue now, where one person is receiving a benefit from one agency and then should not be receiving a benefit from another agency. We cannot do that kind of audit work.

I cannot match our data with, let us say, for example, Department of Labor to find the people that are on worker's compensation and are also getting disability benefits from SSA. Or when they are disqualified for worker's compensation letting SSA know that they have improved. So that type of data matching, I think, would be extremely useful in trying to prevent improper payments.

Senator AYOTTE. My time is up, but just so I understand, is that just a law change or it is a system like a computer system change, meaning from the hardware, the fact that we have agencies not communicating with each other?

Mr. O'CARROLL. It is a law change and there is a bill out there now that has included it.

Senator AYOTTE. All right.

Senator JOHNSON. Senator Ernst, if you are ready.

Senator ERNST. Yes, thank you.

Senator JOHNSON. Just in the nick of time.

OPENING STATEMENT OF SENATOR ERNST

Senator ERNST. Thank you, Senator Johnson. I appreciate it and thank you, everyone, for your testimony today. I do appreciate it. Bottom line, up front, this is a situation we have to fix. I do not think anybody disagrees with that.

So what I would like to ask, Inspector General O'Carroll, if you would please—what I will do, I will read this quote that came from the management at SSA, and this was in response to the IG's findings and recommendations. The recommendations would create a significant manual and labor intensive workload and provide no benefit to the administration of our programs.

I think we have talked about this. I heard some mention of this. But do you feel an accurate and reliable death master file is the responsibility of the SSA?

Mr. O'CARROLL. The easy answer on that is yes, that I think that any data that SSA is providing to the government, to the public has to be accurate. That was pretty much the reason why we identified the 6.5 million. When you are doing audits and things like that, you are looking for large outliers and that is what this group was, a large outlier.

So yes on that. I understand if you ask Sean, what he is going to say is that none of them are getting benefits from SSA and that SSA's primary responsibility is the benefit.

But my point is that, and I think a good reason for this hearing, is that if there is the attention put on it by Congress, that SSA needs resources or whatever it needs to fix it, that is very important because as I said before, so many other different benefits in the States, in the government, plus voter registration and driver's licenses, everything else, all depend on the Death Master File and this is the only thing that is out there to prevent fraud.

Senator ERNST. Yes, thank you. I would agree and I think this is a good start and yes, it is an easy answer to say yes. But we do know now we need to move forward and correct the deficiencies

that are out there. There are so many improper payments that are going out, not to mention some of the issues that have been brought up with those not receiving payments, but we also have fraudulent voter registrations, we have illegal use of numbers for employment or for government assistance, so many other issues that come with this.

I do believe that you have delivered around 70 recommendations to the Social Security Administration over the past number of years. Can you please tell us, how many of those have been implemented over the years?

Mr. O'CARROLL. Yes. Of the 70 that we have recommended—well, first, there are two steps to that. The first step is an agreement, and we are getting about 93-percent agreement from SSA. But out of that 70, probably about 50 have been enacted.

In fairness, some of them, as Sean just mentioned, were in the last 6 months. We have issued maybe four or five audits with a lot of different recommendations that they have not really had time enough to implement. But as an example we watch that very closely. We go back every few years and take a look to see if they agreed with something, whether or not it was implemented, and if it was not, we bring it to their attention.

Senator ERNST. And then with these recommendations and any others that are coming out, can any of you please to the panel, really give an overall cost estimate, man hours, additional time, any of those parameters that might be necessary to make sure that corrections were implemented?

Mr. BRUNE. Senator, the recommendations that Mr. O'Carroll just mentioned that we agree with, we are committed to making those changes within our appropriation. I did want to highlight that several of the Inspector General's recommendations have, in fact, improved our process. We find high value in following the advice that the Inspector General has given us.

I did want to close by underscoring the fact, as we stated earlier in Mr. O'Carroll's testimony as well as mine, the 6.5 million old records that Mr. O'Carroll looked at identified zero improper payments. In totality, death information for Social Security's purposes is very accurate. Less than one percent of our benefit over-payments are resulting from death.

Our processes have improved tremendously over the years. In the last decade, our processes have grown substantially more robust. We are getting more accurate information more timely and we are able to intercept over 50 million benefit dollars from becoming over-payments before they even get issued. So \$50 million a month does not go out the door because of the accuracy and timeliness of the death reports we receive.

Senator ERNST. And that is a good thing. However, you cannot dispute that there are still 6.5 million numbers that exist out there, and even though they may not be drawing benefits on those numbers, it is still an issue whether it is voter registration or some other fraudulent use of a number. So that is a concern.

Mr. BRUNE. Correct. And I was just talking to Mr. O'Carroll before the hearing. We have committed, in our audit response, to look at those records before the end of the fiscal year—to do a full anal-

ysis of what can be used from those records to add dates of death or a death indicator to our database.

Senator ERNST. Very good. Mr. Brune, if you were a lawmaker for a day, what would your recommendation be? Just bottom line, very easy. What would your recommendation be to this Congress?

Mr. BRUNE. Fund all States to use electronic death reporting. The adoption rate has been steady since 2002 when we started. We only have 37 States and two jurisdictions. We need all States, all jurisdictions in every State using electronic death reporting. It is the most effective, accurate report we receive.

Senator ERNST. OK. I do appreciate that. Thank you so much for your testimony today. Thank you, Mr. Chairman.

Senator CARPER [presiding]. You are welcome. Thank you. Would you say that again? [Laughter.]

Senator ERNST. Thank you, Mr. Chairman.

Senator CARPER. I told the staff, please do not tell him I did this. I caught myself. I want to go back, if I could, the question I am going to ask, similar to what Senator Ernst just asked, and that I started asking earlier Mr. Bertoni. If there is one thing, only one thing we were to do, what would it be? You are the only one I got to pick on. Senator Ernst just said it, came back and sort of followed up on that, which is good, but I am going to ask it before we finish this one thing.

I want to come back to the portion of your testimony, Mr. Mader, where you went through a series of items, series of ideas, I think, are contained in the President's 2016 budget. And a number of them involved program integrity. Some of them involved funding, providing resources for the IRS. Would you just step through those for us again? And I am going to ask our other panelists to respond briefly to those, which ones they think make sense.

Mr. MADER. I think, Senator, we touched on EITC. There are a series of program integrity initiatives across HHS and, in fact, in the current budget in 2015, actually, we were fortunate to receive funding for one of those. There are program integrity initiatives across DOL and I think they have demonstrated, in a pilot program with the States—because recognizing that unemployment insurance is a block grant to the State—but they have demonstrated using New York State as the key to doing some very creative analytics, and again in 2016, we have asked for continued funding of those initiatives.

So I think across in my testimony, there are about half a dozen that we mentioned, and that actually was probably the top six. We could provide a few more for the record. But those are, I think, going back to the Senator's comment, I think that if there was one thing I could ask for, maybe two, is get to Treasury the full death master file because that is the place that we are running all of the civilian payments past, and having the most accurate set of data would be a real benefit. So that is the one ask.

The other ask is—and I strongly believe that in order to save money, we need to make an investment, and a 16 investment in those half a dozen or so program integrities, I believe, and I think the Administration strongly believes, that we will see benefits in driving not only the rate, but the total amount of improper pay-

ments down if we are allowed to make those kinds of enhancements.

Senator CARPER. OK. Thank you. Mr. Brune, Mr. O'Carroll, any comments on what we just heard from David, especially with that first request?

Mr. BRUNE. Senator Carper, I believe that funding EDR would be the first best step as all that data, hopefully, eventually, pending your bill, goes into Do Not Pay. We want to make sure it is as accurate as possible on the Social Security Administration's end. We are going to certainly take a look at those very old records, see how we can make sure they are as accurate as possible. But prospectively, getting all jurisdictions to use electronic death registration would be the way to go.

Senator CARPER. In terms of the timing, I seem to recall 5 months. I might be confusing the testimony I have heard. There is a delay, we need 5 months until late October. Can someone help me with this? Am I imagining this?

Mr. O'CARROLL. The delay on the release you are talking about, Senator?

Senator CARPER. I think so.

Mr. O'CARROLL. Yes. One of the bills that came out of Committee is that it will be 3 years before death data goes public. And we applaud it because it was based on one of our audit findings, that if you give extra time to a person who has been reported dead, they can come into SSA and get it fixed before it goes out into the public. And I have to say, that is probably the best thing that has happened with death reporting.

Senator CARPER. OK. Anybody else want to give us a killer idea, maybe something that has already been mentioned once or twice, maybe not?

Mr. BERTONI. I think the Improper Payments Information Act, the fact that we have Do Not Pay establishes metrics that holds agencies accountable. I think when you are measuring that, it is going to hold agencies accountable to make it a priority. I also think the electronic verification at the State level, I think it is proven that those death reports are highly accurate, and moving in that direction, I would agree with Mr. Brune that that is prudent.

And I think it would allow them, SSA, to really look at their other verification processes and perhaps move some resources over to those other areas. And I go again to verification of reports from family members and funeral homes. We looked at some data of 82 corrections in 2012 and 2013, and we pulled a small case sample of 46 cases. In 35 percent of those cases, those folks were, in fact, alive, but they were erroneously—

Senator CARPER. What percent?

Mr. BERTONI. 35 percent of the 45 cases that we looked at, they were erroneously placed in the file. And, if when you look at the source of those reports, it was family members and funeral directors. Those are typically regarded as being highly accurate and not subject to verification. So if you free up resources, that they do not have to, focus on the States who are verifying electronically, perhaps you can look at some of these other policies and do maybe do some additional verifications.

Senator CARPER. Ms. Davis, I have not picked on you very much. How about sharing something with us?

Ms. DAVIS. Well, if I could look at a bit higher level, at the overall improper payments estimate this past year, which was almost \$125 billion, there were actually three drivers of the increase of \$19 billion and those three drivers were Medicare, Fee-for-Service, Medicaid, and the Earned Income Tax Credit program.

When you look at those increases individually, Medicare, Fee-for-Service was almost \$10 billion, Medicaid a little over \$3 billion, and then the Earned Income Tax Credit program was a little over \$3 billion as well. You look at those and you have 65 percent of your entire estimate of improper payments.

What is of concern is that these programs, in particular the health care programs, are growing. For example, HHS has estimated or predicted that over the next 3 years, that the Medicare and the Medicaid programs are going to expand program outlays by about 8 percent annually over the next 3 years.

So if you take that and you compare it or analyze it against the rate increases, there are some concerns, definite concerns. Again, to be a little bit more specific, the rate for the Fee-for-Service program was 10.1 percent last year. It is now 12.7 percent. The Medicaid also went up almost a whole percentage point.

The Earned Income Tax Credit, over the past 5 years, has been running about 25 percent. Last year it was a little over 24 and now it is over 27. So if you look at these programs and the facts that the rates, error rates in these programs are increasing, and the compound that with a possibility that program outlays are going to increase, it is going to be difficult to get a handle on these overall governmentwide improper payments.

Senator CARPER. Great. Thanks so much, Mr. Chairman.

Chairman JOHNSON [presiding]. Thanks for holding down the fort here. Not only is our Ranking Member highly interested in this issue, but he is also a pretty good sprinter. I saw him in the hallway. I have only got a couple questions left. I really want to kind of explore the EDRs and the differences between the States and the data that comes from those.

I do not know who is the best person to talk to about that. Is that you, Mr. O'Carroll?

Mr. O'CARROLL. I will let Sean do the first one.

Chairman JOHNSON. Do you have a stats in terms of the accuracy of the information coming from States with EDR versus those that do not have EDR?

Mr. BRUNE. Yes, we do, and there are really two dimensions, both of which I think are important to us and of value in the conversation about improper payments. One dimension is timeliness of reporting, and within the EDR arena, we average a report within 5 days of the date of death and within 24 hours of when the State becomes aware of it. That is very timely.

Chairman JOHNSON. Again, those are in the exact form that you want it in, correct?

Mr. BRUNE. Correct.

Chairman JOHNSON. It totally matches your database?

Mr. BRUNE. Correct. And then for the record,¹ I could provide you what amount of those inquiries do not match when they send us a name and SSN combination, what does not match before they report. Now, I want to make sure that I mention that process is that the first step before anything is sent to us is the name and SSN match. If that occurs, then we will get the rest of the information. And if it does not occur, it goes back to the reporter in order to double check and make sure they have the correct information, that they did not mis-key something.

Chairman JOHNSON. So again, from the States that do not have EDR, are you also getting those from their offices of vital statistics or is that where you are getting things from financial institutions, Postal, I mean, all the others?

Mr. BRUNE. All of the others. And we could get multiple reports, Senator, even in an EDR State, and it is important to recognize that in those States that have adopted electronic registration, every jurisdiction within the State does not use it equally. And so, some jurisdictions, counties, or municipalities may be at 100 percent utilization, others might have a very low rate or not use it at all. And so, there is much more work to be done.

And part of that, I think, is the reflection of the fact that at the local level, these records were maintained in different formats and the quality of that data varies.

Chairman JOHNSON. So you do not have the localities within a State submitting the information to some kind of central data center and then have those electronic records forwarded to Social Security? You are getting these from multiple sources within a State?

Mr. BRUNE. It is up to the State how they send us the information. Usually it does come from a State bureau of vital statistics, but how those entities are organized at the State level varies.

Chairman JOHNSON. But again, so the 37 States you get that from, they come from a centralized vital statistics office within the State? They may be getting the information from multiple sources, but they accumulate it and there is just one contact for Social Security within those 37 States?

Mr. BRUNE. That is generally true, but it can vary depending on the State.

Chairman JOHNSON. So what has been the hang-up in the 13 other States? I mean, just resistance? Is it funding? I mean, the other 37 States, do they fund their electronic death records or registries themselves?

Mr. BRUNE. I would say that funding is definitely part of the equation and I think that some States recognize that they have more work to do, that the State of their records would require a lot of effort in order for them to get the records to a point where they could send it to us reliably in the electronic format that we request.

Chairman JOHNSON. OK. I am all for States' rights, but this might be something that we maybe need to work on. Ms. Davis, I did want to talk about exactly how we calculate total number of improper payments and also verify. My staff is telling me it is about 90 percent of those improper payments really are over-pay-

¹The information submitted by Mr. Brune appears in the Appendix on page 102.

ments, correct? Or is it about that? What is your information in terms of over-payments versus under-payments, because we talk about improper. What is the mix?

Ms. DAVIS. We have not done recent work to determine the actual mix. I will say, though, that the majority are over-payments, and there are a number of items, of course, that are classified as improper payments because there is insufficient documentation.

Chairman JOHNSON. The calculation of the 1-point or \$124.7 billion, that is all through statistical sampling, correct?

Ms. DAVIS. Correct, statistical. I mean, let me qualify that statement. It is statistically valid sampling methodologies, but OMB, the OMB Director can approve an alternate methodology.

Chairman JOHNSON. OK. Well, those are my final questions. I guess I would like to just go over the panel if there is a particular point you want to make, one point relatively brief, to close out the hearing. I will start with you, Mr. Bertoni.

Mr. BERTONI. I would say to the extent that the DMF and the Do Not Pay initiative, at some point, will be made to the full file. I think you are running out of time. Every day as more States come onto the electronic system, there are going to be fewer and fewer records in there and that file is going to become less useful and potentially less accurate.

So if that is going to happen, it should be concurrent or in tandem with increasing the accuracy of death data in general.

Chairman JOHNSON. Thank you. Mr. Brune.

Mr. BRUNE. Senator, we are fully committed to maintaining as accurate death data as we can. We are dependent upon the States to report that information. We think fully funding the electronic death registration is the first step to that. We also support aim of the Ranking Member's bill to make all our death information available through the Do Not Pay portal, and would be happy to provide technical assistance on that bill.

