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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Millions Can Be Saved By Identifying Supplemental Security Income Recipients Owning Too Many Assets

In fiscal year 1979, an estimated \$125 million was overpaid to Supplemental Security Income recipients who owned assets, such as bank accounts and real property, valued in excess of the limitations allowed for program eligibility. Most overpayments occurred because assets were not detected through the eligibility interview process or because the Social Security Administration had not effectively monitored changes in ownership and values of identified assets.



114249

This report contains recommendations to the Secretary of Health and Human Services to improve the identification and monitoring of assets.



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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report discusses problems the Social Security Administration has in identifying and monitoring resources, such as bank accounts, owned by Supplemental Security Income recipients and ways millions of dollars of overpayments to recipients not eligible for program benefits could be prevented. We made this review to assess the adequacy of Social Security's efforts to reduce problems causing these overpayments and to point out additional steps that Social Security needs to take to improve its initial and continued eligibility determination process for program applicants and recipients.

We are sending copies of the report to the Director, Office of Management and Budget and to the Secretary of Health and Human Services.

A handwritten signature in black ink, appearing to read "James B. Atchafalua".

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

MILLIONS CAN BE SAVED BY
IDENTIFYING SUPPLEMENTAL
SECURITY INCOME RECIPIENTS
OWNING TOO MANY ASSETS

D I G E S T

More than \$100 million was overpaid for each fiscal year 1977, 1978, and 1979 to Supplemental Security Income (SSI) recipients who own assets valued in excess of what is allowed under the program. These overpayments, estimated at \$125 million during fiscal year 1979, primarily concerned the value and ownership of bank accounts and real property other than the recipient's home.

The Social Security Administration (SSA) estimates \$47 million was overpaid during fiscal year 1979 to owners of bank accounts because claims representatives were unable to identify ownership when applicants and recipients responded incorrectly to bank account questions. Procedures used to identify bank account ownership, and thus prevent or reduce overpayments, have been only marginally successful.

The Internal Revenue Service (IRS) has information that would provide SSA a more effective method for identifying bank account ownership and help reduce the overpayment problem. Because it is tax return information, IRS can release it to SSA only with the consent of the SSI applicant or recipient. SSA is currently looking into actions it needs to take to meet the IRS requirements. (See ch. 2.)

SSA estimated that \$20 million was overpaid during fiscal year 1979 to SSI recipients owning real property (other than the home) valued in excess of the maximums. Most of these overpayments are attributable to the inability of claims representatives to identify real property owned by applicants and recipients who do not report such ownership. Current interview questionnaires and procedures

do not emphasize real property, and SSA has not adopted improvements suggested by its Office of Assessment that could help it combat the real property overpayment problem.

Also, SSA has authority to grant conditional SSI payments to applicants who agree to sell the property and repay the SSI assistance, but Health and Human Services (HHS) regulations restrict the number of agreements made. (See ch. 3.)

SSA estimated that \$36 million of the fiscal year 1979 resource overpayment problem occurred because recipients failed to report changes in the types and values of assets owned which can significantly affect eligibility and payment amount. SSA does not have complete information in its computerized system on types and values of resources owned by SSI applicants and recipients. The information it has is of limited use in assisting SSA in effectively managing and monitoring changes in resource ownership and values.

Also, this lack of resource information impedes SSA's outreach efforts to identify previously denied applicants who may be eligible for SSI because of legislative or administrative changes to the resource limitations criteria. (See ch. 4.)

RECOMMENDATIONS

The Secretary should require the Commissioner of Social Security to:

--Initiate steps to have SSI applicants and recipients sign tax information consent forms and provide these forms to IRS for purposes of obtaining information needed to verify SSI income and resources' records.

- Adopt the interviewing techniques and questions suggested by the Office of Assessment to improve the procedures to identify real property ownership and prevent and reduce overpayments.
- Assess the effect the resource disposition dollar limitations have on eligibility with a view toward substantially raising or eliminating the dollar limitations so that benefits are provided to those the SSI program is intended to assist.
- Develop and maintain detailed automated resource information to (1) include types and dollar values of resources owned by SSI applicants and recipients, (2) use the information to detect overpayments caused by changes in resource ownership and value, and (3) contact potentially eligible individuals, thereby enhancing SSA's outreach efforts.

