

Office of the Inspector General

January 19, 2000

William A. Halter  
Deputy Commissioner  
of Social Security

Inspector General

**The Social Security Administration is Pursuing Matching Agreements with New York  
and Other States Using Biometric Technologies (A-08-98-41007)**

Attached is a copy of the subject final report. Our objective was to determine whether the results of biometric technologies used by certain States in the administration of welfare programs could benefit the Social Security Administration (SSA). We believe that matching of such data with SSA's information systems would provide a strong complement to SSA's existing fraud prevention and detection techniques.

You may wish to comment on any further actions taken or contemplated on our recommendations. If you choose to comment, please provide your comments within 60 days of the date of this memorandum. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Acting Assistant Inspector General for Audit, at (410) 965-9700.

James G. Huse, Jr.

Attachment

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**THE SOCIAL SECURITY  
ADMINISTRATION IS PURSUING  
MATCHING AGREEMENTS WITH  
NEW YORK AND OTHER STATES  
USING BIOMETRIC TECHNOLOGIES**

**January 2000**

**A-08-98-41007**

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**AUDIT REPORT**

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# **EXECUTIVE SUMMARY**

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## **OBJECTIVE**

The objective of our review was to determine whether the results of biometric technologies used by certain States in the administration of welfare programs could benefit the Social Security Administration (SSA).

## **BACKGROUND**

To combat fraud and identify ineligible recipients for social service programs, several States have employed biometrics—the science of measuring unique physical characteristics, such as fingerprints, for purposes of identification. Biometrics offers a potentially foolproof means of verifying a person's identity and, if used during the enrollment stage, can detect and prevent attempts by applicants to obtain benefits improperly, such as through the use of identity fraud—the illegal use of personal identifying information to commit financial fraud.

As of December 1998, 11 States were using or had plans to adopt biometric technologies in their social service programs. The specific status of each State project is detailed in Appendix A. In general, States that have implemented biometric programs have realized significant benefits. For example, in the first 2 years of operation, the following States identified significant savings that directly resulted from their use of biometric technologies.

- California estimated that finger-imaging of welfare clients in just seven counties has saved over \$86 million.
- Connecticut estimated savings of \$15 million and identified 32 cases of attempted fraud through dual enrollment.
- New York estimated savings of \$396 million and initiated 379 fraud investigations for dual enrollees.

## **SCOPE AND METHODOLOGY**

To achieve our objective, we interviewed officials from the 11 State agencies using biometric technologies in the administration of welfare programs and identified matches currently performed by SSA with State agencies. To determine the potential benefit of

SSA matching with State data, we reviewed 500 sample cases (i.e. individuals) from 12,615 Aid to Families with Dependent Children (AFDC) cases closed by New York for failure to cooperate with the State's finger-imaging requirement over the period October 1995 to July 1997. Since SSA did not have a formal matching agreement with the State of New York at the time of our review, the scope of our review of sample cases was limited.

We performed the audit work at SSA Headquarters in Baltimore, Maryland; the Southeastern Program Service Center in Birmingham, Alabama; and the New York Department of Social Services in Albany, New York. We conducted our audit field work between April and August 1998.

## **RESULTS OF REVIEW**

The results of our review of 500 cases that the State of New York terminated for nonparticipation in its finger-imaging program indicated that SSA could benefit from information obtained through New York and other States using biometric technologies. For example, of the 500 cases reviewed, we identified 64 individuals (13 percent) to whom SSA had paid title II and/or title XVI benefits. Because SSA did not have a matching agreement in place with New York, we were prohibited from pursuing individual cases. Therefore, we could not draw a conclusion on the propriety of SSA payments made to these 64 individuals. However, their failure to appear for finger-imaging implies that fraud may have occurred, and those cases should be subject to further review.

Based on the results of our review, we estimate that, as of January 1998, about \$45 million in SSA benefits had been paid to approximately 1,615 individuals within the population of New York State's 12,615 terminated AFDC cases. We also estimate that an additional \$16.3 million in SSA benefits will be paid to individuals within this population between February 1998 and February 2001. Through a matching agreement, SSA could use the results of New York State's biometrics program to identify individuals who are inappropriately receiving benefits; and thereby, reduce and/or recover any improper benefit payments. Such efforts in New York, as well as in other States, would complement and strengthen SSA's existing fraud detection and prevention initiatives and help SSA meet its performance goal of making its program management one of the best in business, with zero tolerance for fraud and abuse.

## **CONCLUSIONS AND RECOMMENDATIONS**

By using biometric technology to verify applicant identity, States have reduced improper payments and provided valuable insight into fraudulent uses of Social Security numbers (SSN). In turn, SSA may be able to reduce SSN and benefit fraud in its programs. As States adopt and benefit from the use of biometric technology in their welfare programs, SSA needs to expand its fraud prevention and detection initiatives to incorporate these new techniques.

Therefore, we recommend that SSA:

- (1) Pursue a matching agreement with New York, so that the Agency can use results of the State's biometric technologies to reduce and/or recover any improper benefit payments.
- (2) Initiate pilot reviews to assess the costefficiency of matching data with other States that have employed biometrics in their social service programs.

## **AGENCY COMMENTS**

SSA agreed with our recommendations and plans to pursue a pilot matching agreement with the State of New York. SSA also stated that if the New York pilot proved beneficial, the Agency will consider expansion to other States on a case-by-case basis.

In its response, SSA did express concerns about certain assumptions we made in the report. Specifically, the Agency stated that additional evaluation was needed to show that matching agreements would result in the reduction of fraud and/or the recovery of improper payments in SSA programs. SSA also expressed concern regarding privacy issues involved in pursuing matching agreements with States using biometric technologies. The Agency asserted that the Privacy Act and its modifications covering computer matching did not anticipate using biometrics for identification purposes. Therefore, SSA stated that it must exercise caution to ensure that biometrical identification is accurate, voluntary and totally noncoercive.