Chairman JOHNSON. OK. Appreciate that. Mr. O'Carroll.

Mr. O'CARROLL. Chairman, once again, my biggest one is that we asked for an exemption to the Computer Matching and Privacy Protection Act for IGs. But by the same token, it should go to the IGs and the parent agency. So as an example, when we do an audit and we can find that there is an issue of one agency making payments when another agency is not making payments, we can then have the parent agencies make those matches.

Chairman JOHNSON. OK. Thank you. Mr. Mader.

Mr. MADER. I think supporting the various program integrity initiatives in the President's budget.

Chairman JOHNSON. Thank you. Ms. Davis. By the way, I really appreciate these brief statements. Ms. Davis.

Ms. DAVIS. The improper payments legislation requires Inspector Generals to perform annual reviews of compliance with the criterion on IPERA and there are a number of issues that they have identified over the last several years. Implementing the recommendations that are made by these Inspectors General would go far in helping to reduce improper payments.

Chairman JOHNSON. OK. Well, again, I just want to thank all the witnesses for your thoughtful testimony, your thoughtful answers to our questions. Ms. Rivers, thank you for sharing your story, and

again, this Committee is dedicated to making sure this is not just a hearing, but something comes out of this. So we want to work very closely with all the agencies so we can, again, prevent the type of situation that Ms. Rivers has had to deal with.

The hearing record will remain open for 15 days, until March 31st, at 5 p.m. for the submission of statements and questions for the record. This hearing is adjourned.

[Whereupon, at 6:08 p.m., the hearing was adjourned.]

A P P E N D I X

Opening Statement of Chairman Ron Johnson
“Examining Federal Improper Payments and Errors in the Death Master File”
March 16, 2015

Thank you, Ranking Member Carper and all of our witnesses who are joining us today. In particular, I want to thank our first witness, Judy Rivers, for coming here today to tell her story. It takes a lot of courage for a private citizen to come to Washington, D.C., and speak before a Senate committee. We look forward to your testimony.

I also want to acknowledge Senator Carper's tireless work on these issues. Our ranking member has spent his entire career in the U.S. Senate trying to address the problem of improper payments throughout the federal government. He can certainly take much credit for the fact that we have made progress in addressing and limiting improper payments.

Last year, however, federal improper payments rose sharply, indicating that our work is not yet done. In 2014, the federal government improperly spent \$124.7 billion. This taxpayer money was not spent securing our borders, it was not spent on national defense, and it was not spent contributing to safety net for those in need.

The cause of this \$19 billion spike centers almost entirely around three government programs: Medicare Fee For Service, Medicaid, and the Earned Income Tax Credit. In fact, these programs account for approximately two-thirds of all improper payments. This is a problem that is going to get worse year after year if we do not get a handle on it now. As the federal government becomes even more involved in our healthcare system, outlays will continue to grow, and so will improper payments.

That is the reality this hearing is intended to reveal. Once we all agree on the scope and magnitude of this problem, we can work together to begin to solve it.

As a manufacturer, I see problems and I try to get to the root cause. When it comes to improper payments, the root causes vary from program to program and can be incredibly complex.

There is one root cause that is easily identified, but for reasons that defy logic, has been incredibly difficult to solve. The federal government has wasted billions of dollars over the last few decades giving money to dead people.

The Social Security Administration (SSA) is currently part of the problem that leads to payments to dead people. With a little common sense and relatively minor capital investments, SSA can take action that will prevent payments to the deceased for the entire federal government.

SSA never wanted to get into the death information business, but over the years it has become the primary source for death information for federal agencies and the private sector. SSA provides an incomplete and inaccurate version of the Death Master File to credit reporting agencies, banks, researchers, and other private entities through the National Technical Information Service. SSA provides a more complete but still inaccurate version of the Death Master File to some, but not all, federal agencies.

The most important agency not having access to the full Death Master File is the Department of Treasury and its Do Not Pay Initiative. The Do Not Pay Initiative screens all federal payments. Giving the Treasury access to a more complete and accurate list of deceased individuals would mean that all federal payments would be screened to ensure they are not going to the deceased.

Of course, the inaccuracies within SSA's system mean we have difficulty trusting the accuracy of the information. SSA claims that it is not the agency's job to make sure the list is accurate for other agencies, that it is only responsible for accuracy for its own purposes. But this attitude does not reflect the reality that SSA is the purveyor of death information, and its failure to ensure the accuracy of the list has serious consequences both in and outside of government.

These serious consequences involve far more than wasteful spending. There is another side to SSA's failure to ensure its death information is accurate. Hundreds, if not thousands, of American citizens are marked as dead by SSA each month, even though they are very much alive.

Today, we are going to hear from one of the victims of this bureaucratic mess. Judy Rivers, who has courageously offered to testify before this panel, has spent the last five years trying to prove to the world that she is in fact alive.

Thank you again to Ranking Member Carper for your leadership on this issue, and I look forward to Ms. Rivers' testimony and the testimony from our government witnesses.

Opening Statement of Ranking Member Thomas R. Carper
“Examining Federal Improper Payments and Errors in the Death Master File”
March 16, 2015

As prepared for delivery:

Let me begin by thanking Chairman Johnson for holding today’s hearing. Clearly, those of us in Congress, as well as our counterparts in the Administration, must do more to tackle government waste and fraud. Fortunately, there are steps we can take to strengthen the integrity and efficiency of federal programs. The Administration is taking some of those steps, but we need to do more.

While our fiscal situation is improving, we still have a budget deficit, and a debt of more than \$18 trillion. At a time when many agencies are struggling with tight budgets and facing sequestration on the horizon, we can’t afford to be making \$125 billion in improper payments like we reportedly did last fiscal year.

This latest improper estimate represents an almost \$19 billion increase over the previous year. These payments come from over 70 programs at more than 20 agencies, in programs ranging from Medicare and Medicaid to the Department of Defense. If we’re going to get a better handle on our debt and deficit – and, frankly, improve Americans’ impression of how we take care of their money – we need to sharpen our pencils and stop making the kind of expensive, avoidable mistakes that lead to wasteful spending and make our agencies and programs vulnerable to fraud and abuse.

Congress has already taken some steps that are helping agencies address this challenge. Our improper payments problems were first addressed through legislation that originated in the House in 2002. The Improper Payments Information Act required agencies to estimate the levels of improper payments made each year.

In 2010, former Senator Coburn and I followed up on this effort with the Improper Payments Elimination and Recovery Act, which expanded the requirements for agencies to identify, prevent and recover improper payments. In 2012, Senators Collins, Scott Brown and I went further with the Improper Payments Elimination and Recovery Improvement Act. Building off a very good initiative of the Administration, this law made permanent the ‘Do Not Pay’ program, which is designed to screen all federal payments in order to double check basic eligibility requirements. Simply put, ‘Do Not Pay’ allows a government agency to check whether someone should be paid before the government pays them. I hope to have a discussion with our witnesses today – especially our witnesses from OMB and GAO – about how all of these legislative initiatives are working – or not – and what additional measures we should consider.

We will also spend some time today discussing the specific problem of agencies making payments to people who are actually deceased. For example, the Office of Personnel Management Inspector General reported just four years ago that \$601 million in improper payments were made to federal retirees found to have died over the previous five years. However, such payments to dead people are not unique to this one program. Improving

the collection, verification, and use by federal agencies of data on individuals who have died will help curb hundreds of millions, if not billions, of dollars in improper payments.

I am actively working with Chairman Johnson, the Administration and others to re-introduce legislation from the last congressional session to tackle the very frustrating problem of improper payments to dead people. Unfortunately, we have more work ahead.

Last week, the Social Security Inspector General released a report stating that 6.5 million people have active Social Security numbers who, based on the Social Security Administration's own records, would be more than 112 years old. In fact, a few thousand of the records reviewed by the Inspector General seem to show 'living' individuals with active Social Security numbers who were born before the Civil War. In the real world, public records show that only 35 people worldwide are 112 or older.

We will hear today from the Social Security Administration about their efforts to ensure accurate information about who is alive or dead. However, what should be extremely concerning to us is that inaccurate death data may lead to improper payments by many other agencies across the government, and also creates greater vulnerabilities for fraud and identity theft. We will hear more about this problem, and the opportunities for a solution from today's witnesses.

I want to make clear my view that the Administration deserves much credit for many initiatives to curb waste and fraud, as Comptroller Mader of the Office of Management and Budget will soon describe. But we need to do more. We must use every tool available to put our fiscal house back in order, and give the American people the government they expect and deserve.

It is the right thing to do on behalf of the taxpayers of this country who entrust us with their hard-earned money. I often think of how the Preamble to the Constitution speaks of 'a more perfect union.' We will never be perfect in this area, but we should strive for perfection, because everything we do we know we can do better. So in that spirit, I look forward to working with the Administration and my colleagues on this committee to make real progress this year on reducing improper payments.

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**Testimony of Judy C. Rivers
Before the Committee on Homeland Security and Governmental Affairs
United States Senate**

March 16, 2015

Examining Federal Improper Payments and the Death Master File

Good afternoon Chairman Johnson, Ranking Member Carper, and distinguished members of the Committee. Thank you for inviting me to speak about my experience with the Social Security Administration's Death Master File.

As I prepare to tell you about my experiences, allow me to introduce myself. My name is Judy Rivers and I am a communications, marketing, and product development specialist with over 35 years experience. I founded my own firm in the late 1980's in Birmingham, AL. My clients included a broad mix of industries and businesses on a local and national level.

J. Rivers and Company, Inc. received numerous awards for creativity, marketing, and public relations—including the prestigious International Packaging of the Year Award.

My public service work included Board of Directors for Birmingham's University of Alabama Fund Raising, the Alabama Small Business Associations' Board of Directors, St. Jude's Children's Hospital Fund Raising, and the Alabama Muscular Dystrophy Fund Raising Board.

The Death Master File

It's often been said that Washington, DC is the capital of unintended consequences. That is certainly true of the Social Security Administration's Death Master File, created at the behest of U.S. business interests in hopes of ending identity theft and other personal security abuses

Instead, this computer file has become a testament to bureaucratic blundering that often leads to Orwellian nightmares for Americans who have difficulty convincing a data-driven world that they are, in fact, alive. Ironically, families of the deceased often have difficulties in proving that the deceased is their family member.

This file has become an aid to the very crooks it was intended to thwart—contributing to the billions of dollars of government waste in fraudulent and incorrect payments, medical theft, and tax and health-care fraud. Yet each week, Social Security continues to send out a report riddled with mistakes. Mistake estimates range from 700 to 2,800 entries a month. Based upon the many contradictions discovered during my research, I don't think anyone actually knows. Considering the list has been distributed for over 34 years, the total has been estimated to be well over half a million people.

The announcement by CNS news on March 9, 2015 that an audit conducted by the Social Security Administration's Inspector General on March 4, 2015 discovered 6.5 million active cardholders' names age 112 or older. I think we can safely assume that the number of mistakes on the DMF is probably closer to seven million. That's a lot of errors, which translates into even larger amounts of financial waste and identity theft.

The cost doesn't affect just the government but individuals as well. It has been estimated that the average

cost incurred by an individual in correcting an identity theft is over well over \$2,000.00. According to the Ponemon Institute the estimated cost for correcting medical identity theft is much higher—\$20,000.00 to \$100,000.00

My Experience With The Death Master File

“Rumors of my death have been greatly exaggerated.”

Mark Twain

I have twice experienced life as a “cyber-ghost” through mistaken listings on the Death Master File. The first incidence was fairly painless and occurred in 2001. I had a couple of minor identity problems but I didn’t think anything about it. Like most Americans, I had never heard of the DMF. The second time I not only found out about it, I lived it for five years.

I could never have imagined I would reach the point of hopelessness, homelessness, financial destitution, loss of reputation and credibility, unable to obtain a job, an apartment, a student loan or even a cell phone. Suspected as an identity thief by nearly every apartment manager or Human Resource Director I encountered became a way of life. Each time I got into my car I was panic stricken that the police would stop me and I would have to try and prove my identity.

I want to make clear that every problem or obstacle I encountered during this period was not a direct result of the DMF. Fate, bad luck, poor timing, my age among other things, each contributed to my problems. However the DMF was always there like a propagating Hydra magnifying every problem I encountered.

There is no good time to be listed on the Death Master File as anyone that has lived through the experience can confirm. My cyber-ghost ordeal started in 2008 during the worse point in my life. I had just lost both parents after nearly 17 months of providing full time care. I was physically and emotionally exhausted, financially drained and facing serious problems.

Years earlier my parents made a will leaving me their home and property. I knew I would always have a home so was never concerned about it. But fate has a way of stepping in and I did not receive my property. So, along with the loss of my parents, I lost my home, my savings, and given four days to leave. I had no time to be angry or ask questions I had to act quickly.

I frantically began a search for an apartment that I could move into quickly and inexpensively. Over the next four days I followed every lead, visited every apartment complex, and even looked at trailers, which terrified me. I completed application after application with no positive results.

Selling most of my coin collection gave me a financial back up so I had ample funds for the apartment but nothing closed. I was at a loss as my references were impeccable. Out of desperation I called my best friend, Russell. I quickly told him what had happened and asked if I could move into his spare room for a few weeks. He said yes and the next day I packed my few things and moved in.

I spent the next couple of days cleaning, getting my things in order, and setting up my computers. By the fourth day I was on the computer searching for an apartment, reconnecting with contacts, job searching, writing resumes, and studying the job market to determine what type of skills I would need to start a new career.

My contacts gave vague promises of “calling around” for job opportunities. I continued to apply at apartment after apartment, moving further out of town in hopes of finding something more price sensitive and that would accept me. This time I took my resume, a statement of my bank account, and letters of reference.

Again, nothing worked out. I was turned down for reasons I couldn’t understand. Responses included: “could not confirm information;” “information inaccurate;” or “income cannot be verified.” I assumed being out of the workforce and having no contact with the world for nearly two years must be the problem.

I decided on the type of training I needed and starting applying for a school loan. Again, I met with nothing but rejections after they received my paperwork. Week after week working 12 hour days made the months pass quickly.

Then, unexpectedly, I was asked to leave the apartment by the landlord because I was not on the lease. For the first time in my life I was homeless and with no prospects.

My only solution was to live in my car. I searched the net and found articles on the subject. Leaving most of my things in the apartment, I carefully packed necessities, my two puppies, told Russell to hold my mail, and carefully drove away, my tears making it nearly impossible to see.

Nearly three months passed in a nightmare of dependency and desperation with my only contacts the computer, job interviews that went nowhere, and apartment managers turning me down. I did find odd jobs paying minimum wage or slightly more for care giving and house cleaning. \$8.00 to \$10.00 an hour was a lot less than my last 6-figure job in Dallas, TX. However, I was grateful for the work and saved every penny possible.

By early December I was ready to give up. I couldn’t sleep, focus, or work efficiently. I was convinced my life would never be the same and questioning reasons to continue it. I knew something was wrong but couldn’t pinpoint the problem.

A couple of days I was leaving a mall after I had applied for a job when I ran into an old friend, Mary Kate. While talking I mentioned I was looking for an apartment and a job and found she had an apartment to rent. I told her my situation and asked if I could see it right away. By evening I was in *MY* apartment watching the puppies play and enjoying my first cup of coffee.

Empathic for my situation, Mary Kate made a deal on the rent and deposit. She even went to her warehouse and brought back a few pieces of furniture, house hold, and kitchen items. Compared to the car, I was living in the Ritz. I thought my luck had turned.