AGENCY COMMENTS

In a November 1980 letter, HHS agreed with our recommendations and indicated actions planned and/or underway to implement them. (See pp. 11, 17, and 22.)

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I Letter dated November 21, 1980,
from the Department of Health
and Human Services

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ABBREVIATIONS

GAO	General Accounting Office
HHS	Department of Health and Human Services
IRP	Information Return Processing
IRS	Internal Revenue Service
OPEQ	Office of Payment and Eligibility Quality
SSA	Social Security Administration
SSI	Supplemental Security Income

CHAPTER 1

INTRODUCTION

The Supplemental Security Income (SSI) program was established by title XVI of the Social Security Amendments of 1972 (42 U.S.C. 1381, et seq.) to provide cash assistance to needy aged, blind, and disabled persons. This program, effective January 1, 1974, replaced State-administered programs of Old-Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled. It provides minimum income to persons based on national uniform eligibility criteria.

The Department of Health and Human Services' (HHS') Social Security Administration (SSA) administers SSI through its 10 regional offices and over 1,300 field offices nationwide. The program is funded by general revenue taxes. The maximum Federal monthly payments are \$238 for an eligible individual and \$357 for an eligible couple. States may supplement the Federal benefit; they have the option of administering the supplemental payments themselves or contracting for Federal administration. Over 4 million persons received \$6.8 billion during fiscal year 1979 in SSI payments--\$5.2 billion in Federal payments and \$1.6 billion in State supplementations. More than 1.3 million persons applied for SSI, and SSA determined about 545,000 were eligible. The total number of SSI recipients remained about 4.2 million.

SSI eligibility and the benefit payment depend on several factors, including the types and amounts of resources owned by SSI applicants and recipients. The Social Security Act establishes resource limitations and exclusions and gives the Secretary of HHS the authority to prescribe reasonable limitations for the excluded resources which have been established by regulations, as discussed below.

Resource limitations

Resources, other than those excluded, are not more than \$1,500 for an individual and \$2,250 for a couple.

Resource exclusions

The home, including adjoining land.

Household goods and personal effects with an equity value of \$2,000 or less and an automobile with a current market value of \$4,500 or less.

Life insurance policies with face values totaling less than \$1,500; otherwise, the cash surrender value of the policies shall be counted toward the limitation.

Other property the Secretary of HHS determines essential to self-support or necessary to fulfill an approved plan for self-support.

Certain stocks in regional or village corporations held by natives of Alaska and certain assistance received as a result of a major disaster.

Resource dispositions

Conditional payment is permitted for applicants owning various kinds of property valued in excess of the resource limitations, provided the applicant disposes of the property and uses the proceeds to reimburse the Federal Government for interim benefits that have been received.

Generally, all other resources are counted 1/ and must be considered when computing the resource limitations for program eligibility.

SSA claims representatives in the district and branch field offices interview applicants to determine if they are eligible for the program. The representatives request documentation from applicants concerning their age, marital status, income, living arrangements, types of resources owned, and the value of these resources. If applicants are unable to come to the SSA district or branch office, they can be interviewed in their home. If applicants are eligible for the program, the representatives are required to reevaluate their resources and other eligibility factors periodically thereafter.

1/Countable resources include available cash, bank accounts, stocks, bonds, mutual funds, real property other than the home, and burial plots.

Selected resource information obtained during the interview is entered into the SSI computerized payment system. The system is designed to help field office personnel administer the SSI program and perform the automated operations of recordkeeping, computation and payment of benefits, and notifications of denials, allowances, or changes in benefits.

SSI PAYMENT ERRORS ATTRIBUTED TO
RESOURCES ARE A CONTINUING PROBLEM

SSA's Office of Payment and Eligibility Quality (OPEQ), within its Office of Assessment, semiannually selects and reviews a statistical sample of recipients on the SSI roles to assess how well the program is operating. Sample cases are evaluated for factors affecting payment amounts and eligibility determinations using extensive interviewing and verification procedures. Results are projected to the SSI universe, and, as shown below for the last 3 years, OPEQ has estimated overpayment errors exceeding \$100 million annually related to the resource area.