SSA was also concerned that by only matching with States that employ biometrics, SSA would be subjecting a class of applicants to identification requirements above those generally required. Finally, SSA stated that it must also remain cautious about relying on "matches" with State records that contain identifying information not consistent with SSA's data. SSA stated that doing so without the appropriate checks and balances could lead to inappropriate questioning or even suspensions for individuals whose SSA benefit eligibility is correct. The full text of SSA's comments is included as Appendix D.

## **OIG RESPONSE**

We are encouraged by SSA's decision to pursue a pilot matching agreement with the State of New York. Additionally, we agree with SSA's proposed plan to expand the pilot to other States only if the matching agreement with New York proves beneficial.

We acknowledge SSA's concerns regarding the assumptions made in our report. We also recognize that biometrics and matching agreements represent a new frontier for the Agency. As such, we understand SSA's desire to proceed in this arena with thoughtful consideration. We believe that as SSA accumulates data and gains experience during its pilot review, the Agency should be in a good position to assess the actual costs versus benefits of matching as well as related privacy issues.

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# INTRODUCTION

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## OBJECTIVE

The objective of our review was to determine whether the results of biometric technologies used by certain States in the administration of welfare programs could benefit the Social Security Administration (SSA).

## BACKGROUND

Over the past several years, Congress has taken steps to address concerns over the availability of consumer identifying information and increased occurrences of identity fraud. In 1996, Congress directed the Board of Governors of the Federal Reserve System to conduct a study on the availability of consumer identifying information and its possible use to commit financial fraud. In 1997 and early 1998, Congress asked the General Accounting Office (GAO) to review various issues related to identity fraud. Although neither of these sources found comprehensive statistics regarding the prevalence of identity fraud, they do cite figures for individual financial and Federal organizations which indicate that occurrences of this crime have increased in recent years.<sup>1</sup>

In response to the nationwide concerns about identity fraud, Congress enacted the *Identity Theft and Assumption Deterrence Act of 1998*, Public Law 105-318. This law established identity theft as a Federal crime, punishable by substantial fines and/or imprisonment. To combat this type of fraud and identify individuals inappropriately receiving benefits for social service programs, 11 States are using or have plans to use biometrics—the science of measuring unique physical characteristics, such as fingerprints, for purposes of identification.<sup>2</sup>

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<sup>1</sup> These figures are cited in the following reports U.S. General Accounting Office's report, *Identity Fraud: Information on the Prevalence, Cost, and Internet Impact is Limited*, issued in May 1998; and the Board of Governors of the Federal Reserve System's *Report to the Congress Concerning the Availability of Consumer Identifying Information and Financial Fraud*, issued in March 1997.

<sup>2</sup> Examples of human traits used for biometric recognition include fingerprints, speech, face, retina, iris, handwritten signature, hand geometry and wrist veins. Biometric recognition can be used to identify a person from a population by searching a data base for a match or to authenticate a person's claimed identity from his/her previously enrolled pattern.

## **State Use of Biometrics to Combat Fraud**

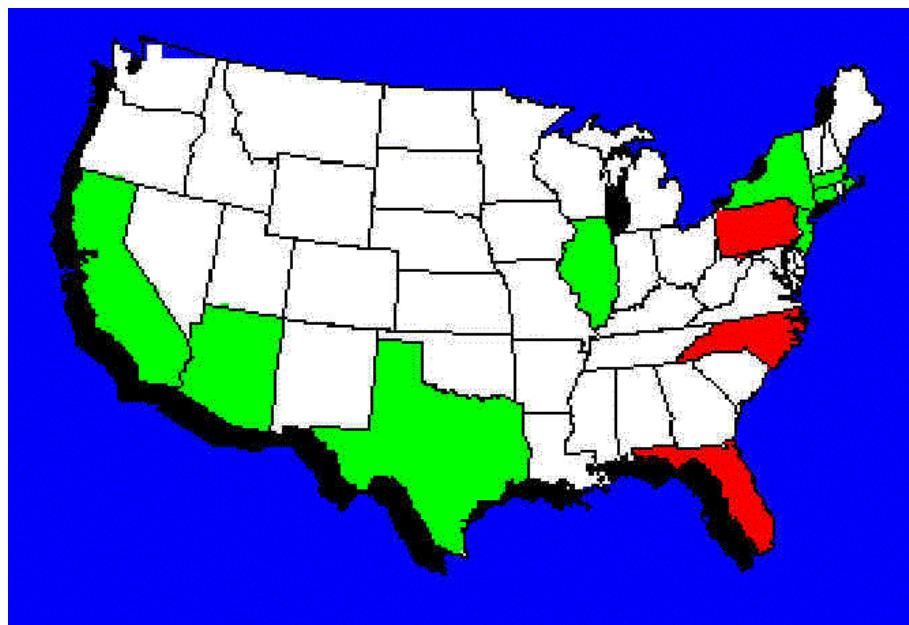
In 1998, GAO estimated that annual losses resulting from fraud in entitlement programs totaled approximately \$10 billion. Concerned over the losses, several States have turned to the field of biometrics to administer welfare programs.

Biometric technologies are not new. In fact, automated fingerprint identification system (AFIS) technology has a 25-year history of success in law enforcement. As computer technology has become more sophisticated and less expensive, biometric applications—once beyond the financial reach of agencies outside the law enforcement community—have become more attainable. In an era when identifying legitimate individuals is vital to assuring personal security and controlling against fraud and criminal activities, the use of biometric identifiers is expected to expand significantly in business and government programs. For Governments and corporations attempting to crack down on fraud, biometrics offers a potentially foolproof means of verifying a person's identity.