I intensified my job search sending resumes by the dozens and, lowering my expectations, wrote and mailed resumes for any kind of job at any level available. My pride had long ago vanished.

The rejections came as quickly as I sent mail out. The return messages changed to constant variations of “social security number could not be confirmed,” “identity could not be confirmed,” and “social security number inactive.” Puzzled I went to the Social Security office and requested a check on my records. I was assured my accounts were in order and was given a letter stating that. From that point on, I included it with every application I mailed.

In March 2009, one of my contacts came through with a job. I was going back to work and it would give me the opportunity to make great contacts. Monday, March 8, 2009 I dressed in one of my best business

suits and arrived at work early eager to begin. I worked late into the evening and headed home in the night, thanking God for a home and a job. That's the last thing I remembered.

I awoke on a hospital table, my entire body clenched in pain. Groggy, I tried to answer questions from nurses, doctors, and police officers. There was some confusion over who I was, who the car belonged to, and my insurance. Unable to really understand what I was being asked, I suddenly saw Russell and his father walk into the room. He was my emergency contact and the police had called him immediately.

"What happened?" I asked weakly. A police officer explained that I had been struck by a car going over 30 mph while I was stopped at a red light and my car was totaled. I groaned, but this time in disgust.

I don't know what Russell said but the questions stopped and a lengthy examination began while I begged for aspirin or something for the pain.

Finally, the doctors came back and told me the news. No internal injuries but a concussion, severe bruising, glass fragments which had to be removed, and seven damaged vertebrae but could not be sure of the extent until the results came back. They gave me something for pain, and then placed me in a neck and back brace. I realized in a single moment, I had lost my job, my car, seven perfectly good vertebrae, and the last of my hopes.

The next few months were filled with doctor's appointments, meetings with attorneys, pain, and utter despondency. My attorney visited several times requesting additional identification and references. I had no idea what he was doing and, in my present mood, didn't care. I just gave him anything he requested and told him to call my insurance agent.

I replaced the car with the insurance check and a small loan from the dealer's bank. Other than that I sat at home, depressed and going out only when absolutely necessary.

After several weeks, I got back on my computer and the phone searching for jobs and a school loan. I received calls for interviews but after completing forms never received a call back. Banks and admission offices kept turning down loan requests. Advances from my legal firm paid the hospital and doctor bills and kept me afloat. However my despondency had turned into a deep depression. I lived on caffeine and Advil and continued to lose weight until I hit 103 lbs at 5'8". I looked ten years older than my age and felt like I was 100.

After 14 months the insurance company settled the case and my attorney brought the checks to me. The same day I went to the bank that handled the car loan and opened a checking account and deposited the checks.

A couple of days later, I went back to open a second account. The clerk took all of my information, typing it into the computer. She frowned, shook her head and said "I must have done something wrong," and entered all the information again.

This time she excused herself and came back with the bank manager and we went through the entire routine again. The manager stood up, handed me my identification and said, "I'm sorry but we won't be able to help you today. Your social security number has been inactivated. We are going to have to freeze your account," and turned to walk to her office.

I stormed after her and spent the next hour in an exercise in futility. The manager refused to shed any more light on the subject. She'd become a Fort Knox. She knew nothing. She saw nothing. She reported to no one. By the end of the encounter, even her name appeared to be top secret.

I demanded to know where the information came from and the manager refused to provide any information or a copy of the report, which I thought, by law I was entitled to. She finally took the one page report, folded it until only one line showed. It read,

“Social Security Number deactivated _____ 2008 due to death.” I couldn’t quite make out the date. I thought it said April but the manager again refused and personally started to escort me out of the bank.

I pulled away and softly asked, “You’re trying to tell me I’ve been dead for two years and no one bothered to tell me?”

I had had enough, “You’re freezing my bank account and seem determined to tell me nothing. What do I do now?” I asked angrily.

The only sliver of information she offered was that I should double-check my “death” with the Social Security office and see if they could confirm that I was who I said I was and my Social Security number was still active.

I was in shock. This bank had given me a car loan a few months earlier. They were happy to open a checking account and take my money, and were now telling me I was dead and keeping my money.

I have since thought that we trust computers because we can type virtually anything into them and get an answer. Because they are often right, we believe they are always right. The bank manager goose-stepped right into that mind-set. Her computer system told her something, and she chose to believe it over her own eyes.

Determined to get to the bottom of my death before the end of the day, I went back to the Social Security office.

“Yes, I’m really sorry, ma’am, but there’s absolutely nothing we can do about this,” the same girl at the counter said. “It really is a banking issue.”

“Look, just a couple of weeks ago you told me my records were fine, no problems. The bank just told me I have been reported as deceased on some report they refused to let me see. They have frozen my checking account and treated me like an idiot. Until someone starts giving me some answers that make sense, I will plant myself here until I get some. They’re pointing the finger at Social Security; you’re pointing the finger at the bank. One of you is wrong! I’ve run in circles all day. I need someone to take responsibility. I need some help.” I stopped, exhausted and realizing I was ripping this poor girl apart for my problems.

I inhaled deeply, calmed down and quietly asked, “Who is reporting me as dead?”

The girl ran a hand through her hair, making it as frazzled as I was feeling. “I don’t know. As I’ve told you, it wasn’t us.”

“So you say, but you must have some idea where this is coming from—maybe not specifically in my case, but in general? Surely I’m not the first person to come in your office with this complaint.”

The girl sighed. “No, you’re not. If I had to take a guess, I would say it’s one of the consumer credit reporting agencies or financial institutions. But I’m no expert and you did not hear that from me.”

“Okay,” I said, delighted to finally make some headway. “So it’s TransUnion, Experian or Equifax?”

“Sort of, but financial institutions have their own credit reporting agencies, like ChexSystems, Telecheck, and SCAN. However reports of death usually come from the Death Master File.”

“The what?” I asked quickly grabbing a sheet of paper and scribbling notes.

She rolled her eyes as if I were brain dead then explained that the Death Master File is a list the government keeps of all citizens with a Social Security card listed as deceased and advised me to keep the letter she had provided with me at all times. She couldn’t or wouldn’t tell me anything else.

Now even more confused, I headed to the bank where I had held an account for nearly 30 years and met with the manager. I told her my story and she listened, nodding her head.

That’s when my education on the Death Master File began. She informed me the Patriot Act requires all banks and financial institutions to check the identity of new customers as a way to cut down on fraud. Because I’d been with this bank for so long, my account was “safe” until someone ran my Social Security number. Since banks don’t make a policy of checking the ID numbers associated with existing accounts on a regular basis, it would be less likely that my account would be flagged, even if the system listed my Social Security number as inactive.

However, for new customers as I was at the first bank, an identity check was required. Financial institutions use Customer identification programs (CIPs) to compare basic information such as name, age, address, and Social Security number against your credit report.

Regulations state that the banks and their counterparts adopt reasonable policies to verify the identity of customers, keep records of the information used to identify customers, and cross check customers’ identities against federal government lists of suspected terrorists.

Most financial institutions go a step beyond and subscribe to special consumer credit services. Under the Fair Credit Reporting Act (FCRA), the bank has to have a reason for checking a client’s personal information, such as a credit transaction. But before they can check it, they have to get permission from the client in writing.

In other words, my first bank was in violation of the Fair Credit Reporting Act (FCRA) when they wouldn’t tell me where the report of my death came from. Unfortunately, it was a catch-22: You have to be who you say you are for them to share that information and, in order to put a stop to the misinformation institutions may receive concerning your identity you have to know who’s reporting it to begin with.

“What do I do now?” I asked disgustedly. “How do I know which company reported me?”

She continued telling me most banks don’t want that information revealed as she reached for a memo pad, wrote something and slid it across the desk to me.

“I can give you a letter from this bank, identifying you personally as a long term customer. This and the letter from Social Security may help clear things up at the other bank.”

As I stood to leave, she cautioned me, “Judy, this could cause some serious problems. I think we should put safeguards on your account here. If you are on the DMF, all of your personal information, name, birth date, and social security number are now in virtually every financial database in the U.S. It’s also in the public domain openly posted on the internet. Anyone can access your information and create complete

havoc with your finances and your life. I've watched it happen too many times."

I stood there trying to comprehend the enormity of what she was saying. Every piece of information I had been so careful to keep private the U.S. government had not only sold to anyone wishing to purchase it but openly posted it on the internet.

Trembling, I slowly sat back down. "Could this be the reason I haven't been able to get an apartment, a job or a student loan? Is this why I've been treated like a criminal?"

"Judy, your information has been out there for over two years, I'm surprised you haven't had more problems than you've encountered. I suggest we take some precautionary steps. Let's put an alert on your bank account and debit cards. I can go ahead and get started on it today."

I nodded in agreement.

She continued, "However you are going to have to take immediate steps to get this cleared up."

"I'll do anything," I murmured my concern evident.

"First, you have to find out who reported you as deceased. The other bank knows but they aren't going to tell you so you are going to have to contact every bank service firm and Credit Report Agency. Call first, alert them to the problem and then send follow up letters. Stay on their backs or they will ignore you. I would also alert each of them that I had been mistakenly listed as deceased and fear you could have an identity theft problem. Don't say you have but that you are afraid you will.

"Pull your credit reports and review them carefully, look for anything unusual and report it. Check with the state and county records' offices to see if they have a death listing for you. If they do, they will know who reported it. Put alerts on any other credit or charge cards you have or cancel them for safety until you get this straightened out.

Remember, all of these companies move slowly and they don't like to admit mistakes because it creates liability. Keep on top of them."

"I will get right on it," standing up again I gratefully said, "thanks for talking with me, I had no idea what to do."

"You're a smart cookie; you can get this straightened out. Go home and get on the internet and start researching. You'll find out more than you want to know. Remember, this is going to take time and effort and no one is going to do it for you. You may get lucky and get it cleared up fast or it could take longer. Do know that it could get worse before it gets better."

We shook hands and I left. Driving home I didn't know if I felt better or not. Her last words kept running through my mind, "It could get worse before it gets better." I didn't know what worse was, but I was determined to find out. I suddenly remembered the piece of paper she had passed to me and pulled it out of my pocket and looked at the one word in red ink, ChexSystems.

I drove home, turned on my computers and, as with any marketing problem, developed a research and action plan to recover my identity.

Understanding my life was literally on the line, I started immediately. By June 10th, my financial institution mailing list was developed and a planned series of letters and phone calls were implemented. It

is interesting to note here that not one company ever returned a call, answered a letter or sent a credit report even though I understood they were required to respond.

Interestingly, ChexSystems was the only company that ever answered a letter or phone call. My first calls and letters were in June, 2010. I finally talked to an individual in customer service in August. During September I received a letter dated August 22nd stating they had listed me as deceased based on information provided to them by the SSA and requested I forward information to prove I was still alive.

I finally had the answer of who reported me to the bank. Now I needed to focus on who else had and was distributing the information. None of the other financial companies would assist me. I still couldn't understand why. Why not just clear up the records? But rather than improving things the reports of my death kept spreading.

Within three months I had made great strides in my plan. Local news articles and radio interviews were conducted. A local television station did an interview. That wasn't enough. After I received the letter from ChexSystems I contacted Mr. Bob Sullivan, an investigative reporter with MSNBC. I sent him the details of my situation via email. Within 24 hours he contacted me and two days later his story went national, detailing the existence of the Death Master File and its victims.

I made copies of the story and mailed over 100 to old contacts, companies which had interviewed me and turned me down, and every friend and business associate I had. I wanted the momentum of my story to continue spreading, thinking it would eliminate my apparent image of an identity thief and broaden my chances for obtaining a job. I also attached it to every job application I mailed.

I had found a company called Identity Theft Resources and contacted the director, Mr. Jay Foley. Our conversations introduced me to the consequences for those listed—both living and deceased—and the billions of dollars lost each year in fraudulent healthcare claims, tax fraud and identity theft, and medical theft. I learned that my own government had been selling U.S. citizens' personal information through the National Technical Institute for over thirty years.

During that past year we spoke as often as two times a week. I was always calling to share either some bad news or a sliver of good news that happened. He participated in live radio interviews with me on several occasions and was always available for an interview or a speaking engagement. He understood the subject.

During one of our first discussions I asked him why the DMF mistakes happened so frequently. He explained the sources from which SSA collects its death information vary and are often unreliable. Data is filed by different levels of governmental agencies, funeral homes, churches, family members, the CDC, and other sources. The majority of states do not provide the SSA with their death lists so the SSA has to obtain them from other sources.

I asked him to give me a list of what victims could expect. The consequences vary from person to person however all are truly terrifying. An individual mistakenly listed as deceased faces an entirely different situation—proving they are alive. However both the families of a genuine deceased listing and a mistaken listing are both just as vulnerable to identity theft as their personal information is in the public domain. Consequences usually include one or more of the following:

1. Social Security number is deactivated.
2. Government or pension plan benefits cease.
3. Disability benefits cease.

4. Medicare or Medicare coverage is denied.
5. If there is an overpayment made due to the death date, a refund will be requested.
6. Bank, 401K, savings, pension accounts, and credit/debit cards are frozen.
7. Identity theft of all types.
8. Checking and savings accounts, 401Ks, home equity, and pension plans are drained by thieves.
9. Charges on existing credit and charge accounts which you did not make.
10. New credit card and retail accounts established in your name.
11. Major purchases such as homes, cars, vacations, etc.
12. Phones purchased in your name.
13. Utility accounts established in your name.
14. Medical identity theft—someone uses your information to receive medical care from a physician or hospital or receives prescriptions in your name. (Note: this is the most dangerous type of identity theft because the thieves' information is placed into your medical records which can be dangerous and almost impossible to remove.)
15. You receive invoices from doctors or hospitals for services never received.
16. You cannot open a bank, credit/debit card or retail account because your social security number has been deactivated.
17. You will not be able to rent an apartment or buy a home.
18. You will not be able to obtain a job and can lose a job if your employer thinks you are an identity thief.
19. Driver's license may be terminated.
20. Insurance can be terminated.
21. Arrested for crimes committed by others using your identification when caught.
22. Your identity is used by others to obtain jobs, visas or passports. (Note, two of the 9/11 terrorists pulled their American identities from the DMF.)
23. Tax fraud...thieves scour the DMF looking for the names of deceased elderly people and children. They use the identities to file bogus tax returns in early January and claim tax credits and/or bogus W2 forms to claim tax refunds. Although your identity is used, a fake address will be supplied and a debit card or check is issued by the IRS to process your refund. You will never know you have been a victim until you file your tax return and it is sent back stating "duplicate social security number."

Now in my 4th year as deceased, only the second I knew about, Jay asked me a question, one to which I had given a lot of thought over the preceding years.

"Judy, what is the hardest thing you have to deal with on a daily basis?" he asked.

"You mean besides being dead, out of work, being homeless, nearly arrested for using my own debit card?" I said laughingly.

"Yeah, besides all those things, I really want to know."

"The really toughest thing is understanding that a DMF listing is a circular problem."

"I don't understand."

“Jay, it just never ends. You get one company or bank straightened out by supplying them with the proper identification and you get taken off the death list at that company. Then you use them as a reference or someone calls them out of the blue because they are checking you out. The caller asks the questions and the cleared bank tells them you are who you say you are. At that point, the caller says something like, “I have read the record and have spoken with three other firms each of them tell me that Judy Rivers is deceased, and someone has applied for credit 18 times in 24 months.

“Come on, who applies for that much credit if their straight? It just doesn’t happen. I am keeping her on the list as high risk and you may want take a closer look. Then the company does take a closer look and decides maybe I am too much of a risk. After all no one needs that much credit.”

“So what happens is you get one credit or death listing cleared up and then something happens so you’re placed back on the death watch or no credit list with the same company and the company that called is convinced you are an identity thief. Is that what you’re telling me?”