<u>Resources</u>	<u>OPEQ estimated overpayments</u>		
	<u>Oct. 1976 to Sept. 1977</u>	<u>Oct. 1977 to Sept. 1978</u>	<u>Oct. 1978 to Sept. 1979</u>
Bank account	\$ 80,460,000	\$ 80,840,000	\$ 86,610,000
Nonhome real property	23,950,000	24,590,000	20,490,000
Automobile	1,940,000	1,370,000	3,300,000
Life insurance	6,910,000	4,830,000	5,180,000
Household goods and personal effects	150,000	90,000	790,000
Other	<u>a/270,000</u>	<u>4,330,000</u>	<u>8,560,000</u>
Total	<u>\$113,680,000</u>	<u>\$116,050,000</u>	<u>\$124,930,000</u>

a/"Other" category for October 1976 to September 1977 does not include certain other resource overpayments which were included in the totals for the subsequent 2 years.

Bank accounts and real property ownership accounted for 85 percent of the fiscal year 1979 resource overpayments. According to OPEQ, most of the bank account overpayment problem--\$47 million during fiscal year 1979--resulted from claims representatives' inability and/or failure to establish ownership of bank accounts for those applicants and recipients who incorrectly respond to interview questions. The second major reason for bank account overpayments--\$29 million during fiscal year 1979--stems from SSA not establishing an effective mechanism for monitoring changes in the ownership and values of bank accounts that have been identified as being owned by recipients. The other \$11 million in fiscal year 1979 bank account overpayments was attributed by OPEQ to a variety of reasons, such as incomplete development and verification of information by claims representatives, incorrect data transfer to the computerized system, and inaccurate policy interpretation. As with bank accounts, most of the \$20 million of real property overpayments occurring in fiscal year 1979 resulted from claims representatives' inability and/or failure to establish ownership and the ineffective monitoring of real property ownership and value changes.

Because bank accounts and real property ownership are the largest resource overpayment problems, this report discusses (1) SSA's efforts and problems in identifying ownership of these resources, (2) ways identification can be improved, and (3) refinements needed in SSA's system for managing and monitoring resources. Neither we nor OPEQ have found life insurance, household goods, personal effects, or automobiles to be significant problems. Few applicants acknowledge owning countable life insurance, household goods, or personal effects. Although many applicants own automobiles, few are counted toward the resource limitations because of the \$4,500 current market value exclusion or because there is a use being made of the automobile which excludes it from being counted, such as transportation for needed medical care.

OBJECTIVES, SCOPE, AND METHODOLOGY

At SSA and Internal Revenue Service (IRS) headquarters in Baltimore, Maryland, and Washington, D.C., respectively, we reviewed laws, legislative proposals, policies, and regulations. We discussed resource problems with SSA headquarters officials and regional management officials in the New York, Dallas, and Atlanta regions.

We visited seven SSA district offices, 1/ where we interviewed more than 70 claims representatives, field representatives, and supervisors to obtain their views on resource procedures and ways to identify ownership. We observed claims representatives interviewing applicants and recipients to compare practices with procedures. Case files were analyzed to obtain indications on the types and amounts of resources owned and to determine whether the information was recorded in the SSI computerized system.

We analyzed reports and studies by SSA's Office of Assessment showing the magnitude and causes of resource overpayment problems. We did not review the appropriateness of the values assigned to resources.

1/Albany, Buffalo, Troy, Schenectady, and Midtown Manhattan in New York and Dallas and Austin in Texas.

CHAPTER 2

SSA NEEDS ASSISTANCE IN IDENTIFYING BANK ACCOUNT OWNERS

SSA's OPEQ estimates that \$47 million was overpaid in fiscal year 1979 to recipients with bank accounts in excess of the resource limitations because claims representatives were unable and/or failed to identify ownership when applicants and recipients incorrectly responded to bank account questions. The identification problem stems from the fact that procedures used to identify bank account ownership, and thus prevent or reduce overpayments, have been only marginally successful. IRS has bank account information on SSI applicants and recipients which is readily available and would allow SSA claims representatives to more effectively identify bank account ownership. SSA has not acted to obtain this information from IRS.