In adopting biometric technologies, States hope to deter and/or detect individuals attempting to use multiple identities to apply for and receive cash, food stamps and/or medical assistance coverage. Most of the States who have begun using biometric techniques in administering social service programs have chosen to use finger-imaging to document and verify the identity of benefit applicants. The general policy of State agencies has been to deny or discontinue State assistance payments to individuals who refuse to be finger-imaged. As such, most States using biometric technologies have significantly reduced their welfare rolls and realized substantial cost savings.

As illustrated in Figure 1, as of the end of 1998, eight States (California, New York, New Jersey, Connecticut, Massachusetts, Illinois, Texas and Arizona) had operational biometric projects, and three States (Florida, Pennsylvania and North Carolina) had pending biometric programs. Appendix A provides information on the status of these projects for the 11 States.

**Figure 1: States with Biometric Programs**



Source: The Connecticut Biometric Web Page

█ **States with Active Biometric Programs**

█ **States with Pending Biometric Programs**

California, New York and Connecticut are leading the way in the use of biometrics to prevent and/or detect welfare fraud.

- In 1994, California became the first State to employ biometrics. California estimates that finger-imaging welfare clients in 7 counties saved the State over \$86 million in the first 2 years of operation. California has now proposed a unified system for 225 county offices with an enrollment of 6 million expected by March 2000.
- In 1995, New York started its statewide AFIS program. As of December 1998, New York's Department of Social Services (DSS) had enrolled about 1 million individuals in its finger-imaging data base. DSS estimated savings of \$396 million over the first 2 years of the program. These savings resulted from 1,437 case denials for refusal at intake; 45,030 case closings; and 379 fraud investigations for dual enrollees.

- In 1996, Connecticut's DSS commenced statewide finger-imaging for its AFDC<sup>3</sup> and general assistance programs. In a March 1998 report to the General Assembly, DSS stated that, through digital imaging, it had identified 32 cases of attempted dual enrollment—12 resulting in prosecution, closure or other administrative action and 20 under further investigation. Including case closings and attempted dual enrollments, DSS estimated savings of \$9 million and \$6 million in the first 2 years of operation, respectively.

Other States anticipate similar savings in their welfare programs. Arizona estimated its program could save the State \$30 million over the next 5 years. Pennsylvania expects to realize savings of \$290 million in either budgetary or cost avoidance. Additionally, some States, in efforts to identify individuals who are simultaneously collecting benefits in two or more States, are beginning interstate matches of biometric information. For example, New Jersey has performed the cross match with Connecticut and expects to perform a cross match with New York as well.

### **Computer Matching**

Government agencies, including SSA, have turned to computer matching in recent years in an attempt to reduce fraud, waste and abuse in Federal benefit programs. Computer matching has three main goals: (1) to determine eligibility for Federal benefits; (2) to determine compliance with Federal benefit program requirements; and (3) to effect recovery of improper payment or delinquent debts from current or former beneficiaries of Federal benefits.

To protect individual privacy and provide improved analysis on the cost-effectiveness of matching programs, Congress passed the *Computer Matching and Privacy Protection Act of 1988* (CMPPA). CMPPA requires Federal agencies to complete matching agreements whenever an automated Federal system of records is to be used in a computer match with any other automated record for one of the three above stated purposes. Matching agreements must specify the purpose and legal authority for the matching program, describe the nature of the match and expected results, and describe how the records will be protected.

In administering its benefit programs, SSA exchanges information with a number of Federal and State agencies. SSA regularly obtains information from external parties to verify initial and ongoing factors affecting program entitlement, assure the integrity of the trust funds and provide service to the public. SSA also provides information to external parties to assist Federal and State agencies in carrying out legitimate Government purposes, such as administering benefit programs. The terms of SSA's exchanges are set forth in written agreements. Certain exchanges, where

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<sup>3</sup> The *Personal Responsibility and Work Opportunity Act of 1996*, Public Law 104-193, replaced the Aid to Families with Dependent Children program with State programs funded under Part A of title IV of the Social Security Act.

information can adversely affect the beneficiary are subject to CMPPA and SSA must take additional steps to ensure the privacy, integrity and verification of data exchanged. A list of SSA's matches with State agencies is provided as Appendix B.

## **SCOPE AND METHODOLOGY**

To accomplish our objective, we reviewed laws and regulations regarding limitations in matching computer data among Government organizations. We then obtained assistance from the Office of the Counsel to the Inspector General concerning our legal position in pursuing information received from State agencies and the need for a CMPPA agreement. The request to process a formal matching agreement with the State of New York has been forwarded to SSA. In the absence of an agreement, CMPPA prevented us from pursuing any action that could have an adverse effect on individual beneficiaries.

Nevertheless, to determine the possible benefits that State matching agreements might provide SSA, we obtained a computerized file containing 12,615 AFDC cases<sup>4</sup> closed by New York's DSS because the individual failed to cooperate with the State's finger-imaging requirement between October 1995 and July 1997. We then randomly selected a sample of 500 cases from the 12,615 cases and compared information obtained by the State with the following SSA systems of records:

- Numident and Alphident master files containing identifying information for Social Security number (SSN) holders;
- Master Beneficiary Record containing all title II, Old Age, Survivors and Disability Insurance accounts;
- Supplemental Security Record containing all title XVI, Supplemental Security Income (SSI) accounts; and
- Master Earnings File containing all earnings posted to individual SSN accounts.