“Exactly, and remember you are the one who told me to keep applying for credit cards because when I received one that would mean I was back in the financial system as alive. You get one place fixed and something pops up somewhere else.”

I paused, “Here’s the funniest incident. The very day I got my first credit card I couldn’t believe it so I went right next door and applied for a card at another department store. I was approved immediately. Two months later I go in and complete an application for a job during the Christmas rush. I receive a letter a week later telling me they cannot validate my information and will not be able to hire me. They give me a credit card, but won’t trust me to work in the store. That starts to break one down after a while.”

After a long pause Jay said quietly, “I have never thought of that but I can easily see how it happens in a dozen different ways.”

“But the worst part is that there is never going to be an end to it. Not as long as my information is floating around out there. It will never be over.”

In May, 2011, Mr. Thomas Hargrove, Investigative Reporter with Scripps Howard contacted me and asked if I would be agreeable to an on camera interview. I said yes. A camera team was sent in.

On July 8, 2011, Scripps Howard ran their first story in a series of stories entitled “Grave Mistakes.” Their print and television stations across the U.S. picked up the story and started running it. I suggest anyone interested in the devastation which follows the Death Master file read this series. It can be found at <http://projects.scrippsnews.com/magazine/grave-mistakes/toc>

As soon as the first story ran, my phone started ringing constantly. I put together a small book with instructions on what to do if. I created a series of scenarios such as Medicare stops, Disability stops; your bank account is wiped out and so forth. After I spoke to people, I would walk them through the steps to take and then mail the guideline to follow. At last, my experiences were able to help someone else.

In May, 2011, Mr. Thomas Hargrove, Investigative Reporter with Scripps Howard contacted me and asked if I would be agreeable to an on camera interview. I said yes. A camera team was sent in. Only July 8, 2011, Scripps Howard ran their first story in a series of stories entitled “Grave Mistakes.” Their print and television stations across the U.S. picked up the story and started running it. I suggest anyone interested in the devastation which follows the Death Master file read this series. It can be found at <http://projects.scrippsnews.com/magazine/grave-mistakes/toc>

As soon as the first story ran, my phone started ringing constantly. The stories were heart breaking.

1. An 83 year old who hadn't received her SSA checks for six months and could pay bills, get medication or buy food.
2. A gentleman lost his job because a medical thief left drug addiction and narcotic medications in his records.
3. A kid arrested twice because a thief had used his social security number when caught in the middle of a robbery.
4. A woman who came home one day to find her house had been sold.
5. The mother of an eighteen year old special needs child who found out that an identity thief used his information to buy a \$400,000.00 house.

If I was close enough I went personally to help. Eventually, I put together a short but comprehensive guide as to the exact steps to take and began mailing it out. Most of them, like myself had no idea what had happened or why. At least my experiences were finally helping someone else.

For me, the battle continued. I was nearly arrested for identity theft for using my own debit card. I was forced to leave the apartment and, as before, could find nothing, anywhere so I had to move back into my car for a six very long weeks.

Meanwhile I had received a student loan after sending every type of identification possible and paying a third of the tuition up front with a hefty monthly payment. Living in a car is not the best place to study. I continued looking for an apartment and a job and finally found a housekeeping position in a small country town which offered room and board. I took it and moved in. It lasted not quite four months.

The lady only paid one month. I left that night with just a few things and the next day went to the courthouse to file a suit against her.

However this time God intervened. A couple from my church saw me in the courthouse discovered my predicament, and offered me a camper which sat on their property as a home until I could find something else. They even helped me move my things out of the woman's home and into the camper and storage. In truth, they saved my sanity and my life.

That was December, 2012 and thanks to their kindness, I am still here and quite comfortable. That didn't clear up the problem of my death. I have confirmed that I was listed on the DMF in January, 2001 and removed shortly after. The report from ChexSystems stated a second listing in 2008 however no agency or individual has ever been able to confirm that and ChexSystems and the bank still refused to give me a copy of the report.

Jay Foley had told me in 2010 to apply for credit cards every week. I would know that I had been placed back into the financial system when I received a credit card. Finally, in May, 2012 I received a card. I stopped at TJMaxx, and as everywhere, applied for a card. I didn't wait for the expected refusal. I walked out of the store and heard someone calling my name. It was the store clerk. She ran to catch up with me, waving an envelope and saying I had forgotten my card.

Astounded, I just stood there. I was barely able to manage a thank you. To prove it was accurate, I immediately went to another department store and applied for a card. It was approved the same day.

I sat in my car and stared at the cards, thinking my problems were over. But that is not how the DMF works. When your information is out there, it's out there for anyone to use. I have in the last two years experienced one incident of attempted identity theft and two successful attempts at medical theft.

Through this five year nightmare as a cyber-ghost and my belief that it is never going to end, I found that I was, in fact, fortunate in my DMF listing.

My research had showed me the most devastating problems which occur by a mistaken DMF listing or even a correct listing. The effects can be tremendous, including financial theft, credit/debit card theft, the unexplained cessation of SSA, SSDI, Medicare, Medicaid, Pension and Insurance benefits. False arrests and the life and death consequences of medical identity theft can completely alter your medical records listing wrong blood types or illnesses and it is nearly impossible to correct medical records due to HIPPA laws.

As I didn't experience most of these problems I realized fortunate I had been.

The Financial Impact of Identity Theft on the Government and the Individual

My research continued to display the staggering financial losses the DMF and Identity Theft cost the government and its victims. I knew the government wasted dollars with an often reckless abandon however the DMF losses were massive that I kept double checking numbers to see if it could possibly be true. Recent examples include:

1. **IG Audit: 6.5 Million People With Active Social Security Numbers Are 112 or Older**
Susan Jones, CNS News, March 9, 2015
<http://m.cnsnews.com/news/article/susan-jones/ig-audit-65-million-people-active-social-security-numbers-are-112-or-older>
2. **Between 2002 and 2012, federal agencies spent more than half a trillion dollars (\$688 billion) on payments that should never have been made.**
Rob Garver, The Fiscal Times, January 15, 2014
Every year, according to their own recordkeeping, the agencies that administer major federal programs are now paying out more than \$100 billion dollars improperly, and even though they're aware of the problem, they recover only a tiny fraction for taxpayers. This adds up to huge losses for the U.S. Treasury.
See more at <http://www.thefiscaltimes.com/Articles/2014/01/15/Feds-Blow-100-Billion-Annually-Incorrect-Payments#sthash.y4ya61tb.mpRAMyt.dpuf>

<http://www.thefiscaltimes.com/Articles/2014/01/15/Feds-Blow-100-Billion-Annually-Incorrect-Payments>
3. **Healthcare fraud is costing American taxpayers up to \$234 billion annually, based on estimates from the FBI. It's no wonder that a stolen medical identity has a \$50.00 street value, according to the World Privacy Forum – whereas a stolen social security number, on the other hand, sells for \$1.00.**
Rick Kam, GovernmentHealthIT, February 8, 2012
<http://www.govhealthit.com/news/glimpse-inside-234-billion-world-medical-id-theft>
4. **Medical ID Theft Cost Americans \$20 billion in 2014**
Krystal Steinmetz, MoneyTalksNews, February 15, 2015
<http://www.moneytalksnews.com/medical-theft-cost-americans-20-billion-2014/>
5. **U.S. Medical ID Theft Cost Jumps To \$41 billion**
Kelly Jackson Higgins, InformationWeek, July 10, 2012

- [http://www.darkreading.com/attacks-breaches/U.S.-medical-id-theft-cost-jumps-to-\\$41-billion/d/d-id/1137996?](http://www.darkreading.com/attacks-breaches/U.S.-medical-id-theft-cost-jumps-to-$41-billion/d/d-id/1137996?)
6. **Medical ID Theft Increased by More Than 20% in FY 2014, Study Finds**
Ihealthbeat, Ponemon Institute, *Clinical Innovation & Technology* reports, February 24, 2015
<http://www.ihealthbeat.org/articles/2015/2/24/report-medical-id-theft-increased-by-more-than-20-in-fy-2014>
 7. **Medical Identity Theft Costs Victims \$13,450.00 Each**
Sara Peters, Information Week, February 24, 2015
[http://www.darkreading.com/medical-identity-theft-costs-victims-\\$13450-apiece/d/d-id/1319210?_mc=sm_dr](http://www.darkreading.com/medical-identity-theft-costs-victims-$13450-apiece/d/d-id/1319210?_mc=sm_dr)
 8. **IRS Paid \$5.8 billion In Refunds To Fraudsters; Will Hit \$21 billion By 2016, GAO Says**
HNGN News, (No author given)
<http://www.hngn.com/articles/69637/20150216/gao-irs-paid-5-8-billion-in-refunds-to-fraudsters-will-hit-21-billion-by-2016.htm>
 9. **IRS estimated it prevented \$24.2 billion in fraudulent identity theft (IDT) refunds in 2013, but paid \$5.8 billion later determined to be fraud.**
GAO Rreport-15-119, Published Jan 20, 2015, Publicly Released Feb 19, 2015
<http://www.gao.gov/products/GAO-15-119>
 10. **Government paid \$600 million in benefits to dead people**
Sam Hananel, Associated Press, September 23, 2011
<http://usatoday30.usatoday.com/money/perfi/retirement/story/2011-09-23/dead-people-receive-benefits/50530466/1>
 11. **Social Security Paid 1,546 Dead People \$31 million -- Deceased Collected Benefits Up to 20 Years**
Elizabeth Harrington, CNS News, July 1, 2013
<http://www.cnsnews.com/news/article/social-security-paid-1546-dead-people-31-million-deceased-collected-benefits-20-years>
 12. **Agencies can't always tell who's dead and who's not, so benefit checks keep coming**
David Farenthold, Washington Post, November 12, 2013
In the past few years, Social Security paid \$133 million to beneficiaries who were deceased. The federal employee retirement system paid more than \$400 million to retirees who had passed away. And an aid program spent \$3.9 million in federal money to pay heating and air-conditioning bills for more than 11,000 of the dead.
http://www.washingtonpost.com/politics/agencies-cant-always-tell-whos-dead-and-whos-not-so-benefit-checks-keep-coming/2013/11/03/5e0b89f6-40be-11e3-a751-f032898f2dbc_story.html

Solution Considerations

I realize that there is no single solution to the many problems created by the Death Master File and still serve the needs of the government and its citizens. What is needed is a carefully developed program that will address each of the problems. Considerations could include:

1. The SSA or other government agency must take responsibility for the accuracy of the database rather than passing the responsibility to users with a weak disclaimer stating that all information

must be verified. Yet no follow up, reviews or penalties are in place to ensure the compliance of that disclaimer.

2. Cleansing of the existing database removing all errors.
3. A verification system to ensure all errors has been eliminated.
4. More efficient and accurate methods of collecting data including narrowing the sources for initial data to ensure reliability.
5. A cross-referencing system for comparison of data to eliminate mistakes before they are placed in the final database.
6. Tighter restrictions on the dissemination and use of the data among internal and external agencies.
7. Regulations requiring every internal agency responsible for monthly payouts, conduct a yearly audit of all recipients' to ensure continued eligibility.
8. Establish low error guidelines and impose strict penalties for those agencies that exceed them and rewards for those who lower than further.
9. A structured protocol for the dissemination and use of data.
10. A Rapid Response Program to inform individuals and agencies of mistakes and to ensure they are corrected within days, not months.
11. Contact the CRA's and banking financial systems directly on behalf of the victim.
12. Impose severe financial penalties to external agencies for not correcting errors within a period of days after receiving notification of them. Those agencies that continue to exceed correction deadlines should be refused use of the database.
13. Create a Rapid Response Assistance program for individuals that have been mistakenly listed or who have experienced any type of identity theft. Provide websites, toll free phone lines, and trained counselors who can cut through the red tape and find solutions quickly for every type of identity theft and mistaken listings.
14. Review relationships and regulations with all financial agencies that utilize the database with stricter guidelines on use and continued distribution of incorrect information. Enforce regulations that require all financial agencies to immediately inform ALL CLIENTS of any errors and have them immediately removed from their databases.
15. Consider regulations that place the burden on the institutions/companies to compensate consumers for damages created by their mistakes.
16. Extend the Statute of Limitations for consumers to litigate distribution of incorrect and harmful information.

Afterword

Thank you for the opportunity to be a part of this investigation and hearing. I am in hopes that this honorable body will finally move forward in creating effective solutions to stop the massive financial losses incurred by government and individuals alike.

It is my greatest hope that you would access every avenue available in eliminating the risks and damage inflicted by the Death Master File on hundreds of thousands of innocent victims, both living and deceased.

No citizen deserves to suffer due to its government's refusal to correct an administrative problem. Even more importantly, I implore you to create an extensive assistance program to resolve victim's problems expeditiously and with as little pain as possible. No one should ever have to live through the same nightmare I have experienced.



Hearing
Before the
Committee on Homeland Security & Governmental Affairs

U.S. SENATE

DEATH AND IMPROPER PAYMENTS

March 16, 2015

Statement of
Sean Brune,
Senior Advisor to the Deputy Commissioner,
Office of Budget, Finance, Quality and Management

**Statement of Sean Brune,
Senior Advisor to the Deputy Commissioner,
Office of Budget, Finance, Quality and Management
Social Security Administration
before the Senate Homeland Security and
Governmental Affairs Committee**

March 16, 2015

Chairman Johnson, Ranking Member Carper, and Members of the Committee:
Thank you for inviting me to discuss the death information we collect and maintain for Social Security purposes and how we share this information with other government agencies. I am Sean Brune, Senior Advisor to the Deputy Commissioner for Budget, Finance, Quality and Management.

We strongly support the Federal government's effort to combat fraud and curb improper payments. Program integrity and the stewardship of trust fund and tax dollars have long been a cornerstone of SSA's mission. The death information we collect serves us well and prevents around \$50 million each month from becoming improper payments. Further, of the around 2.8 million new death reports we add to our records each year, less than half of one percent—just 0.35 percent—are erroneous.

Today, I would like to explain how we obtain death information and how we use it to prevent improper payments in our programs. I would also like to describe how and why we share death information with government and private entities.

Program Overview

We administer the Old-Age, Survivors, and Disability Insurance (OASDI) program, commonly referred to as "Social Security." Social Security is a social insurance program, under which workers earn coverage for retirement, survivors, and disability benefits by working and paying Social Security taxes on their earnings. We also administer the Supplemental Security Income (SSI) program, funded by general revenues, which provides cash assistance to aged, blind, and disabled persons with very limited means.

Few government agencies touch as many people as we do. For instance, we provide services to over 48 million retirement and survivors beneficiaries and about 15 million disability beneficiaries, including eligible family members. We are among the most efficient and effective agencies in the Federal Government—our discretionary administrative costs represent about 1.3 percent of benefit payments that we pay under the OASDI and SSI programs. We will issue nearly one trillion dollars in payments this year.

In addition, we have demonstrated throughout the years that we are effective stewards of program dollars, and have made great strides in minimizing improper payments. For Fiscal Year 2013—the last year for which we have complete data—we estimate approximately 99.8 percent of all OASDI payments were free of overpayment, and nearly 99.9 percent were

free of underpayment. That same year, we also achieved high levels of payment accuracy in the SSI program despite the inherent complexities in calculating monthly payments due to beneficiaries' income and resource fluctuations and changes in living arrangements.