CURRENT PROCEDURES ARE NOT LIKELY TO PREVENT OR SIGNIFICANTLY REDUCE OVERPAYMENTS

Routine procedures that claims representatives follow tend to rely on applicants' and recipients' acknowledging bank account ownership and showing evidence of the bank account balance. According to a 1977 SSA study, representatives seldom requested banks to verify ownership and account balances. Most applicants and recipients said they do not have a bank account, and claims representatives accepted this response in accordance with routine procedures. As a result many bank account owners were not being identified.

In July 1979, SSA began implementing special bank account verification procedures that require extensive questioning and verifying responses of applicants with certain characteristics that indicate a likelihood of owning a bank account. SSA had developed profiles of recipients who incorrectly responded to bank account questions when they applied for SSI during 1975 and 1976. The profile showed that an applicant having one or more of the following characteristics is likely to own a bank account:

- Age is 69 or older.
- Has a spouse.

--Owns liquid resources exceeding \$1,000.

--Has an income which does not appear large enough to offset expenses.

After identifying one or more of these characteristics, claims representatives are required to follow the special procedures aimed at identifying ownership of a bank account and providing leads as to which banks the claims representatives should contact to verify applicants' responses. The procedures require claims representatives to ask such questions as (1) do the applicants' names appear on any jointly owned bank accounts, (2) where do the applicants purchase money orders, (3) where do the applicants pay utility bills, (4) do the applicants own any credit cards with a bank identifier, (5) have the applicants borrowed money from a bank in the past, (6) do the applicants rent safe deposit boxes, and (7) do the applicants know the names of neighborhood banks?

If applicants acknowledge owning a bank account or otherwise provide a lead to a possible bank during the questioning, claims representatives request authorizations from the applicants permitting the bank to release information needed to verify the existence of and amounts in the accounts with these banks. If no ownership or leads are identified, claims representatives contact banks near the applicants' home.

SSA headquarters has not yet determined the success of the special procedures on identifying bank accounts and preventing or reducing overpayments. Limited regional studies, however, have been made in three SSA regions. SSA's New York region studied results of the special procedures in 12 district offices in September 1979 and found that, of 123 applicants who had the specified characteristics, only 1 was ineligible for SSI because of owning an unreported bank account. The study concluded that further thought must be given to the special procedures and questioned the worth of the extra effort.

SSA's Philadelphia region reviewed 59 special verification cases in December 1979; it found that three applicants were ineligible, of whom two acknowledged owning bank accounts with excessive balances after being told the banks would be contacted, and one was found through bank verification. SSA's Dallas region found that 18 applicants out of 182 (nearly 10 percent) were ineligible because of excessive bank account balances.

None of the studies addressed the cost of administering the special bank account verification procedures. Headquarters officials stated that, since the regional studies, only minor modifications and clarifications have been made to the special bank account procedures and that the effect of these changes was not expected to be significant.

In April 1980, we contacted supervisors of claims representatives in five of the seven district offices visited to discuss their experiences with the special verification procedures. These supervisors reported results similar to those found in the three regional office studies. The supervisors' comments follow:

- More than 80 applicants were subjected to the special verification procedures, but none had bank accounts resulting in ineligibility.
- Out of 200 requests to banks for verification, only one bank account was identified that resulted in the applicant being ineligible. A problem cited was that, in any sizable city, numerous banks could be considered neighborhood banks and claims representatives were essentially "guessing" which bank might have an applicant's account.
- Between October 1, 1979, and March 31, 1980, of 161 requests to banks, five applicants were identified with bank accounts exceeding the \$1,500 limit.
- Requests to banks have not identified any accounts over the \$1,500 limit. Claims representatives felt the procedures required more interview time than they were worth.
- Only occasionally were these special verification procedures identifying bank account owners. The applicants were concerned about the number of questions and complained about the length of time required for the interview.

District, regional, and headquarters officials believed that obtaining information from IRS would be a better method of identifying SSI recipients with excessive bank account balances.