We then obtained supplemental information for sample cases for which we identified potential problems and/or an impact on SSA programs. For example, we obtained information from New York City and State welfare data bases, earnings records and prison records. Additionally, we analyzed poverty and maximum income levels in the State.

During our audit, we also interviewed: (1) other State agencies using biometric technologies in the administration of welfare programs and (2) State investigators regarding the prevalence and types of identity theft. Further, we identified matches

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<sup>4</sup> For purposes of this review, each case represented one individual.

performed by SSA with Federal and State agencies under CMPPA. Finally, we reviewed the results of other audits, investigations and studies dealing with identity fraud.

We performed our audit work at SSA Headquarters in Baltimore, Maryland; the Southeastern Program Service Center in Birmingham, Alabama; and the New York Department of Social Services in Albany, New York. We conducted our field work between April and August 1998. We conducted this audit in accordance with generally accepted government auditing standards.

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# **RESULTS OF REVIEW**

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## **SSA COULD BENEFIT FROM PURSUING MATCHING AGREEMENTS WITH NEW YORK AND OTHER STATES USING BIOMETRIC TECHNOLOGIES**

The results of our review of 500 cases that the State of New York terminated for nonparticipation in its finger-imaging program indicated that SSA could benefit from information obtained from States using biometric technologies. Of the 500 cases reviewed, we identified 64 individuals (13 percent) to whom SSA had paid title II and/or title XVI benefits. Because SSA did not have a matching agreement in place with New York, we were prohibited from pursuing individual cases. Therefore, we could not draw a conclusion on the propriety of SSA payments made to these 64 individuals. However, their failure to appear for finger-imaging in New York connotes possible fraudulent circumstances that should be further reviewed.

Based on the results of our review, we estimate that through January 1998 about \$45 million in SSA benefits were paid to approximately 1,615 individuals within the population of New York State's 12,615 terminated AFDC cases.<sup>5</sup> We also estimate that an additional \$16.3 million in SSA benefits will be paid to individuals within this population between February 1998 and February 2001<sup>6</sup>. We recognize that these payments may be legitimate and appropriate. However, through a matching agreement, SSA could review the results of New York State's biometrics program (e.g., the individuals who failed to appear for finger-imaging and the fraud cases that were identified) and determine whether any of the Agency's benefit payments are improper. Such efforts in New York, as well as in other States, would complement and strengthen SSA's existing fraud detection and prevention initiatives and help SSA meet its performance goal of making its program management the best in the business, with zero tolerance for fraud and abuse.

## **IDENTITY THEFT AND FALSE IDENTITY ARE GROWING PROBLEMS**

In a March 1997 report to Congress, the Board of Governors of the Federal Reserve System (Board) concluded that fraud related to identity theft and false identity appears to be a growing risk for consumers and organizations. In its report, the Board opined that the relative ease with which third parties access personal information about

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<sup>5</sup> Specifically, we estimate that \$13.5 million in title II benefits and \$31.8 million in title XVI benefits had been distributed through January 1998. See Appendix C for our Sample Appraisals.

<sup>6</sup> Between February 1998 and February 2001, we estimate that \$4.5 million in title II benefits and \$11.9 million in title XVI benefits will be paid. See Appendix C for our Sample Appraisals.

individuals, including SSNs, may expand that risk. One of the most common information items used to commit identity theft is the SSN. Once secured, SSNs can be used as a gateway to other items of identifying information, such as birth certificates, drivers' licenses, bank accounts and credit cards. In turn, these identification items are often used to commit identity theft and financial fraud. Among the many victims of identity theft are Federal and State benefit programs.

New York State's justification for adopting anti-fraud identification systems can be inferred by a case, reported in the *New York Times* in 1994, that illustrates a fraud situation *prior to* the implementation of its biometric system.

A New York woman collected welfare benefits concurrently under 8 names, increasing her income with claims for 46 nonexistent children. Over a 7-year period, she used 15 different identification cards, each with her real photograph on the front—each entitling her to public assistance. This individual allowed some accounts to lapse while she opened others, claiming a total of 73 fictitious children, including 11 sets of twins. Between 1987 and 1993, she received \$450,000. While just one case, the nationwide ramifications of opportunistic fraud in benefit delivery systems is clear.

Since the implementation of its finger-imaging system, New York has initiated hundreds of fraud investigations resulting from the State's ability to detect individuals attempting to obtain welfare benefits under multiple identities. One such example follows.

In 1996, the State finger-imaging system identified a Public Assistance client's fingerprint as matching the print of another male recipient. SSA's Office of the Inspector General and the U.S. Postal Inspection Service conducted an investigation based on New York's findings and found that SSA had made SSI benefit payments to the individual in a third name. Further, Social Security Disability (SSD) benefits had been made in the name of a female recipient and two sets of minor twins, born less than 9 months apart. Local arrest records matched the male subject's prints to **eight different identities**. SSI/SSD records for August 1997, indicated all the identities had changed mailing addresses to a residence in Georgia. An arrest warrant in September 1997, charged the man with theft of Government funds, \$46,331 in SSI benefits and \$10,431 in food stamps, all alleged fraudulent benefits. Arrested in October 1997, while attempting to pick up five SSD checks for the female recipient and nonexistent minors, the man had an uncashed SSI check in the name of the first male recipient in his possession.

## REVIEW OF NEW YORK CASES

Our analysis of 500 cases terminated by the State of New York disclosed information that SSA could use to identify potential fraudulent claims in its entitlement programs. For example, within the 500 cases, we identified suspect circumstances indicating that more than one person was attempting to use the same SSN to obtain benefits. Although we were unable to pursue individual cases because we did not have a computer matching agreement in place, we agree with New York State's conclusion that the individuals' failure to appear for finger-imaging implies that fraud may have occurred and those cases should be subject to further review. Additionally, we believe that the potential monetary impact on SSA trust funds provides further incentive for the Agency to obtain and investigate this type of information from participating States.