Let me make clear that while we work diligently to correct and pursue them, improper payments do not equate with fraud. Improper payments can occur for a number of reasons, some of which are outside the control of the beneficiary or the agency.¹ Fraud, on the other hand, always involves intent to perpetrate reprehensible conduct. While the incidence of fraud is low, we do not tolerate it. We expend significant resources in our anti-fraud efforts and in support of the Inspector General, who has the chief responsibility to pursue and penalize fraudulent activity. Our efforts focus on, among other things, identifying, preventing, and referring for prosecution any individuals who fraudulently conceal the deaths of people close to them in order to steal Social Security benefits.

Collecting Death Information to Administer Our Programs

We do not generate death information; rather, we collect it from a variety of sources so that we can administer our programs. As noted, we post about 2.8 million new reports of death each year and our records are highly accurate. Of these millions of death reports we receive each year, about 9,000 instances per year (or 0.35 percent) are subsequently corrected. These reports come to us primarily from family members, funeral homes, financial institutions, and States. When we receive information about the death of an individual, we update our records, including the Numident file. The Numident is our electronic database of our records of Social Security Numbers (SSNs) assigned since 1936. This information allows us to stop paying benefits to a deceased beneficiary and establish benefits for survivors. Following a person's death, the Social Security number remains in the Numident but is flagged as deceased so no program fraud can occur. This data is widely used by Federal and state agencies to prevent improper payments.

Experience shows that some sources, including States, family members, and funeral homes, are highly accurate, and we use their reports without further verification to stop payments. For other reports, such as those we receive from a non-family member, we take steps to verify that the beneficiary is indeed deceased before stopping payments. For instance, a Social Security field office employee must contact another source—usually someone in the beneficiary's home, a representative payee, a nursing home, a doctor, or a hospital—to confirm that the person is deceased and, if the date of death affects benefits, to corroborate the reported date of death. If the death report from a source such as a non-family member relates to a person who is not receiving Social Security or SSI benefits, our field office employees do not verify the death report so that they may focus on the critical work of serving Social Security and SSI beneficiaries, processing claims for benefits, and performing program integrity work. However, for reports of deaths for persons not receiving benefits, we do update the Numident with such death information—although we do not always receive reports for individuals who are not receiving benefits.

¹ For example, an extra payday or unanticipated overtime can cause an individual to be unavoidably overpaid.

Electronic Death Registration and Our Records

Over the years, we have made use of technology to improve the accuracy and timeliness of our records and to more efficiently administer our programs. From the inception of Social Security in 1935 through the 1970s, our records were paper based. However, we were early adopters of electronic processes, and began recording information electronically in the 1970s. For example, we created the Numident in 1972, and we automatically added to that database the records of SSNs assigned in 1972 and onward. At the same time, we began a multi-year effort to transcribe to the Numident almost four decades worth of the paper records of SSNs previously assigned.

These efforts certainly improved our records. But the greatest improvements in the accuracy of our Numident records have undoubtedly resulted from our partnerships with the State Bureaus of Vital Statistics—the custodians for birth and death records—through Enumeration at Birth² and Electronic Death Registration (EDR).

Since 2002, we have worked with States to increase the use of EDR, which automates our receipt of death information. EDR replaces States' slower manual process for registering death information, resulting in the transmission of death information to us faster and more accurately. Generally, we receive these death reports within 5 days of the individual's death and within 24 hours after the State receives them. EDR is highly accurate because the States first verify the names and SSNs of deceased individuals against our records before they issue death certificates or actually transmit the death reports to us.

Currently 37 States, the City of New York, and the District of Columbia participate in EDR—for a total of 39 participants. We continue to work with interested States to expand EDR. The Department of Health and Human Services, through the Centers for Disease Control and Prevention (CDC), has responsibility for funding the States to assist in establishing EDR. Within CDC, the National Center for Health Statistics (NCHS) is responsible for collecting and disseminating national vital statistics. The President's FY 2016 budget includes funding for NCHS, a portion of which is to expand EDR. Although three-quarters of the States participate in EDR, implementation varies—some States have no system, while others transmit the majority of their death reports through EDR. Universal implementation of EDR has the potential to virtually eliminate death reporting errors and would ensure that our death records—whether pertaining to current beneficiaries or other persons—include the most accurate and most current information.

Improving Social Security Death Records

In addition to expanding EDR, we have implemented and planned a number of initiatives that will improve our already highly accurate death records. For example, because we know that data entry errors can occur when our employees manually input death reports, some years ago we made changes to our systems to alert automatically our front line employees if they input name and SSN information that does not match the name and SSN in our records.

² Since 1987, we have collaborated with the States to offer parents the convenience of requesting an SSN for their newborn child during the birth registration process. The States send us the information we need to assign the number and issue the card, without the parents needing to visit our offices. Today, the vast majority of births in the US—almost 98 percent—are registered using Enumeration at Birth.

More recently, and in part due to concerns raised in recent audits conducted by SSA's Office of the Inspector General (OIG) and the Government Accountability Office (GAO), we are exploring the legal and technical feasibility, as well as the cost, to establish an automated process to update these records. We will complete our analysis by the end of FY 2015. The good news is that the OIG did not find any Social Security fraud.

In addition, we are designing and implementing a number of initiatives to improve our death reporting processes. These initiatives include systems changes to prevent future discrepancies between data on the Numident file and Social Security payment records, and a monthly match to add death data from SSN records to Social Security payment records.

Most importantly, we continue to make progress on our most comprehensive undertaking to date to improve death data in our records: the complete re-design and overhaul of our Death, Alert, and Control and Update System. Our current system is decades old and needs modernizing. In FY 2014, we implemented the first phase of this death redesign initiative. We developed easy-to-use, web-based data entry screens that direct the user to the correct record and provide robust editing and intelligent drop-down options to enforce policy and improve accuracy. In FY 2015, we will streamline our back-end processing by consolidating the receipt of numerous external death data files for faster, direct posting to the Numident. We have scheduled further enhancements through the end of FY 2016, and plan to continue this investment, contingent on the availability of agency resources, in the following years. In moving forward on these improvements, we are careful to ensure that our investments have the largest possible return for our current and future beneficiaries.

We know there are occasional cases of fraud related to death—cases where, for instance, a family member conceals the death of a beneficiary and continues receiving Social Security payments. We share the public's outrage that such acts can and do occur. However, these cases are extremely rare. For instance, for the five-year period from FY 2009 – FY 2013, improper payments related to death accounted for an annual average of \$32.7 million for Title XVI and an annual average of \$20.8 million for Title II. And, in most cases, we recovered all the money paid in error on a deceased individual's record. For example, in the Title II program, we recovered about 98 percent of these payments.

Sharing Death Information within the Federal Government

There is a framework of laws in place which govern how and with whom we can share death information—among them, the Social Security Act, the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA), and the Freedom of Information Act (FOIA). I would like to touch briefly on how these laws affect us.

Under section 205(r) of the Social Security Act (Act), the State death information we collect and maintain for our programs can only be shared for limited purposes—primarily, to ensure proper payment of federally-funded benefits. Accordingly, we provide all of our death records—including State death data—to nine federal benefit-paying agencies, including, among others, the Centers for Medicare & Medicaid Services, the Veterans Administration, the Department of

Defense, and the Internal Revenue Service. We send this data on a regular basis in electronic format. We may also share the DMF with Federal and State agencies for statistical and research activities. Finally, we use this authority to share death information with Federal and State agencies administering federally-funded benefits and programs, such as the Supplemental Nutrition Assistance Program, Unemployment Insurance, and Temporary Assistance for Needy Families, as well as Medicaid and the Children's Health Insurance Programs. In FY 2014, we provided over 1.1 billion SSN verifications to these agencies.

Section 7213(a) of the IRPTA requires us to provide indications of death in the SSN verifications we carry out for employers and State drivers' licensing agencies, and authorizes us to add such indications to other SSN verifications. This IRTPA provision explicitly permits us to share indications of death—although we cannot share dates of death—for these SSN verifications.

Death Information and the Do-Not-Pay Portal

Treasury's Do Not Pay portal is an important part of the Administration's efforts to prevent, reduce, and stop improper payments while protecting citizens' privacy. By using the portal, Federal agencies can carry out a review of available databases with relevant information on eligibility before they release any Federal funds. Under current law, we are not authorized to provide State death information to the Department of Treasury's Do Not Pay portal. That said, we strongly support this Committee's work to support the President's Do Not Pay initiative. Both the Improper Payments Elimination and Recovery Act of 2010 (P.L. 111-204, July 22, 2010), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (P.L. 112-248, Jan. 10, 2013), developed by this Committee, strengthened and broadened the Administration's efforts to help prevent improper payments in Federal programs. The President's FY 2016 budget would further protect Federal payments by granting us the legal authority to share all our death information, including data from the States, with the Do Not Pay portal. We note that S. 614—introduced by Ranking Member Carper, co-sponsored by Chairman Johnson, and recently considered by this Committee—similarly focuses on this gap. We look forward to working with the Committee on this important proposal to ensure the language accomplishes this goal.

In the meantime, we will continue to share our non-State death data with the portal. This file is sometimes referred to as the "Death Master File" or "public Death Master File" or simply "DMF." This file has a unique history and related issues, which I would like to discuss briefly.

History of the Publicly Available Death Master File

FOIA gives the public the right to access information from the Federal government. As a result of a FOIA lawsuit, *Perholtz v. Ross*, since 1980 we have been mandated to release to the public certain death information maintained by SSA.³ As we received more and more requests for this information, we created the DMF, an electronic file that we could easily make available to FOIA requesters. Since 1992, we have provided the DMF to the Department of Commerce's National

³ In 1983, Congress added the previously mentioned subsection (r) to section 205 of the Act, which exempted State death data from disclosure under FOIA. As a result, we cannot release State death data on the DMF.

Technical Information Service (NTIS) to distribute on our behalf. We chose NTIS because it functions as a federal clearinghouse for a wide array of government data. NTIS's customers include life insurance companies, State agencies, and financial institutions that need death information to stop paying benefits to deceased individuals and pay benefits to survivors of insured persons.

Recent Changes to the Law to Protect Death Information from Misuse

Although the public release of this information, which must be released under the *Perholtz* court order, helps to prevent fraud in government and private programs, unsavory individuals may also use this information to commit fraud. For example, some have used the information to file fraudulent tax returns claiming recently deceased children as dependents. As instances of such fraud increased, Congress and the Federal agencies also became increasingly concerned.

Thanks to this Committee's strong support of reforms included in the Bipartisan Budget Act of 2013, fraud based on the public file is anticipated to be reduced. That legislation delays the release of a deceased individual's information on the public DMF for three years after he or she dies, during which period it is exempt from release under FOIA. Only certain NTIS subscribers, such as private insurance companies and banks, that self-certify as having a legitimate business purpose or fraud prevention interest for the information—and having sufficient protections in place to safeguard the information—are permitted to pay for and receive the file without delay. Federal agencies can also receive the file without delay.

Conclusion

We appreciate Congress' interest in working with us to protect our fellow Americans and their resources. We stand ready to assist Congress to take the next steps to curb improper payments and fraud. We would support legislation to add the full file of death information to the Do Not Pay portal and would appreciate the Congress' support for nation-wide implementation of the EDR system.

Thank you for inviting me to testify and I would be happy to answer any questions.

United States Senate
Committee on Homeland Security and Governmental Affairs



Statement for the Record

**Examining Federal Improper Payments and Errors
in the Death Master File**

The Honorable Patrick P. O'Carroll, Jr.
Inspector General, Social Security Administration

March 16, 2015

Good afternoon, Chairman Johnson, Ranking Member Carper, and Members of the Committee. Thank you for the invitation to testify today, to discuss Federal agencies' efforts to reduce improper payments, with a focus on the Social Security Administration's (SSA) death data. Eliminating improper payments continues to be a critical undertaking for the Federal Government, as agencies explore methods to improve payment accuracy and prevent wasteful spending.

Improper Payments

Federal agencies reported more than \$124 billion in improper payments in fiscal year (FY) 2014—a significant increase from FY 2013, when agencies reported \$106 billion in payment errors.¹ This upturn, the first in recent years, is a stark reminder that as Government employees, our primary goal must be to ensure that taxpayer dollars are spent wisely and effectively and that government benefits are administered correctly. Improper payments can refer to a number of government transactions, but at Social Security we are primarily concerned with benefits paid to ineligible individuals. Improper payments occur for many reasons—certainly fraud, but also poor understanding of reporting responsibilities or inability to report, administrative errors, and other reasons. Moreover, it's important to consider that not all improper payments are overpayments; underpayments are also considered improper.

Federal agencies and their inspectors general have worked closely with the Office of Management and Budget and the Treasury to identify and reduce improper payments in recent years. Congress most recently passed the *Improper Payments Elimination and Recovery Improvement Act* in 2012, which included a "Do Not Pay" provision. The initiative calls for agencies to review available databases of deceased or ineligible individuals—such as SSA's Death Master File (DMF)—to prevent improper payments by verifying recipient eligibility before releasing Federal funds. To identify and prevent its own and other agencies' improper payments, SSA must collect and maintain accurate death records.

Death Master File

SSA creates a "Numident" record for each person issued a Social Security number; the Agency then annotates that record with a death indicator when that person dies and SSA is notified. Because of a 1978 *Freedom of Information Act* (FOIA) lawsuit—*Perholtz vs. Ross*—SSA in 1980 was required to make records of deceased Social Security numberholders available to the public; the result was the creation of the DMF, an extract of Numident data. Each DMF record usually includes the following: Social Security number (SSN), full name, date of birth, and date of death. SSA does not receive death information for all individuals, thus SSA does not guarantee the DMF's completeness. A person's absence from the file does not necessarily mean the person is alive.

SSA provides a "public" version of the DMF to the Department of Commerce's National Technical Information Service (NTIS), which sells the data to public and private entities—government, financial, investigative, credit reporting, and medical customers. Those customers use the data to verify deaths and to prevent fraud, among other uses. The "public" DMF contains more than 88 million records.²

¹ GAO, *Opportunities to Reduce Fragmentation, Overlap, Duplication, and Improper Payments and Achieve Other Financial Benefits*, March 2015.

² In November 2011, SSA changed the DMF records it provides to NTIS. The *Social Security Act* prohibits SSA from disclosing state death records the Agency receives through its contracts with the states, except in limited circumstances.

SSA also distributes a “public plus state” version of the DMF under agreements with nine benefit-paying Federal agencies, including the Centers for Medicare & Medicaid Services and the Internal Revenue Service³. The “public plus state” DMF contains more than 100 million records.

The OIG has conducted significant audit work and made many recommendations related to the DMF to ensure that SSA improves the accuracy of its death data to make proper payments, and protects personally identifiable information and death data to prevent potential misuse.

Death Master File Accuracy

We recently issued a report that raises questions about the completeness of the DMF, which, as I mentioned, certain benefit-paying agencies and other public and private entities depend on to ensure payment accuracy and reduce fraud. As [the report](#) details, our auditors identified 6.5 million numberholders age 112 or older who did not have death information on the Numident.⁴ We initiated this review after a financial institution reported a man opened bank accounts with several different SSNs, two of which belonged to numberholders born in 1886 and 1893; while the numberholders were likely deceased, neither Numident record contained a date of death and, thus, the records would not appear on the DMF.

SSA issued a vast majority of these SSNs (about 6.4 million) to individuals—who had not previously been issued an SSN—when they or their family members filed benefit claims *before* 1972. They were likely born before SSA was established in 1935, had earnings and contributed to Social Security, and then needed an SSN so they, or their family members, could file a benefit claim. SSA did record dates of death on about 1.4 million of the numberholders’ payment records, but did not record the deaths on any of the numberholders’ Numident records, so they were not included on the DMF.