WITH IRS COOPERATION BANK ACCOUNT OWNERS
CAN BE SYSTEMATICALLY IDENTIFIED

Based on a feasibility test, SSA estimated that periodic matching of SSI records with records maintained by IRS could provide leads to identify as many as 100,000 SSI recipients having undisclosed bank accounts or excessive account balances, and to identify new applicants who declare they do not own a bank account. SSA believes that overpayments of as much as \$122 million ^{1/} could be avoided or reduced by using an SSI-IRS matching process. SSA has not acted to obtain the IRS information. The information is available and could be obtained with the recipient's or applicant's consent.

Matching of files appears
feasible and cost effective

In early 1978, SSA and IRS conducted a feasibility test to see if matching SSI records with records maintained in the IRS's Information Return Processing (IRP) file would provide the information SSA needs to identify potentially excessive bank account balances. The IRP file consists of unearned income paid by financial institutions, such as interest a bank pays to the owner of a savings account. SSA provided IRS the social security numbers of 5,000 SSI recipients who claimed to have no income from these sources. IRS then matched the social security numbers against its 1976 IRP file and gave SSA statistical summaries of the income reported by financial institutions for the recipients.

In a July 1978 report on the results of its test, SSA concluded that matching SSI and IRS records appeared highly feasible and cost effective. The statistical summaries showed that 13.5 percent of the recipients had bank account income with 2.5 percent having such income exceeding \$100. SSA estimated that resources of more than \$1,500 would be required to earn \$100 of income (the report used the example that to earn \$100 of income at 5.5-percent interest would require a \$1,800 resource). In its July 1978 report, SSA projected that more than 100,000 recipients were potentially

^{1/}This \$122 million far exceeds the \$47 million in overpayments estimated by OPEQ because OPEQ personnel efforts in interviewing and verifying bank accounts also have limitations similar to those of the special bank account verification procedures.

overpaid \$122 million annually because of these undetected resources. The report showed the matching would cost an estimated \$2.7 million to reimburse IRS for interfacing the records and cover the additional administrative costs for SSA to redetermine the recipient's eligibility.

SSA action is needed before IRS
will disclose the data to SSA

Even though the test showed that matching of records appeared feasible and cost effective, SSA has not fully explored with IRS ways in which access to IRP information could be accomplished. In March 1977, HHS' Office of the General Counsel responded to an SSA request to analyze the Tax Reform Act of 1976. The General Counsel concluded that, within the provisions of the act, any justification for disclosing IRP information to SSA was relatively weak. In August 1979, HHS' Deputy Assistant Secretary for Planning and Evaluation recommended to the Secretary of HHS that legislation be prepared that would allow SSA access to IRP information. The Deputy Assistant Secretary concluded that the Tax Reform Act does not permit IRS to disclose to SSA information on interest and other such income paid to SSI applicants and recipients. The Secretary, however, decided not to pursue or support this legislation.

According to IRS, it can disclose IRP information to SSA within the Tax Reform Act provisions provided the consent of the taxpayer is obtained. However, IRS regulations implementing this provision set forth stringent requirements that must be met, including a need for a separate consent/authorization form being signed by the taxpayer and provided to IRS. While SSA has not determined how much it would cost to comply with IRS consent regulations, an SSA official said that SSA would explore the costs and administrative process needed to meet IRS regulations. The official noted, however, that the benefits to be derived from obtaining and using IRP information would most likely far outweigh the costs to meet the IRS regulations.

CONCLUSIONS

SSA's inability to identify bank account owners is a major problem of the SSI program resulting in at least \$47 million, and potentially as much as \$122 million, in overpayments annually. SSA attempted to reduce the problem by implementing special verification procedures; however, based on the field and regional offices' experience, it is doubtful

whether the verification procedures will have much of an impact on the overpayment problem. Furthermore, although no benefit/cost data were obtained during the tests of the new procedures, some SSA regional and field personnel questioned whether the cost of the procedures was offset by reduced overpayments.

A more effective mechanism for identifying bank account owners and for preventing and reducing the related overpayment problem is periodically matching SSI records with records IRS maintains in its IRP file. However, IRS believes the Tax Reform Act of 1976 precludes it from disclosing the information to SSA without the individual's consent.

