

**U.S. House of Representatives**

**Committee on Ways and Means  
Subcommittee on Human Resources**



**Statement for the Record**

**Hearing on the Use of Technology to Improve  
the Administration of SSI's Financial Eligibility Requirements**

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

**July 25, 2012**

Good afternoon, Chairman Davis, Ranking Member Doggett, and members of the Subcommittee. It is a pleasure to appear before you, and I thank you for the invitation to testify today. I have appeared before Congress many times to discuss issues critical to the Social Security Administration (SSA) and the services the Agency provides to American citizens. This year, I have testified on SSA's Disability Insurance program, the Death Master File, and Social Security number misuse. Today, we are discussing the Supplemental Security Income (SSI) program and ways to improve the administration of SSI's non-medical eligibility requirements.

## **The SSI Program**

SSI is a nationwide Federal assistance program that guarantees a minimum level of income for needy aged, blind, or disabled individuals. General tax revenues, not Social Security taxes, fund the SSI program, which allows individuals to meet basic needs like food, shelter, and clothing. According to SSA, in May 2012, the Agency made \$4.5 billion in SSI payments to about 8.2 million recipients; the average Federal payment was \$516.

Because SSI is a needs-based and means-tested program, many non-medical factors can affect SSI eligibility and payment amounts: income, resources, living arrangements, citizenship, and requirements to file for other program benefits. The SSI program requires that SSA periodically re-assess individuals' eligibility and payment amounts based on these non-medical factors. Except for certain institutionalized individuals, all SSI recipients are periodically scheduled for a redetermination. Every year, SSA schedules for redetermination the cases most likely to have a payment error; but even cases unlikely to have payment errors are scheduled for review at least once every six years. In addition, unscheduled redeterminations are completed on an as-needed basis when recipients report, or SSA discovers, certain changes in circumstances that could affect SSI eligibility or payment amount.

SSA also uses a limited-issue process to detect situations that have the potential to affect SSI eligibility or the SSI payment amount. As part of this process, SSA conducts periodic computer matches between its own systems and those of other Federal and State agencies to determine if the income and resources information on SSI recipients' records conflicts with data obtained from the other systems.

SSA's process of ensuring SSI payment accuracy also relies in part on SSI recipients reporting changes in their income, resources, and/or living situation. Unfortunately, SSI recipients do not always report these changes—including those changes that affect SSI eligibility or reduce payment amounts. For this reason, the Agency's greatest payment accuracy challenge is SSI overpayments. SSA reported \$50.3 billion in total SSI payments for Fiscal Year (FY) 2010—the most recent reporting year—with \$3.3 billion in overpayments.

## **Protections against Improper Payments**

We have made many recommendations in recent years to SSA that support the Office of the Inspector General's (OIG) primary focus on program integrity. For example, we have encouraged the Agency to seek funding to support key improper payment-prevention tools, such as increases to the overall number and frequency of redeterminations conducted. SSA has reported that it saves \$7 for every \$1 spent on redeterminations. However, the number of redeterminations SSA conducted decreased by more than 60 percent from FYs 2003 to 2008 (2.5 million to 900,000). In July 2009, we estimated the Agency could have saved an additional \$3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the

same level it did in FY 2003. SSA completed more than 2.4 million SSI redeterminations in both FYs 2010 and 2011, and it has stated plans to conduct more than 2.6 million in FY 2012.

For many years, my office has encouraged SSA to use data matching and to access similar private databases to ensure program integrity and protect Agency funds. As evidenced by the cost savings generated by redeterminations, it is important for SSA to utilize all tools that can prevent SSI payment errors before they occur or detect them quickly when they occur. We believe the increased use of private and public databases can help SSA better identify when non-medical factors exist that may affect SSI eligibility and payment amounts.