Almost all of the 6.5 million numberholders were, in fact, born before June, 1901, did not have recorded earnings, and did not receive payments from SSA, so these individuals were very likely deceased. Their absence from the DMF could result in erroneous payments made by Federal benefit-paying agencies that rely on the DMF to verify recipient eligibility, and it could also hinder State and local government and private industry—banks, insurance companies, and others—from identifying identity theft and other types of fraud.

Also, we matched the 6.5 million SSNs against SSA’s Earnings Suspense File (ESF)—the Agency’s repository for unmatched wage reports—and E-Verify—the Department of Homeland Security (DHS) program that determines if newly hired employees are authorized to work in the United States. The match identified thousands of instances of potential SSN misuse. For example, we determined that:

- SSA transferred to the ESF about \$3.1 billion in earnings reported under about 67,000 of the SSNs, from tax years 2006 through 2011.

³ This Committee recently voted out S. 614, the *Federal Improper Payments Coordination Act of 2015*, that would expand the availability of the Do Not Pay Initiative to include access to the databases States, their contractors, subcontractors, or agents of a State, and the Federal judicial and legislative branches.

⁴ In September 2014, the Gerontology Research Group reported that 42 known living individuals worldwide reached age 112.

- SSA received 4,000 E-Verify inquiries using SSNs of about 3,900 numberholders, during calendar years 2008 through 2011.

We made several recommendations to SSA to update the records we identified and resolve these discrepancies. The Agency said it would explore the legal and technical feasibility, and the cost, to establish a process to update about 5 million Numident records identified without a death entry, by the end of FY15. However, SSA said updating the remaining 1.4 million Numident records, based on old payment record information, would be time-consuming, possibly lead to inaccurate Numident information, and detract from its ability complete other mission-critical work.

These 6.5 million numberholders might not receive Social Security payments, and overpayments might not occur, but their absence from the DMF represents a significant void in SSA's death records.

It is equally important that appropriate controls protect living individuals who are mistakenly listed as deceased in SSA's records, and ensure DMF accuracy. In a [2011 follow-up report](#), we examined whether SSA took corrective actions we made in a 2008 report on the DMF. In the 2008 report, we determined that, over a three-year period, SSA's publication of the DMF had resulted in the potential exposure of personal information for more than 20,000 people who were erroneously listed as deceased.

At the time of the 2011 report, SSA did not implement two OIG recommendations:

- SSA did not attempt to limit the amount of data included on the DMF, citing the *Perholtz* consent judgment and potential litigation under FOIA. SSA added that a deceased individual does not have a privacy interest, according to FOIA.
- SSA did not implement a risk-based approach for distributing DMF information, so that the Agency could identify and correct erroneous death entries before releasing the records.

Since then, however, progress has been made to limit personally identifiable information on the DMF and ensure file accuracy. In November 2011, SSA removed the deceased's last known state and zip code of residence from the public DMF. Also, the *Bipartisan Budget Act of 2013* calls for Commerce's NTIS to delay including an individual's death information on the public DMF for three years after the death—to reduce potential instances of fraud and identity theft. NTIS, though, could "certify" certain entities and grant them immediate access to the public DMF, without delay, for legitimate anti-fraud or business purposes. Certified users could be audited periodically and fined or assessed other penalties if they've disclosed information inappropriately or misused the data. NTIS is currently finalizing the certification program for access to the public DMF.

According to SSA, there are fewer than 1,000 cases each month in which a living individual is mistakenly included on the DMF. SSA has said that when the Agency becomes aware it has posted a death report in error, SSA moves quickly to correct the situation, and the Agency has not found conclusive evidence of past data misuse attributed solely to these errors. However, we remain concerned about this issue, because erroneous death entries can lead to benefit termination—and government underpayments—and cause severe financial hardship and distress to affected individuals.

We have long believed that public DMF updates, some with SSNs belonging to living people, are a potential source of information that would be useful in perpetrating SSN misuse and identity theft. We

are encouraged by the steps to limit certain personal data on death records and to delay the inclusion of death data on the public DMF; we believe these steps could mitigate the issues described.

Payment Accuracy

The completeness and integrity of SSA's death records can help reduce improper payments across the government; of course, we also believe the Agency must accurately process the death reports it receives to timely terminate payments to deceased beneficiaries and avoid overpayments. SSA receives about 2.5 million death reports each year from many sources, including family members and funeral homes. In addition, SSA obtains death information from other Federal agencies, including the Departments of Health and Human Services and Veterans Affairs (VA), as well as from State agencies. However, depending on the source of the death information, SSA must verify the accuracy of the death information before it can terminate benefits. SSA collects and processes death data through its Death, Alert, and Control Update System (DACUS) and is currently making enhancements to this system to improve its recordkeeping.

SSA also continues to work to expand the use of Electronic Death Registration (EDR). Under EDR, SSA verifies the deceased's name and SSN with the State at the beginning of the death registration process, thereby allowing SSA to take immediate action on the deceased's benefits without needing to verify the accuracy of the death report. Currently, 39 vital statistics jurisdictions—37 States, the District of Columbia, and New York City—out of 57 total, have implemented EDR.

We regularly review SSA's progress in limiting improper payments to deceased individuals. In a [2013 report](#), we found SSA paid about \$31 million to more than 1,500 beneficiaries that had death certificate information on the Numident, a reliable indicator the beneficiary was deceased.⁵ At the time, we recommended to SSA systems enhancements that could prevent these errors; SSA now matches its two payment databases against the Numident every month to process appropriate benefit terminations due to death, recover overpayments, and refer fraud allegations to the OIG. This is a high-priority issue, thus we conduct this type of audit every three to five years, with a focus on limiting improper payments to the deceased. In fact, we've planned a follow-up report to identify deceased beneficiaries with inconsistent death data on the Numident and SSA's payment records.

Our auditors have also done innovative work to help the Agency reduce improper payments to the deceased. In [2012](#), we showed that a match of SSA and Medicare data could allow SSA to identify deceased beneficiaries based on their enrollment in, but non-usage of, Medicare. Based on an OIG recommendation, SSA recently established the Medicare Non-Utilization Project (MNUP) to exchange data with the Centers for Medicare & Medicaid Services to identify deceased beneficiaries, terminate benefits, and refer suspected fraud to the OIG.

Deceased Payee Fraud

Recently, our special agents have completed a significant number of investigations of individuals who have concealed a family member or other person's death to collect the deceased's Social Security benefits. Specifically, in FY14, we completed investigations on about 630 people who misused benefits

⁵ We conducted the same review [in 2009](#) and found that SSA paid about \$40 million to more than 1,700 deceased beneficiaries.

intended for the deceased, and those investigations generated more than \$55 million in recoveries, restitution, and projected savings to SSA.⁶

This is a high investigative priority; these cases can lead to significant SSA recoveries and projected savings, and Federal prosecution efforts help deter others from committing this crime. SSA attempts to verify aged beneficiaries are still alive through the MNUP, as just described, and the Centenarian Project⁷; when SSA can't contact the beneficiary or has suspicions about the beneficiary's whereabouts, the Agency refers the case to us for investigation.

- After receiving a MNUP referral from the Quincy, Massachusetts SSA office, we investigated Mary Murphy, whose mother, a Social Security widows' beneficiary, died in October 1977. From November 1977 through December 2013, Murphy converted to her own use her mother's Social Security and Federal civil service widow's benefits.

In October 2014, after Murphy, 63, pleaded guilty to government theft, a judge sentenced her to 18 months' home confinement, and ordered her to repay \$206,000 to SSA and \$143,000 to the U.S. Office of Personnel Management, along with a \$40,000 fine. Murphy made full restitution of about \$350,000 at her sentencing.

- After receiving a Centenarian Project referral from the Phoenix, Arizona SSA office, we investigated Charles Linton, whose mother, a Social Security and VA beneficiary, died in February 1997. The investigation revealed Linton continued to receive and convert to his own use the government benefits intended for his deceased mother.

In February 2015, after Linton, 68, pleaded guilty to government theft, a judge sentenced him to eight months in prison and ordered him to repay \$205,000 to SSA and \$22,000 to VA.

Conclusion

As I've described, complex issues surround the processing and utilization of SSA's death records; however, it's simple to see that, above all, SSA must strive to maintain complete and accurate death records, regardless of their use.

The OIG has done significant work and made many recommendations to help SSA ensure DMF accuracy and protect individuals' personal information from fraud and abuse, with the ultimate goal of improving SSA's and other Federal agencies' payment accuracy. At the same time, we're focused on pursuing deceased payee fraud—and developing tools to prevent this crime—to recover and prevent SSA overpayments.

We'll continue to work with SSA and your Committee to address the issues discussed today. Thank you again for the invitation to participate in this discussion. I am happy to answer any questions.

⁶ The OIG completed deceased payee fraud investigations on 359 people in FY13, and 367 people in FY12.

⁷ Through the Centenarian Project, SSA interviews beneficiaries who are at or near age 100, or the beneficiaries' representative payees, to verify the beneficiary is alive.

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET**
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**Testimony of David Mader
United States Controller, Office of Management and Budget
before the
Senate Committee on Homeland Security and Governmental Affairs
March 16, 2015**

Thank you Chairman Johnson, Ranking Member Carper, and distinguished members of the Committee, for inviting me here today to discuss the Federal Government's ongoing efforts to prevent, reduce, and recapture improper payments. I appreciate the opportunity to provide an update on this important topic. Our partnership with the Congress and consultation with the Government Accountability Office (GAO) over the years has been vital to these efforts and most recently we appreciate the Congress' support for Health Care Fraud and Abuse Control (HCFAC) funding provided in the Fiscal Year (FY) 2015 Budget.

While not all improper payments are fraudulent or represent a loss to the Government—improper payments are payments made to the wrong entity, in the wrong amount, or for the wrong reason—improper payments compromise taxpayers' trust in their Government.

Addressing improper payments is a central component of the Administration's overall efforts to eliminate waste, fraud, and abuse. When the President took office in 2009, the improper payment error rate was 5.42%, an all-time high. Since then, the Administration, working together with the Congress, has made progress by strengthening accountability and transparency through annual reviews by agency Inspectors General, and expanded requirements for high-priority programs such as the requirement to report supplemental measures and program information on paymentaccuracy.gov. As a result of this concerted effort, in FY 2013 OMB reported that the Government-wide improper payment rate was 3.53%.

During the period reflected in FY 2014 Agency Financial Reports (AFR), we experienced improper payment rate increases in major programs including Medicare Fee-for-Service, Earned Income Tax Credit (EITC), Medicaid, Unemployment Insurance (UI), and Supplemental Security Income (SSI). Over the same period, other major programs experienced improper payment rate decreases including Medicare Part C, the Supplemental Nutrition and Assistance Program (SNAP), and Public Housing/Rental Assistance. Additionally, the Department of Defense (DoD) has taken steps to improve improper payment sampling and estimations for the Defense Finance and Accounting Services (DFAS) Commercial Pay program to implement recommendations made by GAO.¹ As a net, these changes resulted in a Government-wide improper payment rate of 4.02%² or \$125 billion. Notwithstanding this rate, agencies recovered

¹ Significant Improvements Needed in Efforts to Address Improper Payment Requirements, GAO-13-227.

² DoD's commercial payments were first included in the Government-wide rate in FY 2013. When the DoD commercial payments are excluded from the Government-wide figures, the FY 2013 rate is 4.00 percent and the FY 2014 rate is 4.46 percent.

roughly \$20 billion in overpayments through payment recapture audits and other methods in FY 2014.

While progress has been made over the years, the time has come for a more aggressive strategy to reduce the levels of improper payments we currently are seeing.

Current Administration Efforts

The President's FY 2016 Budget

The current levels of improper payment errors are unaffordable and unacceptable. That is why this Administration has proposed to make significant investments in activities to ensure that taxpayer dollars are spent correctly, by expanding oversight in the largest benefit programs and investing in the Internal Revenue Service (IRS) tax compliance and enforcement activities.

Over the years, this Administration has worked with the Congress on legislation including the Improper Payments Elimination and Recovery Act of 2010 (IPERA), P.L. 111-204, and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), P.L. 112-248. These laws have provided agencies new tools and techniques to prevent, reduce, and recover improper payments. In addition, we look forward to continuing to work with this Committee on its efforts in this area, including on the proposals from the President's FY 2016 Budget to provide access to information for use by Federal and State agencies to further reduce improper payments.

The President's FY 2016 Budget provides additional opportunities to build on Congressional and Administration action to reduce improper payments. There is compelling evidence that investments in administrative resources can significantly decrease the rate of improper payments and recoup many times their initial investment. The Social Security Administration (SSA) estimates that continuing disability reviews conducted in FY 2016 will yield net Federal program savings over the next 10 years of roughly \$9 on average per \$1 budgeted for dedicated program integrity funding, including the Old Age, Survivors, and Disability Insurance Program (OASDI), SSI, and Medicare and Medicaid program effects. Similarly, for HCFAC program integrity efforts, the Centers for Medicare & Medicaid Services (CMS) actuaries conservatively estimate approximately \$2 is saved, or payments averted, for every additional \$1 spent. Investments in IRS enforcement activities recoup roughly \$6 for every \$1 spent.

Examples of proposals that are in the FY 2016 Budget include:

- A robust package of Medicare and Medicaid program integrity proposals to: (1) prevent fraud and abuse before they occur; (2) detect fraud and abuse as early as possible; (3) more comprehensively enforce penalties and other sanctions when fraud and abuse occur; (4) provide greater flexibility to the Secretary of the Department of Health and Human Services (HHS) to implement program integrity activities that allow for efficient use of resources and achieve high returns-on-investment; and (5) promote integrity in Federal-State financing.

- Strategic reinvestments in the IRS, reversing the sharp funding reductions of recent years to help increase audit and collection coverage and reducing the deficit through a program integrity cap adjustment of \$667 million. This multi-year effort is expected to generate \$60 billion in additional revenue over the next ten years at a cost of \$19 billion, thereby reducing the deficit by \$41 billion. Coupled with the funding request, the Budget includes several legislative changes to reduce improper payments associated with the EITC. Specifically, giving the IRS explicit authority to regulate paid tax preparers, who prepare well over half of all EITC returns; a proposal to accelerate employer filing of tax information (e.g., W2s) so the IRS can do more data matching in real time, thus facilitating tax administration generally, as well as, resulting in savings for the EITC; and providing additional authority to the IRS to correct readily-identifiable EITC errors without an audit.
- An equally robust package of Social Security program integrity proposals to: (1) detect, prevent, and recover improper payments; (2) ensure only those eligible for benefits continue to receive them; (3) hold fraud facilitators liable for overpayments with interest; and (4) provide better wage and asset data for the prevention and recovery of improper payments or duplicative payments.
- A proposal to expand the Department of Labor's (DOL) initiative to conduct Reemployment and Eligibility Assessments and Reemployment Services (REA/RES), which is an evidence-based approach that reduces improper payments and speeds reemployment. The Budget also proposes to mandate state participation in the State Information Data Exchange System (SIDES), which would help reduce improper payments caused by inadequate separation information, one of the largest root causes of improper payments in the UI program.
- Improving payment accuracy by further sharing available death data across Government agencies to prevent improper payments. This proposal provides the Do Not Pay (DNP) system at Treasury access to the SSA's full death data, including data from states, to prevent, identify, or recover improper payments and expands the use of the DNP system to states, to improve the integrity of federal benefit programs administered by the states. Furthermore, we would like to continue efforts to explore additional data sources for the DNP system.