In view of the significant overpayment problem involved, action by SSA and HHS seems essential. Irrespective of whether the legislative route is pursued further, SSA could try to obtain consent agreements from new SSI applicants and from existing recipients during the annual reevaluations. While obtaining consent agreements may be somewhat of an administrative burden, it would avoid the problems that seeking a legal change might entail and, on the basis of SSA officials' comments, would most likely be far less costly to the Government than the amounts lost through overpayments. Furthermore, the initiation of a consent procedure could eliminate the need for SSA claims representatives to continue the special bank account verification procedures, which appear to be of questionable utility and cost effectiveness.

RECOMMENDATION TO THE
SECRETARY OF HHS

We recommend that the Secretary direct the Commissioner of Social Security to initiate steps to have SSI applicants and recipients sign tax information consent forms and provide the signed forms to IRS for purposes of obtaining IRP information needed to verify SSI income and resources records.

AGENCY COMMENTS

HHS agreed that IRP information was potentially valuable in identifying bank accounts owned by SSI applicants and recipients and said it will be working with IRS to see if a cost-effective methodology can be developed for checking these records--probably concentrating on "high-risk" SSI cases--consistent with the requirements of the Tax Reform Act. By June 1981, HHS expects to have an operational methodology worked out and a target date identified for testing it. (See app. I.)

CHAPTER 3

SSA SHOULD PLACE MORE EMPHASIS ON IDENTIFYING REAL PROPERTY OWNERSHIP

SSA's OPEQ estimates that \$20 million was overpaid during fiscal year 1979 to SSI recipients owning real property, other than the home, such as land that is valued more than the resource maximums. Most of these overpayments occurred because claims representatives were not able to identify real property owned by applicants and recipients who did not report, or incorrectly reported what they owned. Unlike the matching of records to identify bank account ownership, ways to determine if applicants own real property are more limited. Questions and procedures now being used to ascertain the ownership of real property do not emphasize techniques needed to identify such property, and SSA has not adopted certain procedural improvements suggested by its Office of Assessment.

SSA has authority to grant SSI conditional eligibility to applicants who agree to sell real property valued in excess of the resources limitations and repay the SSI assistance; however, HHS regulations prohibit these agreements when the property plus other countable resources is expected to result in more than \$3,000 of proceeds for an individual or \$4,500 for a couple. These dollar limits severely restrict the number of agreements that are made.

CURRENT INTERVIEW EFFORTS DO NOT ADEQUATELY EMPHASIZE THE NEED TO IDENTIFY REAL PROPERTY OWNERSHIP

Interview procedures now being used by SSA claims representatives place little emphasis on identifying nonhome real property owned by applicants and recipients. Only one question directly addresses real property other than the home and that question addresses real property along with money and other resources. If applicants and recipients reply they do not own any real property, as most do, current procedures do not require claims representatives to follow up or attempt to verify the responses. While SSA has initiated extra efforts to identify more SSI applicants and recipients with bank accounts, little has been done to improve methods of identifying real property owners. SSA's regional assessment staff has suggested more extensive interviewing, but so far it has not happened.

Office of Assessment staffs in SSA's Atlanta and Dallas regional offices have studied the problem of field offices not identifying real property owners. The staffs noted that most of the real property overpayments they were able to detect resulted from their asking more extensive questions. The Atlanta study showed that, in 59 percent of the cases, the staffs were able to identify real property ownership because they did more extensive interviewing. In 30 percent of the cases, the staffs identified real property ownership by checking with local tax assessor offices; however, the staffs concluded the sheer volume of applicants and recipients could make this technique impractical for daily use at the field office level.

In the other 11 percent of the cases, the staff identified ownership through such methods as questioning relatives, landlords, or tenants and/or checking with local businesses and financial institutions. According to Atlanta assessment officials, this extent of investigation also is impractical for daily use at the field office level. Although the Dallas studies of real property ownership were done in conjunction with studies of other problems, they generally supported the Atlanta findings.

The Atlanta and Dallas studies in 1977 and 1978 suggested that SSA regional program officials should:

- Change the interview format from a single question addressing both real property and money into separate and direct questions about owning real property, including questions directed at identifying inherited property.
- Routinely advise applicants or recipients that responses may be verified through third-party contacts.
- Emphasize in training courses techniques for identifying real property owners.