Of the 500 terminated New York State welfare cases selected for review, 488 (98 percent) provided the State with an SSN and name that agreed with SSA's system of record. Of the 488 matching cases, we found that SSA had made title II and/or title XVI payments to 64 individuals (13 percent). At the time of our field work SSA was currently paying 35 (55 percent) of the 64 individuals and had previously terminated payments for the remaining 29 (45 percent) individuals. Specifically, as of January 1998, SSA had paid \$1.2 million in title XVI benefits to 35 individuals and \$535,145 in title II benefits to 34 individuals.<sup>7</sup>

Based on the SSA benefits paid to these 64 individuals, we estimate that SSA disbursed about \$45 million in benefits to approximately 1,615 individuals within the population of terminated New York State AFDC applicants. We also estimate that SSA will disburse an additional \$16.3 million in benefits to individuals within this population between February 1998 and February 2001.<sup>8</sup> The total \$61 million in benefit payments is comprised of \$17 million in title II benefits and \$44 million in title XVI benefits. Detailed information regarding our projection calculations is provided in Appendix C.

The remaining 12 individuals (2 percent) provided New York with an SSN or name that did not match SSA's records. We searched for other accounts using the SSN and/or name provided by New York. As a result, we identified five SSA accounts, three for which SSA had paid title II benefits, but terminated such benefits prior to the time of our field work. We have not projected the amount of SSA benefits paid to similar individuals within the population of terminated New York State AFDC applicants.

## **Identifying Information Not Always Consistent**

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<sup>7</sup> Five of the individuals received both title II and title XVI payments.

<sup>8</sup> Projections are based on benefits paid for the 64 cases involving title II and/or title XVI. For cases in current pay status, our cut-off date for computation purposes was January 1998. We then extended payments at the same level for an additional 36 months. For cases where benefits were terminated, we used actual payments.

New York and SSA's records did not always have consistent identifying information such as dates of birth and mailing addresses. Although there could be rational explanations for some of these inconsistencies, we are concerned that some of these discrepancies may indicate that more than one person is attempting to use the same SSN and name to obtain benefits.

Of the 64 individuals who receive or have received SSA benefits, the dates of birth in New York's file and SSA's Numident Master File differed in 6 instances. Four of the cases had discrepancies of 1 month or less. The remaining 2 cases had discrepancies of 3 months and 31 months, respectively. Additionally, the mailing addresses in New York's file and SSA's master program did not agree in six cases, one of which also included a date of birth discrepancy. For example, one individual claimed a Florida mailing address for SSA's records and a New York address on his or her State benefit application.

### **Possible Use of Another Person's SSN**

Within our sample of terminated AFDC cases (those individuals failing to comply with mandatory finger-imaging), we also identified instances in which applicants provided the SSNs of other people.

- In five cases, we found that individuals used the SSN of a current SSA beneficiary or SSI recipient. In one of these cases, an individual used the SSN of a beneficiary currently receiving title II benefits and claimed the same mailing address as the SSA beneficiary. This discrepancy could indicate that a friend, relative or even the beneficiary himself is attempting to establish another identity to obtain benefits.
- In one case, SSA discontinued SSI payments because the beneficiary died. Yet, using the SSN, an individual applied for New York State welfare benefits and was terminated upon failure to appear for finger-imaging. The termination occurred 8 months after the purported date of death. We also noted that the individual's sex according to SSA records was "male," while in New York's records the individual was "female."
- In one case, an individual applying for AFDC in New York provided her deceased mother's SSN, date of birth and last name. SSA's records showed annual earnings of approximately \$15,000 in 1995 and 1996 for this individual. Implementation revealed that the applicant may have been attempting to conceal these wages and obtain AFDC benefits by using her mother's "identity." In March 1997, the individual reapplied for welfare using her correct SSN and date of birth.
- An individual applying for AFDC in New York provided another person's SSN. The individual in question had received title II benefits as a child under his own SSN. The individual had significant earnings of about \$30,000 in 1995 and \$29,000 in 1996, which he could have been trying to conceal.

- In a similar case, an individual provided another person's SSN when applying for AFDC in New York. This individual also received title II child benefits under his own SSN until reaching the age of 18. SSA's records showed that the individual had earnings of \$24,000 in 1997, which he could have been trying to conceal.
- A father applied for AFDC in New York and provided his daughter's SSN. His daughter, who had previously applied for and been denied SSA benefits, complied with New York's finger-imaging requirement and received AFDC payments.
- In one case, a child received title II auxiliary benefits until SSA established that the applicant did not have the necessary legal relationship to the wage earner. SSA has been unable to recover a \$6,000 overpayment to the child and his mother because they cannot be located. This applicant subsequently applied for AFDC in New York. Although the individual initially failed to appear for finger-imaging, he did eventually comply with the finger-imaging requirements. Nevertheless, we identified additional discrepancies in this individual's information. Specifically, the applicant's date of birth in the original AFDC application agreed with SSA's records. However, when the applicant subsequently agreed to be finger-imaged, his birth date was found to differ by 11 years from the earlier date given.

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# **CONCLUSIONS AND RECOMMENDATIONS**

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States that use biometric technology to verify applicant identity deter fraudulent applications. By doing so, the States reduce the number of improper payments and provide valuable insight into fraudulent uses of SSNs. In turn, SSA too may be able to reduce SSN and benefit fraud in SSA programs. As States adopt and benefit from the use of biometric technology to combat identity theft in their welfare programs, SSA needs to expand its fraud prevention and detection initiatives to incorporate this new technology.