Improper Payments Guidance and Annual Reviews

In addition to working with the Congress on the President's Budget proposals, we are taking administrative action now where we can. A key element of that effort is the recently revised Office of Management and Budget (OMB) Circular No. A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, in which agencies were instructed to re-examine improper payment reduction strategies on a number of fronts Government-wide. This new guidance was issued on October 20, 2014, and provides a strategy to agencies and Inspectors General on key improper payment activities. The goal of this new A-123, Appendix C, guidance is to have a deeper understanding of root causes, the effectiveness of our efforts to date, and improve the completeness of the Government-wide estimate. Specifically, the new guidance helps agencies to:

- Re-evaluate, intensify, and expand existing corrective action plans for areas of noncompliance with improper payment laws. As part of this effort OMB is specifically working with agencies to intensify efforts to increase the number of agencies that are compliant with improper payment requirements by focusing on the Annual IPERA Compliance Report recommendations and conducting a careful analysis of program-specific corrective actions to identify programs with the highest return-on-investment or potential for substantially reducing improper payments.
- Improve the completeness, accuracy, and statistical validity of improper payment estimates. This effort includes directing agencies to update their improper payment sampling and estimation plans to incorporate refinements based on previous improper payment rate results, and recommendations from Inspectors General, GAO, or OMB.
- Consider criteria provided by OMB in determining whether payment recapture audits are cost-effective, such as the likelihood that the overpayment will be recaptured or the likelihood that the expected recoveries will be greater than the costs incurred to identify and recover the overpayment.
- Develop plans to provide reasonable assurance that internal controls over improper payments are in place, and to consider engaging with their Inspector General to obtain independent feedback and foster continuous improvement in program integrity.
- Establish new categories for reporting improper payments that will lead to more effective corrective actions at the program level. These new detailed categories will help agencies tailor their corrective actions to the different types of improper payments that occur within their programs (See Matrix of Improper Payment Categories table below).

| Reason for Improper Payment | | Program A | |
|--|---|--------------|---------------|
| | | Overpayments | Underpayments |
| Program Design or Structural Issue | | | |
| Inability to Authenticate Eligibility | | | |
| Failure to Verify: | Death Data | | |
| | Financial Data | | |
| | Excluded Party Data | | |
| | Prisoner Data | | |
| | Other Eligibility Data (explain) | | |
| Administrative or Process Error Made by: | Federal Agency | | |
| | State or Local Agency | | |
| | Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars) | | |
| Medical Necessity | | | |
| Insufficient Documentation to Determine | | | X |
| Other Reason (a) (explain) | | | |
| Other Reason (b) (explain) | | | |
| TOTAL | | | |

Our goal is not only to provide guidance to agencies on compliance requirements, but also to transform our efforts to fully measure risk exposure and execute aggressive corrective actions that will continue to move the needle on reducing estimated improper payment rates. We will complement guidance efforts by creating a new review process to fully integrate the review of

agency management processes and resource levels. The review process will help improve operational efficiency and the cost effectiveness of agency management functions by using data analysis to drive performance based decision-making. The review process will provide OMB and agency leadership a forum to conduct a data driven structured discussion on long-term strategic challenges, such as improper payments. These discussions will provide value to all agencies beginning this spring and summer.

In addition to these Government-wide initiatives, on February 26th, 2015, the Director of OMB sent letters to agency heads in the four agencies (DOL, HHS, SSA, and Treasury) that have the largest high-priority programs. This direction requires early implementation of the OMB Circular A-123, Appendix C requirements described below by April 30th, 2015, for specific programs that contributed the largest amount to the Government-wide improper payment error rate in FY 2014. The direction requires that each agency conduct the following analysis and present it to OMB:

- Re-evaluate and expand existing corrective action plans that describe root causes and establish critical path milestones to meet improper payment reduction targets for each program in question.
- Review the new categories for reporting improper payments and fill out the category matrix found in OMB Circular A-123, Appendix C based on the FY 2014 estimate for the specific program in question. While we are not requiring most agencies to complete this matrix until FY 2015 reporting is due (with FY 2015 AFR/PAR), we believe it is crucial for OMB to have this level of granularity for these programs sooner to better inform a more effective strategy for reducing improper payments. These new categories for reporting improper payments will lead to more effective corrective actions at the program level.
- Provide a narrative of thoughtful analysis linking agency efforts in establishing internal controls and reducing improper payments. This narrative will deliver plans to provide reasonable assurance that effective internal controls over improper payments are in place.

OMB also has requested that each of these agencies consider engaging their Inspector General to develop a Cooperative Audit Resolution and Oversight Initiative to obtain independent feedback and foster continuous improvement in program integrity. In addition, this Initiative could be used to develop interim measures to gauge progress.

MITRE, a not-for-profit company which operates the Center for Enterprise Modernization, a Federally Funded Research and Development Center (FFRDC) sponsored by the Department of Treasury and IRS, and co-sponsored by the Department of Veterans Affairs, has initially embarked on an independent effort to conduct an independent research project that will focus on Government-wide payment integrity and improper payments. MITRE's work will center on assessing improper payment trends and more importantly analyzing improper payment root causes and best practices available to improve program integrity. MITRE's proposed research project will develop a set of strategic recommendations and concrete steps the Government could take to improve the improper payment rate.

Data Analytics to Reduce Improper Payments

Under this Administration, we have focused on increased use of technology and sharing data to address improper payments. The effective use of data analytics also provides insight into methods of improving performance and decision-making capabilities.

Most significantly, on January 10, 2013, the President signed IPERIA into law, which includes requirements for the increased use of technology to combat improper payments. IPERIA complemented the Administration's Do Not Pay Initiative and mandated pre-payment and pre-award checks to prevent improper payments before they occur. To support IPERIA implementation, OMB provided the Congress a plan for agencies to integrate the required databases and a plan for improving the data quality of death data maintained by the SSA. Agencies are making progress in executing these plans. Most notably, the SSA, which has for many years collected death data from multiple sources including states, reported that it prevented about 356,000 improper payments in the OASDI program totaling almost \$450 million between January and September of 2014. SSA has been successful in utilizing death data to prevent improper payments before they occur, and seeks to further improve its data by addressing recommendations that SSA's Inspector General has offered. We look forward to working with the Congress on providing more agencies access to the full death data available and in continuing efforts to explore additional data sources for the Do Not Pay Initiative.

Other examples of agencies using data analytics to prevent improper payments include the CMS Fraud Prevention System (FPS), a state-of-the-art predictive analytics technology used to identify and prevent fraud in the Medicare program; DOL's UI Integrity Center of Excellence, a Federal-State partnership that facilitates the development and implementation of UI integrity tools by the states, and shares best practices in the detection and reduction of improper payments; and the General Services Administration (GSA) is developing a collection of data analytic tools to assist agencies in monitoring and preventing improper payments in Government charge card programs.

Conclusion

Improper payments remain a priority for this Administration. Although progress has been made, much remains to be done and we need your help. We look forward to working with the Congress to pass the provisions within the President's FY 2016 Budget I have mentioned today and expect additional progress as OMB executes our new improper payments guidance and review process over the course of FY 2015. We are confident our strategy will yield results for the taxpayer. I appreciate the attention this Committee and the Congress dedicates to preventing improper payments, along with the efforts of the GAO, the Inspectors General community, and agencies. I remain committed to achieving our mutual objective of achieving payment accuracy and integrity in Federal programs.

Thank you again for inviting me to testify today. I look forward to answering your questions.

United States Government Accountability Office



Testimony
Before the Committee on Homeland
Security and Governmental Affairs,
U.S. Senate

For Release on Delivery
Expected at 4:00 p.m. ET
Monday, March 16, 2015

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

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 bertoniid@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.

United States Government Accountability Office

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 |

| Fiscal year 2014 reported improper payment estimates | | | | |
|--|---|-----------------------|------------------------------------|--|
| Program | Agency | Dollars (in millions) | Error rate (percentage of outlays) | Examples of reported root cause(s) |
| 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 ⁸ |
| Medicare Prescription Drug (Part D) | HHS | 1,931 | 3.3% | Administrative and documentation errors |
| School Lunch | USDA | 1,748 | 15.3% | Not reported ⁸ |
| 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

⁸In 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 2013.⁹ The increase in the 2014 estimate is attributed primarily to increased error

⁹In 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).

¹¹GAO-14-737T.

¹²GAO-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 IPERA, 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.

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- **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.

²¹GAO-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).

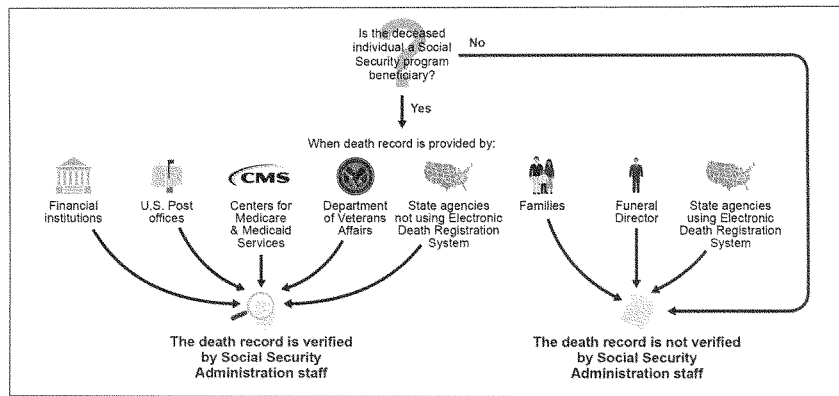
²⁹GAO, *Social Security Death Data: Additional Action Needed to Address Data Errors and Federal Agency Access*, GAO-14-46 (Washington, D.C.: Nov. 27, 2013).

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

³²GAO-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.

³⁵GAO-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
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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.

**FEDERAL IMPROPER PAYMENTS
TOTALS BY YEAR - IN BILLIONS**

| <u>FY09</u> | <u>FY10</u> | <u>FY11</u> | <u>FY12</u> | <u>FY13</u> | <u>FY14</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| \$109 | \$120.6 | \$115.3 | \$108 | \$106 | \$124.7 |

Insert – Page 79, line 20 –

SSA does not have a cost estimate for verifying each and every death that has been reported to us. We do not have a business purpose to verify the deaths of individuals not receiving benefits; we consider this non-mission work. In addition, we have no process in place to initiate such a verification because we do not maintain contact information for non-beneficiaries.

However, as a result of the OIG's recent audit, we have begun analyzing the 6.5 million records they identified and will begin developing an estimate after we have more information. Although we do not know how much time each case might take, we can assume that we would not be able to verify the vast majority of the records. These records are decades old and we may not have the exact location of death in order to know even which State to contact when developing for death.

Although we do not have a cost estimate, we are providing two hypothetical scenarios, assuming each case will take either one hour or five hours to complete. These scenarios illustrate the resources that could be required if we have to review and process all 6.5 million cases manually.

- One-hour per case, for 6.5 million cases, would cost the agency about \$600 million.
- Five-hours per case, for 6.5 million cases, would cost the agency about \$3 billion.

Of course, this cost range of \$600 million to \$3 billion applies only to the 6.5 million very old cases the OIG identified. We estimate that there are approximately 70 million records in our files that are unverified. Thus, we might expect the costs to verify these records to be as much as ten times as great – that is, \$6 billion to \$30 billion.

Insert – Page 98, line 25 –

In Fiscal Year 2014, we received almost 2.6 million SSN verification requests through EDR. Of those, 2.3 million records verified successfully on the first try. There were about 275,000 failures, the majority of which (about 230,000) were caused because the names did not match.

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Statement for the Record

submitted by

Patricia W. Potrzebowski, Ph.D.

on behalf of

National Association for Public Health Statistics and
Information Systems

for

U.S. Senate
Committee on Homeland Security and
Governmental Affairs

March 16, 2015

Mr. Chairman and Members of the Committee—

The National Association for Public Health Statistics and Information Systems (NAPHSIS) welcomes the opportunity to provide the Senate Committee on Homeland Security and Governmental Affairs this written statement for the record on vital records and specifically, the reporting and electronic verification of deaths. Established in 1933, NAPHSIS is a non-profit membership organization representing the 57 vital records jurisdictions that collect, process, and issue vital records in the United States, including the 50 states, New York City, the District of Columbia and the five territories. NAPHSIS coordinates and enhances the activities of the vital records jurisdictions by developing standards, promoting consistent policies, working with federal partners, and providing technical assistance.

Vital Records Serve Important Civil Registration Function

Vital records are permanent legal records of life events, including live births, deaths, fetal deaths, marriages, and divorces. Their history in the United States dates back to the first American settlers in the mid-1600s, and in England as early as 1538.¹ More than 8 million vital events were recorded in the United State in 2009.²

Many organizations and millions of Americans use these records—or certified copies of them—for myriad legal, health, personal, and other purposes.

- Birth certificates provide proof of birth, age, parentage, birthplace, and citizenship, and are used extensively for employment purposes, school entrance, voter registration, and obtaining federal and state benefits (e.g., Social Security). Birth certificates are the cornerstone for proving identity, and as breeder documents are thus used to obtain other official identification documents, such as driver licenses, Social Security cards, and passports.
- Death certificates provide proof of date of death, date and place of internment, cause and manner of death, and are used to obtain insurance benefits and cease direct benefit payments, transfer property, and generally settle estates.

Data providers—for example, hospitals for birth information and funeral homes, physicians, and coroners for death information—submit birth and death data to the vital

¹ *U.S. Vital Statistics System: Major Activities and Developments, 1950 – 1995*. Centers for Disease Control and Prevention, National Center for Health Statistics. Feb 1997. Available online at: <http://www.cdc.gov/nchs/data/misc/usvss.pdf>

² National Center for Health Statistics, Centers for Disease Control and Prevention. Available online at <http://www.cdc.gov/nchs/data/databriefs/db16.htm> and http://www.cdc.gov/nchs/data/nvsr/nvsr58/nvsr58_25.pdf

records jurisdictions so that the vital event can be reviewed, edited, processed and officially registered. The jurisdictions are then responsible for maintaining registries of such vital events and for issuing certified copies of birth and death records.

The federal government does not maintain a national database that contains all of this information. Consistent with the constitutional framework set forth by our founding fathers in 1785, states were assigned certain powers. The 57 vital records jurisdictions, not the federal government, have legal authority for the registration of these records, which are thus governed under state laws. The laws governing what information may be shared, with whom, and under what circumstances varies by jurisdiction. In most jurisdictions, access to death records is restricted to family members for personal or property rights, to government agencies in pursuit of their official duties, or for research purposes. In other jurisdictions, release of death record information may be subject to less restrictive limitations; and in a few states identifiable information from death certificates is publicly available.

In an example of effective federalism, the vital records jurisdictions provide the federal government with data collected through birth and death records to compile national health statistics, facilitate secure Social Security number (SSN) issuance to newborns through the Enumeration at Birth (EAB) Program, and report individual's deaths.^{3, 4} For example, the National Center for Health Statistics obtains de-identified vital events data from the jurisdictions to compile national data on births, deaths, marriages, divorces, and fetal deaths. These data are used to monitor leading causes of death and our nation's overall health status, develop programs to improve public health, and evaluate the effectiveness of those interventions. In addition, the jurisdictions provide the Social Security Administration (SSA) with fact of death information—including the decedent's name, date of birth, date of death, and SSN as filed with the jurisdiction—for use in the administration of the programs established under the Social Security Act to reduce erroneous payments to deceased persons receiving Social Security benefits.

State Vital Records are the Gold Standard

Vital records collected and maintained by the 57 jurisdictions are the only original and official record of someone's death. They are the "gold standard," providing the most accurate, reliable, and complete information about death.

³ The National Center for Health Statistics, Centers for Disease Control and Prevention, Department of Health and Human Services purchases data from the vital records jurisdictions through the Vital Statistics Cooperative Program to produce national vital statistics and for research purposes as part of the National Death Index.