We discussed actions that have been taken to implement the suggestions with Atlanta and Dallas regional program officials as well as with headquarters program officials. SSA allows its regional offices to supplement SSA's standardized SSI operating procedures to resolve problems occurring in their geographic areas. Atlanta officials stated that they had not adopted assessment suggestions because of

other priority efforts within the region. Dallas officials said that they had produced a training film that showed interviewing techniques. According to Dallas officials, this film was intended to inform field office personnel that identifying resources was a problem. The officials, however, did not require that any of the suggestions made by the regional assessment staff be added to the real property interview procedures.

According to headquarters officials, real property interviewing procedures have not been changed. One official said that, considering the recent special procedures for bank account ownership, additional questions and procedures about real property ownership could confuse and overburden claims representatives in the field offices. Headquarters officials noted, however, that they were developing a new detailed interview questionnaire to be implemented in early 1981. We reviewed a draft of the new interview questionnaire; it showed that the one question addressing real property had been reworded, but the new questionnaire did not include the suggested separate and direct questions about owning real property.

PRESCRIBED DOLLAR LIMITATIONS
RESTRICT USE OF THE CONDITIONAL
ELIGIBILITY PROVISION

Individuals are expected to convert excess resources into cash to provide for their needs. However, this may involve a lengthy process and could result in undue financial burden. Section 1613(b) of the Social Security Act allows conditional SSI eligibility to applicants who agree to sell property valued in excess of the resource limitations. This provision is intended to recognize that some applicants may own property that cannot be quickly converted to cash to meet necessary living expenses. However, HHS regulations (20 CFR 416.1240) that implement the provision restrict the number of applicants who can qualify for conditional eligibility. Applicants cannot qualify if the net proceeds from sale of property plus other countable resources are expected to exceed \$3,000 for an individual or \$4,500 for a couple. Additionally, the liquid resources owned (cash, bank account, etc.) must not exceed three times the maximum monthly SSI payment.

According to SSA officials, neither the act nor congressional committee reports indicate whether any dollar limits should be placed on excess resources for purposes of obtaining or being denied conditional eligibility. These officials

believe, however, that without a limit, an individual who has little or no income but owns an expensive piece of property would receive conditional SSI assistance. SSI payments would, in effect, provide an interest-free loan while the individual was liquidating the property. Upon liquidation, the individual would not be eligible for SSI for a long time, if ever. The individual would not be needy except for temporarily having assets tied up in the property.

SSA officials concluded that this clearly seems to be a situation in which conditional payment was not contemplated and that resource limits should be established to avoid such situations. SSA decided that limits of twice the statutory limitations (\$3,000 for an individual and \$4,500 for a couple) appeared reasonable.

Officials in the seven SSA district offices visited indicated that agreements to dispose of resources are seldom made because the expected proceeds from disposing of the real property exceed the \$3,000 and \$4,500 prescribed limitations. A claims representative supervisor in one district office said she has seen only two agreements for resource disposition since SSI began in 1974. In another district office, a supervisor said the last resource disposition agreement within that district was in 1976. A third supervisor said she could not recall any agreements since the program began.

Of the seven offices we visited, only one cited a case where conditional eligibility was denied. The case involved an elderly lady who reported owning two adjoining lots of land. The lady had no income or other countable resources, and real estate agents did not believe the property could be used to provide rental income. Sale of the property was estimated to bring less than \$4,000 but more than the \$3,000 limitation. The district office official knowledgeable about the case said the lady was trying to sell the property, but did not know if the property had been sold. SSA headquarters officials said that they did not know how many agreements have been entered into, how many are currently in effect, how many have been denied, or what the reasons were for the denials. An SSA report prepared at our request indicated that in 1977 about 6,000 applicants who acknowledged owning real property were denied eligibility. The real property owned by these applicants had an average value of \$9,500.