## **Income and Resources**

SSA reduces SSI payments by a recipient's monthly countable income—earned, unearned, in-kind, and deemed. SSI recipients can have \$20 per month of most income received in a month, as well as the first \$65 of earnings plus half of earnings over \$65 in a month. Any additional earnings, or other Federal or State benefits collected by the individual, reduce his or her SSI payment.

SSI recipients' maintenance of unreported financial accounts is one of the major causes of payment errors in the SSI program. In 2008, we estimated that \$409 million in SSI overpayments went undetected because 69,000 recipients did not inform SSA of their changes in income and/or resources. We recommended SSA obtain beneficiaries' bank account information, rather than rely on SSI recipients' self-reporting, to identify additional income and resources, and investigate possible violations.

SSA currently receives data from the Internal Revenue Service (IRS) to verify income, and in recent years, the Agency implemented the Access to Financial Institutions (AFI) Project, which allows it to check an applicant or recipient's bank accounts to verify resources. In June 2011, SSA completed the AFI rollout to all 50 States, the District of Columbia, and the Commonwealth of the Northern Mariana Islands. The Agency has said AFI has proven to be very useful in identifying previously undisclosed accounts and reducing overpayments. SSA projects approximately \$900 million in lifetime program savings for each year the Agency uses AFI.

As with unreported financial accounts, SSI recipients sometimes also conceal real property and vehicles that affect SSI eligibility. We have encouraged SSA to expand its use of electronic databases to verify SSI recipients' real property and ensure payment accuracy.

In a 2011 report, matching a sample of SSI recipient records against a real property database, we estimated that about 320,000 recipients inaccurately reported to SSA that they did not own real property other than their primary residence, which led to improper payments of more than \$2.2 billion.

In recent months, SSA conducted 1,000 SSI stewardship reviews using a commercially available electronic database as a source of undisclosed property. The Agency concluded that the database served as a viable tool to identify non-residence real property, and announced that its Office of Quality Review would use utilize this tool in all SSI reviews in FY 2013. SSA is assessing how to integrate the use of the records into its regular operational processes.

## **Living Arrangements**

SSI recipients' living arrangements can affect their eligibility and payment amount—for example, living with another SSI recipient, living with a spouse who has earnings or other income, spending time outside the United States for a given month, serving a prison sentence, or residing in an institution like a nursing home or an immediate-care facility.

In 2008, my office released a report on SSI recipients with ATM withdrawals that indicated they were outside the United States. Recipients who are outside the United States for more than 30 consecutive days are not eligible for payments. We issued subpoenas to obtain financial information of SSI recipients and analyzed the resulting data; based on a sample, we estimated SSA failed to detect about \$225 million in overpayments because about 40,000 recipients did not inform SSA of their absence from the United States.

We recommended that SSA explore options that might help detect unreported residency violations; for example, obtaining electronic bank statements with transaction-level data; or entering into a data-sharing agreement with the Department of Homeland Security for access to its Traveler Enforcement Compliance System (TECS). In 2011, Senator Tom Coburn requested an update on SSA's progress in addressing this issue, and we plan to complete that review this year. In addition, SSA has said it is working on an initiative to collect transaction-level data from foreign ATMs to identify SSI beneficiaries who left the country for more than a month; the Agency is seeking vendors who might have relevant experience.

Also, in a 2011 follow-up report on SSI overpayments to recipients in Title XIX institutions (nursing homes, intermediate-care facilities, and psychiatric institutions), we found that since we issued the original report in 2006, SSA had made improvements in collecting overpayments made to these recipients. However, we also found that these institutions were still failing in many cases to report recipients' change in living arrangements to SSA, as required by law. This had caused SSA to identify an additional \$191 million in overpayments.

We recommended that SSA consider implementing a website that would allow Title XIX institutions to report SSI recipient admissions to SSA. The Agency said these institutions already have similar online reporting requirements with Centers for Medicare & Medicaid Services; thus, SSA does not want to create a repetitive website that the institutions might not regularly update. The Agency said it would consider working with States to identify the Title XIX institutions within their jurisdiction and remind them of their reporting responsibilities to reduce payment errors.