Therefore, we recommend that SSA:

- (1) Pursue a matching agreement with New York so that the Agency can use results of the State's biometric technologies to reduce and/or recover any improper benefit payments.
- (2) Initiate pilot reviews to assess the cost-efficiency of matching data with other States that have employed biometrics in their social service programs.

## **AGENCY COMMENTS**

SSA agreed with our recommendations and plans to pursue a pilot matching agreement with the State of New York. SSA also stated that if the New York pilot proved beneficial, the Agency will consider expansion to other States on a case-by-case basis.

In its response, SSA did express concerns about certain assumptions we made in the report. Specifically, the Agency stated that additional evaluation was needed to show that matching agreements would result in the reduction of fraud and/or the recovery of improper payments in SSA programs. SSA also expressed concern regarding privacy issues involved in pursuing matching agreements with States using biometric technologies. The Agency asserted that the Privacy Act and its modifications covering computer matching did not anticipate using biometrics for identification purposes. Therefore, SSA stated that it must exercise caution to ensure that biometrical identification is accurate, voluntary and totally noncoercive.

SSA was also concerned that by only matching with States that employ biometrics, SSA would be subjecting a class of applicants to identification requirements above those generally required. Finally, SSA stated that it must also remain cautious about relying on "matches" with State records that contain identifying information not consistent with SSA's data. SSA stated that doing so without the appropriate checks and balances could lead to inappropriate questioning or even suspensions for individuals whose SSA benefit eligibility is correct. The full text of SSA's comments is included as Appendix D.

## **OIG RESPONSE**

We are encouraged by SSA's decision to pursue a pilot matching agreement with the State of New York. Additionally, we agree with SSA's proposed plan to expand the pilot to other States only if the matching agreement with New York proves beneficial.

We acknowledge SSA's concerns regarding the assumptions made in our report. We also recognize that biometrics and matching agreements represent a new frontier for the Agency. As such, we understand SSA's desire to proceed in this arena with thoughtful consideration. We believe that as SSA accumulates data and gains experience during its pilot review, the Agency should be in a good position to assess the actual costs versus benefits of matching as well as related privacy issues.

# **APPENDICES**

## **USE OF BIOMETRICS IN STATE WELFARE PROGRAMS**

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### **States with Active Biometric Programs**

#### **Arizona**

The Arizona Department of Economic Security began statewide finger-imaging of Temporary Assistance for Needy Families (TANF), general assistance and Food Stamp applicants in January 1998. A legislative study estimated that the program could save the State \$30 million over 5 years.

#### **California**

California has implemented finger-imaging in seven counties. On June 1, 1998, the State released a Request for Proposal (RFP) to expand its program, anticipating an eventual enrollment of 6 million people statewide by March 2000, to support TANF, general assistance and Food Stamp programs. The State estimates that using Los Angeles County's Automated Fingerprint Image Reporting and Match System imaging, savings of over \$86 million have been realized in the first 2 years of operation, August 1994 to September 1996.

#### **Connecticut**

The State of Connecticut's Department of Social Services (DSS) began statewide finger-imaging in January 1996 for its Aid to Families with Dependent Children (AFDC), which was changed to TANF by 1996 legislation, and general assistance programs. As of December 1998, Connecticut had enrolled 170,000 individuals. In a March 1998 report to the General Assembly, DSS stated that, through digital imaging, it had identified 32 cases of attempted dual enrollment, 12 resulting in prosecution, closure or other administrative action, and 20 were under investigation. Including closed cases and attempted dual enrollments, DSS estimated savings of \$9 million and \$6 million in the first 2 years of operation, respectively.

Connecticut is also attempting to identify individuals simultaneously collecting benefits in two or more States by using biometric technology to cross-match finger-imaged files with similar data in other States. The results from the match with New Jersey were

promising. The fraud divisions of both States are investigating 53 potential fraud cases identified from the match. Plans for a similar match with the State of New York are underway.

## **Illinois**

Between 1990 and 1993, Illinois uncovered 36 cases of multiple case fraud costing taxpayers over \$326,000 in illegally obtained welfare benefits. These cases were found by chance rather than systematically. Based on congressional estimates of the national cost of fraudulent welfare identification schemes, Illinois estimated State losses could exceed \$1 billion. While the Department of Public Aid (DPA) felt its fraud prevention and detection techniques were proactive, DPA sought to complement and strengthen its existing efforts with biometric identification techniques.

In July 1994, the Illinois General Assembly passed legislation requiring DPA to test the cost-effectiveness of biometric identification systems as a fraud prevention measure. The legislation mandated the testing of two types of biometric technology, finger-imaging and retinal scanning, the latter of which was terminated.

In February 1996, DPA implemented an electronic fingerprint-imaging system known as the Automatic Identification and Match System (AIMS) as part of a 12-month demonstration project to test fingerprint imaging in three metropolitan Chicago public aid offices for the TANF program. In June 1997, legislation extended the AIMS project to 36 months.

In July 1997, responsibility for biometric identification systems was transferred from DPA to the Department of Human Services (DHS). DHS issued an Evaluation Report in December 1997 that described instances of multiple enrollments. For example, as of September 1997, 34 potential multiple enrollments were referred for investigation with 1 case being found to be actual multiple enrollment. This case resulted in \$402 in identified overpayments resulting from administrative error. DHS recommended termination of the retinal scanning project and continuation of the AIMS project while more precise technical and cost data were developed on a statewide basis.