⁴ The EAB program allows parents to complete applications for SSNs for their newborns as part of the hospital birth registration process. About 96 percent of SSNs for infants are assigned through the EAB process.

SSA also sometimes receives reports of deaths from family members and funeral directors separate from the official death records that come from the vital records jurisdictions. This unofficial and incomplete death information is then released to the public through the Death Master File (DMF). Once public, it's used by banks, benefit plans, credit agencies, and some federal agencies to clear various lists and stop payments for those believed dead. Unfortunately, this DMF does not include all deaths. And, sometimes important information like SSN and even the name of decedent is incorrect when family members and funeral directors unofficially report directly to SSA. The result is that some of the information in the DMF is right, but some of it is wrong and the file itself is definitely incomplete. When banks, benefit plans, federal agencies, and others use this incomplete and inaccurate file to terminate accounts, it can have severe consequences for people who are in fact, still alive. It also has serious implications for identity theft and fraud when individuals are in fact deceased but not represented in the DMF.

It is important to note that the death records that the vital records jurisdictions share with SSA are not released publicly in the DMF because—while an individual does not have a *federal* right to privacy after death—in many states individuals *do* maintain that right to privacy. Official death records are governed by state and not federal laws, thus these records cannot be released publicly by the federal government.

Electronic Systems Enhance Death Reporting Accuracy, Timeliness, and Security

A death certificate contains both demographic (personal) information and medical (cause of death) information about the decedent. Over the last century in the United States, death certificate completion has mostly been the responsibility of funeral directors, with physicians, medical examiners, and coroners providing cause and manner of death information. Once the demographic data and medical data are complete, the death certificate is then filed with the vital records office. In some states, the death certificate is filed at the local vital records office, and then sent to the state office; in other states the death certificate is filed directly with the state office. The data are then reported to state and federal entities for public health and administrative purposes.

Manual certificate preparation, including the personal delivery of records to physicians for signature, extensive and costly travel by funeral director staff to file certificates, and labor-intensive processing of paper records locally and at the state vital records offices, all contribute to slowing registration and delaying the availability of death data.

Furthermore, even though each state has laws requiring the registration of death records within a specific time period, a significant number of certificates are not appropriately filed, may contain incorrect or inconsistent entries, or are not finalized until many weeks after the death occurred. In addition, incomplete death certificates and coroner cases may take weeks or even months to resolve. These late-filed and/or partially completed death certificates are not generally acceptable for use by family

members, nor do they meet federal administrative needs or satisfy the information demands of local, state and federal agencies.

In January 1997, the report, *Toward an Electronic Death Registration System in the United States: Report of the Steering Committee to Reengineer the Death Registration Process* was prepared by a task force of representatives from federal agencies—the National Center for Health Statistics and SSA—as well as NAPHSIS and other professional organizations representing funeral directors, physicians, medical examiners, coroners, hospitals, and medical records professionals. The Committee examined in detail the feasibility of developing electronic death registration in the United States. The conclusion of the report was that the introduction of automated registration processes in the states is a viable means to resolve several historical and continuing problems in the process of death registration.

The advent of technology has facilitated the automation of death registration and reporting, which is the key to addressing these long-standing issues related to accuracy, security, and timeliness of data. To date, 44 vital records jurisdictions have implemented electronic death registration systems (EDRS) to better meet the public health and administrative death information needs. There are thirteen jurisdictions (eight states and the five territories) without an operational EDRS, but four of the states are expected to be online in 2015. Three states have not started any planning, and one state has completed its planning phase but does not have adequate funds to proceed with development of an EDRS system (see Appendix 1).

For jurisdictions using an EDRS, death reporting is:

- More Accurate and Complete. An EDRS ensures that all required fields are completed before the death certificate is filed using built-in, real-time edits and crosschecks on the data entered. For example, it can ensure that the individual recording the data does not inadvertently indicate that a two-year old decedent has a college education. For purposes of SSA, an EDRS incorporates a real-time check of the decedent's SSN against the SSA data files to ensure accuracy of the SSN recorded before the death certificate is registered and filed.⁵
- More Timely. An EDRS allows different death data providers, e.g. the funeral director and physician, to complete the death record concurrently from their computers. It eliminates the need for a paper death certificate to be hand-delivered by funeral home staff to the physician's office for completion. Automatic reminders and workflow prompts are built into an EDRS so a physician is notified via e-mail when a death certificate is awaiting completion. Once the electronic death record is

⁵ Among the 44 vital records jurisdictions with EDRS, five states have not integrated the capability to verify SSN into their EDRS: Maine, Maryland, New York, Pennsylvania, and Wyoming. However, Maine and Wyoming are expected to have this capacity in 2015.

complete, state vital records offices may submit fact-of-death records to SSA daily (Monday-Friday).

- More Secure. An EDRS requires a distinct username and password for each death data provider to access the death records. An EDRS also has built-in audit trails to monitor the users' activity.

While vital records jurisdictions have made great strides in implementing EDRS, there is still much to be done. In most of the 44 vital records jurisdictions that have implemented EDRS, not all physicians and funeral directors submit death records electronically. Implementation of the EDRS in the vital records office is just one piece of the puzzle. To be effective, all data providers—funeral homes, hospitals, physician offices, nursing homes, hospices, coroners and medical examiners —also must use the system. These users must then adjust their workflow processes and make themselves available for training. From start to finish, the full rollout of an EDRS may take years and a significant financial commitment on the part of the state health departments and the death data providers themselves. The lack of adequate resources—both financial and human capital—are the biggest barriers to more widespread EDRS adoption. This is particularly true for death data providers who do not report a significant number of deaths each year, and therefore do not see the value of the required investments.

Between 2001 and 2006, SSA provided funding to many vital records jurisdictions to help support their EDRS implementation efforts. Based on a late-2008 survey of the vital records jurisdiction, NAPHSIS estimates that at least \$20 million is needed to complete EDRS implementation in all 57 vital records jurisdictions, to increase use of EDRS among death data providers, and to modernize the systems of early adopters that lack the resources to upgrade their systems to keep pace with new technology. Some additional funding may be required on an annual basis to facilitate death data provider training.

Preventing Fraud, Identity Theft through Electronic Verification of Vital Events (EVVE)

Because vital records are essential legal documents linked to identity, and because criminals need new identities, vital records are sought out and used to commit fraud, identity theft, and even terrorist activities.^{6, 7, 8} It is therefore essential that birth and death records be protected, and that federal and state agencies have the ability to verify

⁶ The 9/11 Commission Report, Final Report of the National Commission on Terrorist Attacks upon the United States, July 2004, p. 390.

⁷ Department of Health and Human Services, Office of Inspector General, *Birth Certificate Fraud*, Sept. 2009 (OEI-07-99-00570).

⁸ Government Accountability Office, *Department of State: Undercover Tests Reveal Significant Vulnerabilities in State's Passport Issuance Process*, Mar. 2009 (GAO-09-447) and *State Department: Undercover Tests Show Passport Issuance Process Remains Vulnerable to Fraud*, July 2010 (GAO-10-922T)

the source data contained therein. In addition, the ability to quickly catch and stop the fraudulent use of Social Security and other public benefits would reduce wasteful spending, and restore public trust in government.

Recognizing the need to verify benefit eligibility in a timely and secure fashion, SSA awarded NAPHSIS funding in 2001 to develop and implement the Electronic Verification of Vital Events (EVVE) system. EVVE is an online system that verifies birth and death certificate information. It provides authorized users at participating agencies with a single interface to quickly, reliably, and securely validate birth and death information at any vital records jurisdiction in the country, circumventing the need for a national database of such information. In so doing, *no additional personal information is divulged* to the person verifying information—EVVE simply relays a message that there was, or was not a match, with the birth and death records maintained by the state, city, or territory. In addition, EVVE has the capability to provide an indication that an individual is deceased if the birth record has been flagged. This eliminates a key loophole whereby thieves use a valid birth certificate of a deceased individual to create a new identity.

Today, SSA uses EVVE to verify proof of age and place of birth as a program policy requirement before issuing Social Security benefits. Other federal and state agencies—Department of State Passport Fraud Managers and Diplomatic Security, the Office of Personnel Management (OPM), Federal Bureau of Investigation regional offices, Department of Homeland Security U.S. Citizenship and Immigration Services, and some state Medicaid offices and Departments of Motor Vehicles—are currently using EVVE to verify or certify identification and authenticity of birth certificates. These users are enthusiastic about the EVVE system, citing its ability to:

- Provide protection against the potential use of birth certificates for fraudulent activities.
- Improve customer service by facilitating rapid access to accurate and verifiable vital record data in real-time.⁹
- Safeguard the confidentiality of birth and death data.
- Offer a secure mechanism for communication between agencies and vital records offices via the Internet.

⁹ OPM conducted a pilot in parallel with their manual voucher process of requesting certification information from the vital records jurisdictions. The match rate for those same queries was 84 percent in both manual and EVVE mode. In addition, the response time was just 10 seconds using EVVE compared to 42 days using the manual process.

- Easily integrate with current legacy systems that the federal or state agencies may already be using, and for serving as a user-friendly interface for agencies that seek a stand-alone query system.

While EVVE is currently being used to verify deaths in only a few jurisdictions, NAPHSIS continues conversations with interested public and private sector users about their death information needs and the system's capability as a viable DMF alternative. NAPHSIS and the jurisdictions have made significant progress in enhancing EVVE to address these users' need for more accurate, reliable, timely, and complete death record information. Specifically, as of March 2015, EVVE is installed and ready to accept birth queries in 54 jurisdictions—a process that has taken nearly 15 years with support from both SSA and the Department of Homeland Security. NAPHSIS is working to install EVVE in the remaining three jurisdictions, with one jurisdiction currently in progress.¹⁰ Today, EVVE has been upgraded to accept death queries in 40 of these jurisdictions—a process that has taken only three years without any financial support for the jurisdictions or NAPHSIS from potential public or private sector users (see Appendix 1).

Despite EVVE's security, speed, and ease of use, the system is only as good as the underlying data infrastructure upon which it relies. Digitizing paper-based birth and death records, then cleaning and linking those records, will provide for secure, reliable, real-time identity verification using EVVE. For example, there are cases where an individual has assumed a false identity by obtaining a birth certificate of a person who has died. Therefore, it is important that all jurisdictions' death and birth records be linked to flag individuals who are deceased and identify fraudulent birth documentation.

The vital records jurisdictions' efforts to digitize, clean, and link vital records have been hindered by state budget shortfalls. In short, the jurisdictions need help to complete building a secure data infrastructure. Specifically, resources are needed to help vital records jurisdictions digitize their birth records back to 1945, include death records back to 2000, clean these data to support electronic queries, and link birth and death records. Additional resources would also significantly enhance the ability of NAPHSIS and the jurisdictions to expedite progress in the implementation of EVVE nationwide, and in building system capacity to accept death queries from public and private sector users.

NAPHSIS appreciates the opportunity to submit this statement for the record and looks forward to working with the Committee. If you have questions about this statement, please do not hesitate to contact NAPHSIS Executive Director, Patricia Potrzebowski, Ph.D., at ppotrzebowski@naphsis.org or (301) 563-6001. You may also contact our Washington representative, Emily Holubowich, at eholubowich@dc-crd.com or (202) 484-1100.

¹⁰ Potential EVVE users interested in obtaining additional information about applying to become an approved EVVE user for either verification or certification of vital events should contact Rose Trasatti Heim via email at rtrasatti@naphsis.org.

Appendix 1: Status of Electronic Death Registration System (EDRS) and Electronic Verification of Vital Events (EVVE) System, by Vital Records Jurisdictionⁱ

| Jurisdiction | EDRS ⁱⁱ | EVVE Births ⁱⁱⁱ | EVVE Deaths ^{iv} |
|----------------------|--------------------|----------------------------|---------------------------|
| Alabama | ✓ | ✓ | ✓ |
| Alaska | ✓ | ✓ | ✓ |
| American Samoa | | ✓ | |
| Arizona | ✓ | ✓ | ✓ |
| Arkansas | ✓ | ✓ | ✓ |
| California | ✓ | ✓ | ✓ |
| Colorado | | ✓ | |
| Connecticut | | ✓ | |
| Delaware | ✓ | ✓ | ✓ |
| District of Columbia | ✓ | ✓ | ✓ |
| Florida | ✓ | ✓ | ✓ |
| Georgia | ✓ | ✓ | ✓ |
| Guam | | ✓ | |
| Hawaii | ✓ | ✓ | ✓ |
| Idaho | ✓ | ✓ | ✓ |
| Illinois | ✓ | ✓ | ✓ |
| Indiana | ✓ | ✓ | ✓ |
| Iowa | ✓ | ✓ | ✓ |
| Kansas | ✓ | ✓ | ✓ |
| Kentucky | ✓ | ✓ | ✓ |
| Louisiana | ✓ | ✓ | ✓ |
| Maine | ✓ | ✓ | ✓ |
| Maryland | ✓ | ✓ | |
| Massachusetts | | ✓ | |
| Michigan | ✓ | ✓ | |
| Minnesota | ✓ | ✓ | ✓ |
| Mississippi | | ✓ | ✓ |
| Missouri | ✓ | ✓ | ✓ |
| Montana | ✓ | ✓ | ✓ |
| Nebraska | ✓ | ✓ | ✓ |
| Nevada | ✓ | ✓ | ✓ |
| New Hampshire | ✓ | ✓ | ✓ |
| New Jersey | ✓ | ✓ | ✓ |
| New Mexico | ✓ | ✓ | ✓ |
| New York City | ✓ | ✓ | ✓ |
| New York State | ✓ | | |
| North Carolina | | ✓ | ✓ |
| North Dakota | ✓ | ✓ | ✓ |

| Jurisdiction | EDRS | EVVE Births | EVVE Deaths |
|-------------------|-----------|-------------|-------------|
| Northern Marianas | | ✓ | |
| Ohio | ✓ | ✓ | ✓ |
| Oklahoma | ✓ | ✓ | ✓ |
| Oregon | ✓ | ✓ | ✓ |
| Pennsylvania | ✓ | ✓ | ✓ |
| Puerto Rico | | ✓ | ✓ |
| Rhode Island | | ✓ | |
| South Carolina | ✓ | ✓ | ✓ |
| South Dakota | ✓ | ✓ | ✓ |
| Tennessee | | ✓ | ✓ |
| Texas | ✓ | | |
| Utah | ✓ | ✓ | ✓ |
| Vermont | ✓ | ✓ | |
| Virgin Islands | | ✓ | |
| Virginia | ✓ | ✓ | |
| Washington | ✓ | | |
| Washington, DC | ✓ | ✓ | ✓ |
| West Virginia | | ✓ | ✓ |
| Wisconsin | ✓ | ✓ | |
| Wyoming | ✓ | ✓ | ✓ |
| Total | 44 | 54 | 40 |

ⁱ Implementation status as of March 1, 2015.

ⁱⁱ This column indicates in which jurisdictions the vital records office has adopted an EDRS. It does not indicate total penetrance of EDRS among death data providers in that jurisdiction. The implementation of EDRS is in progress in four states: Colorado, Massachusetts, Mississippi, and Tennessee. North Carolina has completed planning but has not yet begun the development phase. Planning or development has not yet begun in three states: Connecticut, Rhode Island, and West Virginia.

ⁱⁱⁱ This column indicates in which jurisdictions the vital records office has implemented EVVE and is ready to accept birth record queries.

^{iv} This column indicates in which jurisdictions the vital records office has implemented EVVE and is ready to accept death record queries. NAPHSIS continues to work with all jurisdictions that currently online with EVVE to ready their systems to accept death record queries.