## **Citizenship**

To be eligible for SSI, an applicant must be 1) a citizen or a national of the United States, 2) a non-citizen lawfully admitted for permanent residence in the United States, or 3) a non-citizen permanently residing in the United States under one of the qualified non-resident categories. In addition, refugees and other non-citizens in a refugee-like immigration status meeting income and resource requirements may be eligible for SSI.

Since the enactment of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, non-citizens are eligible for SSI for a maximum of seven years. After the seven-year period, non-citizens are no longer eligible unless they become naturalized U.S. citizens or can show they meet eligibility

criteria for continued benefits. Our audit on this topic, issued in 2009, found SSA's controls over SSI payments to refugees and other non-citizens were generally effective; the Agency made proper payments to eligible non-citizens in almost all cases.

### **Requirement to File for Other Benefits**

A recipient may not be eligible for SSI if SSA advises him or her of potential eligibility for other benefits—such as Title II benefits, veterans' benefits, workers' compensation, or unemployment insurance—and he or she does not take all steps to obtain such payments within 30 days.

Another type of benefit that falls into this category is a foreign-based pension. We currently have an audit in process that is examining the issue of SSI recipients who are eligible for or receiving a pension from Russia. Foreign entities that pay income to individuals living in the United States do not usually make this information available to the IRS; therefore, SSA cannot detect these pensions as it can with domestic entities. In Russia, pensions may be payable to individuals with as few as five years of work in the country, even though the individuals reside in the United States.

Through data analysis, we identified a population of more than 25,000 SSI recipients nationwide who might be eligible for Russian pensions. We plan to sample the population to identify any recipients who are collecting Russian pensions and any resulting SSA overpayments.

### **Data Matching**

As seen in our recommendations, data matching has become a critical tool for SSA and other Federal agencies as they seek ways to improve payment accuracy in programs like SSI. SSA's and the OIG's efforts to expand the use of SSI-recipient banking and resource data have reduced program vulnerabilities and achieved significant Agency savings. This successful initiative lends support to a suggestion from Chairman Davis for all government agencies to develop common data elements and create a central point for agencies to share information, with the goal of reducing improper payments and improving customer service.

We have also recommended SSA obtain death information electronically, as well as information on beneficiaries' marital status; explore data exchanges with States that maintain automated workers' compensation databases; and consider obtaining vehicle information from States to verify the resources of SSI recipients. Additionally, we have several ongoing and planned audits on SSI issues, including SSA's method for selecting redeterminations, payments to multi-recipient households, and recipients with excess unstated incomes.

While we do undertake data-matching efforts, the *Computer Matching and Privacy Protection Act* often requires formal computer-matching agreements that can take years to complete. This prolonged process can delay or derail time-sensitive audit and investigative projects. In 2010, the Department of Health and Human Services and its OIG obtained an exemption for data matches designed to identify fraud, waste, or abuse. We are pursuing a similar exemption through a legislative proposal.

### **Conclusion**

By 2036, SSA estimates that the SSI recipient population will surpass 10 million, with annual expenditures increasing to \$64.6 billion. It is critical that the Agency ensure that all SSI payments are

correct and timely, because the individuals who qualify for SSI depend on those payments every day for food, shelter, and clothing. It is equally important to protect the integrity of taxpayer dollars and ensure that only those who are eligible for SSI receive payments.

The OIG has done, and continues to do, significant audit work to identify areas where the SSI program can be vulnerable to improper payments; and to recommend actions to reduce or eliminate those errors. My office continues to stress the importance of stewardship reviews like redeterminations—and as I have outlined, we have made many recommendations to the Agency specific to the many non-medical factors that can affect SSI eligibility, with an emphasis on utilizing data matches and electronic public records.

We will continue to provide information to your Subcommittee and to Agency decision-makers about this critical issue. Thank you again for the opportunity to speak with you today. I am happy to answer any questions.