As of December 1998, Illinois had enrolled 10,377 individuals under its TANF program. The Secretary for DHS has announced that finger-imaging will be a requirement for all TANF and Food Stamp adults, with statewide implementation expected to begin in mid-2000.

## **Massachusetts**

Massachusetts has implemented a pilot study using finger and facial-imaging. The Massachusetts Department of Transitional Assistance (MDTA) began enrollments under the Image Identification System (IIS) in February 1996. As of December 1998, about 280,000 individuals have been enrolled under the TANF, general assistance, and Food Stamp programs. No reports have been issued on savings, but MDTA feels that the real value of IIS is in its deterrent effect.

## **New York**

New York's DSS implemented its Automated Finger-Imaging System (AFIS) in 1995 as part of a multiple county pilot. The pilot covered applicants and recipients under its AFDC (now TANF) and general welfare (Home Relief) programs.

As of December 1998, New York's DSS had enrolled about 1 million individuals in its finger-imaging data base. DSS estimated savings of \$396 million over the first 2 years of the program; resulting from 1,437 case denials for refusal at intake, some 45,030 case closings, and 379 fraud investigations for dual enrollees.

New York is also planning to perform interstate matching of finger-imaged data to identify individuals simultaneously collecting welfare benefits in two or more States. New York's first State matches will be with Connecticut and New Jersey.

## **New Jersey**

The New Jersey DHS began a pilot study in July 1995 using finger-imaging in the northern portion of the State, which included about half its general assistance population. As of December 1998, DHS had enrolled about 70,000 individuals in its finger-imaging data base. DHS is working on the RFP for the general assistance program on a statewide basis. New Jersey has also performed a cross match with Connecticut and expects to perform a cross match with New York.

## **Texas**

The Texas DHS began a biometric pilot project covering two of its counties in October 1996. Using the Lone Star Image System (LSIS), individuals in the AFDC (now TANF) and Food Stamp programs were required to be finger-imaged.

Texas DHS implemented LSIS statewide, and as of October 1999, had enrolled 772,307 individuals. Cost avoidances were estimated at \$6.4 million per year. Additionally, 19 cases were referred to fraud investigators of which 4 resulted in charges being filed, 3 resulted in administrative penalties, 9 were still under review, and 3 were found to be valid claims.

## **States with Pending Biometric Programs**

### **Florida**

The Florida Department of Children and Families has initiated a pilot study using finger-imaging.

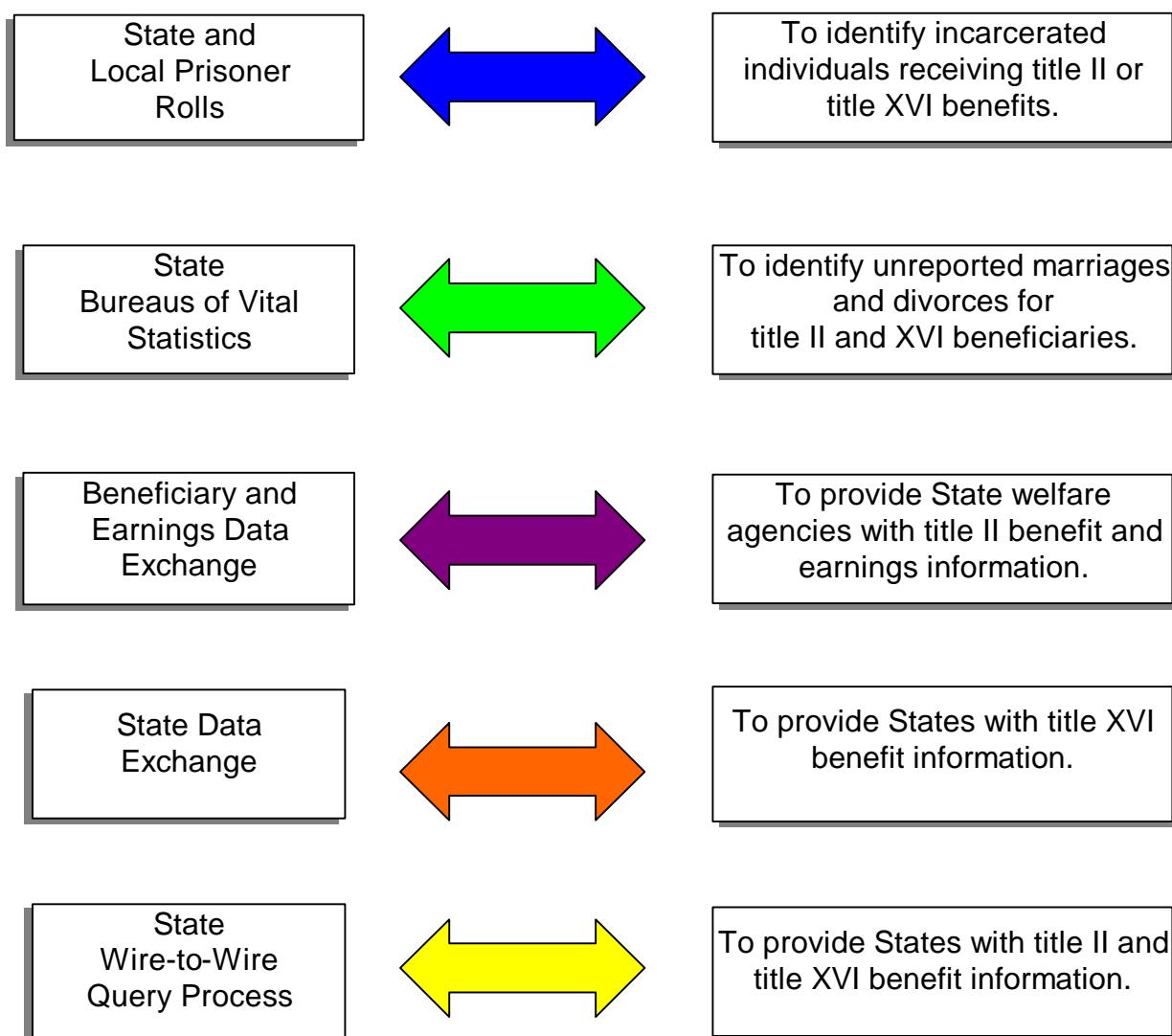
### **North Carolina**

The North Carolina Legislature has mandated statewide implementation of a biometric imaging system to include TANF, Food Stamps and Medicaid recipients.

### **Pennsylvania**

The Pennsylvania Department of Public Welfare plans to fingerprint 830,000 welfare clients. As a result, the State estimates that it will realize budgetary savings or cost avoidance of \$290 million.

## **SSA COVERED MATCHES WITH STATES**



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## SAMPLE APPRAISALS

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### **TOTAL BENEFITS PAID FOR NEW YORK CASES THROUGH JANUARY 1998**

#### **Variables Appraisal**

Total Social Security Payments in Sample Cases	\$ 1,795,536.00
Total Sample Size	500
Average Total Dollar Payment (\$1,795,536.00/500)	\$ 3,591.07
Total Population	12,615
<b>Total Value of Projected Social Security Payments to the Population of New York Applicants</b>	<b>\$45,301,373.00<sup>1</sup></b>

CONFIDENCE LEVEL: We are 90-percent confident that the actual value of all Social Security payments made through January 1998 to the population of terminated New York Aid to Families with Dependent Children applicants is between \$32,430,217 and \$58,172,529.

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<sup>1</sup> This total represents an estimated \$13,501,708 in title II payments and \$31,799,665 in title XVI payments. We are 90-percent confident that the actual value of title II payments made through January 1998, to the population of terminated New York Aid to Families with Dependent Children applicants is between \$6,778,278 and \$20,225,139. We are also 90-percent confident that the actual value of title XVI payments to this same population is between \$21,258,066 and \$42,341,264.

## **Attributes Appraisal**

Total Population	12,615
Total Sample Size	500
Number of Cases with Social Security Benefit Payments	64
<b>Projection of the Number of Cases in Total Population of Terminated New York Applicants with Social Security Benefit Payments</b>	<b>1,615<sup>2</sup></b>

CONFIDENCE LEVEL: We are 90-percent confident that the actual number of cases in the total population of terminated New York AFDC applicants who received Social Security benefit payments is between 1,318 and 1,952.

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<sup>2</sup> This total represents an estimated 858 individuals who received title II payments and 883 individuals who received title XVI payments. The total of these figures exceeds 1,615 because 5 individuals within our sample received benefits under both programs. We are 90-percent confident that the actual number of cases that received title II benefits is between 640 and 1,124 and title XVI benefits is between 662 and 1,152.

**ESTIMATE OF FUTURE SSA BENEFITS FOR NEW YORK CASES  
THAT WILL BE PAID BETWEEN  
FEBRUARY 1998 AND FEBRUARY 2001<sup>3</sup>**

**Variables Appraisal**

Total Future Social Security Benefits in Sample Cases	\$ 648,936.00
Total Sample Size	500
Average Total Dollar Payment (\$648,936.00/500)	\$ 1,297.87
Total Population	12,615
<b>Total Value of Projected Future Social Security Benefits to the Population of Terminated New York Welfare Applicants</b>	<b>\$16,372,655.00<sup>4</sup></b>

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<sup>3</sup> Future projections assume that factors affecting payment levels will remain constant for 3 years after January 1998 (e.g., zero inflation, all terminated beneficiaries will collect payments throughout the entire 3-year period).

<sup>4</sup> This total represents an estimated \$4,514,151 in title II payments and \$11,858,504 in title XVI payments. We are 90-percent confident that the actual value of future title II benefits that will be paid to the population of terminated New Your AFDC applicants over the period February 1998 to February 2001 is between \$1,741.338 and \$7,286,965. We are also 90-percent confident that the actual value of title XVI payments that will be paid to this population is between \$8,207,856 and \$15,509,152.

CONFIDENCE LEVEL: We are 90-percent confident that the actual value of future SSA benefits that will be paid to the population of terminated New York AFDC applicants between February 1998 to February 2001 is between \$11,815,594 and \$20,929,716.

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**APPENDIX D**

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## **AGENCY COMMENTS**

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COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT,  
"THE SOCIAL SECURITY ADMINISTRATION IS PURSUING MATCHING AGREEMENTS  
WITH NEW YORK AND OTHER STATES USING BIOMETRIC TECHNOLOGIES" (A-08-  
98-41007)"

Recommendation

Pursue a matching agreement with New York so that the Agency can use the results of the State's biometric technologies to reduce and/or recover any improper benefit payments.

Comment

We will pursue a pilot matching agreement with New York.

Recommendation

Initiate pilot reviews to assess the cost efficiency of matching data with other States that have employed biometrics in their Social Service programs.

Comment

Should the New York pilot prove beneficial, expansion to other States will be considered on a case-by-case basis.

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## APPENDIX E

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# MAJOR REPORT CONTRIBUTORS

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### **Office of the Inspector General**

Gary Kramer, Director, Program Audits

Kim Byrd, Deputy Director, Enumeration Issue Area

Charles Lober, Senior Auditor

For additional copies of this report, please contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-9558. Refer to Common Identification Number A-08-98-41007.

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**APPENDIX F**

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## **SSA ORGANIZATIONAL CHART**

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