CONCLUSIONS

The current SSI interview questions and procedures do not provide enough emphasis on identifying real property ownership to combat the \$20 million annual overpayment problem. SSA's regional Office of Assessment staffs have found that ownership can be better established by improved interviewing techniques, yet regional program officials have not adopted the suggested improvements. Unless SSA officials are aware of other viable alternatives for identifying real property ownership, we believe the procedural improvements suggested by the regional assessment staffs appear reasonable and should be implemented.

The \$3,000 per person and \$4,500 per couple limitations to qualify for conditional SSI eligibility, pending the disposition of resources, could have the effect of denying assistance to low-income aged, blind, and disabled persons who own property that is not easily converted to cash. Consequently, many persons, whom the provision was intended to serve, may be facing a financial burden in trying to meet basic living expenses.

SSA estimates that 6,000 persons who sought SSI assistance in 1977 and who owned real property with a \$9,500 average value were denied eligibility. SSA does not know how many of these people could have received conditional SSI eligibility if the dollar limits for resource disposition were substantially raised or eliminated.

RECOMMENDATIONS TO THE SECRETARY OF HHS

We recommend that the Secretary of HHS direct the Commissioner of Social Security to:

- Incorporate into the proposed interview questionnaire form, now being developed, separate questions emphasizing real property ownership.
- Incorporate a requirement into field office operating procedures that SSI applicants and recipients be informed that information they provide may be verified through third-party contacts.
- Place more emphasis on real property ownership as a cause of overpayments during training for claims representatives..

We also recommend that the Secretary direct the Commissioner to assess the effect the resource disposition dollar limitations have on applicant eligibility. If the effect is significant, the Commissioner should prepare for HHS approval revised regulations which substantially raise or eliminate these limitations to ensure that SSI benefits are provided to those persons the program is intended to assist.

AGENCY COMMENTS

HHS agreed with our recommendations and said it was acting to strengthen real property questioning in the SSI claims process. According to HHS, SSA has developed a new version of the interview questionnaire that serves as the basic SSI application form; the new form, which is expected to go to the Office of Management and Budget for approval shortly, contains specific questions about real property ownership. The new interview questionnaire will also require the applicant to give specific permission to check any statement made in the application and further require the applicant to authorize any and all sources of information to disclose the information to Social Security. Also, HHS said it was in the process of redesigning the training course for claims representative trainees, and will stress interviewing SSI applicants about their possible ownership of real estate.

With regard to raising or eliminating the resource disposition dollar limitation, HHS said it shares our concern that the current dollar limits--set in 1973--may be too restrictive, and will assess the need for raising them. Additionally, they are considering development of a new regulation that would generally exempt applicants for SSI conditional payments from the current resource dollar limits if the property they are trying to dispose of is their former home. (See app. I.)

CHAPTER 4

SSA SHOULD MAINTAIN INFORMATION

ON RESOURCES IDENTIFIED

SSA's OPEQ estimates that \$36 million of the \$125 million fiscal year 1979 resource overpayment problem occurred because recipients failed to report changes in the types and values of resources they owned. SSI recipients are required to report such changes because changes can affect recipients' eligibility and the amount of payments they receive.

SSA does not have complete information in the SSI computerized system on the types and dollar values of resources owned by applicants and recipients. Data maintained in the system are generally limited to homes and automobiles; however, even for these resources, the dollar values are unknown. Consequently, resource information presently recorded and maintained in the SSI computerized system has limited use in assisting SSA in managing and monitoring the problem of changes in resource ownership and values.

Also, the lack of this resource information impedes SSA's efforts in identifying previously denied applicants who may now be eligible for SSI because of legislative or administrative changes to the resource limitations criteria.

INFORMATION IS NEEDED FOR MONITORING RESOURCE OWNERSHIP AND VALUE CHANGES

Eligibility for SSI benefits is based on a continuing need for financial assistance. Once eligibility is established, recipients are responsible for reporting changes in income, resources, or other circumstances which could affect the SSI payment or their eligibility for the program. SSA's estimates of overpayments for the SSI program continually indicate that recipients fail to report that they have received and/or disposed of resources or that changes have occurred in values of their resources.

OPEQ, through its extensive questioning and verification sample, identifies recipients whose resources have changed to the extent that an overpayment has occurred and projects the overpayments to the SSI universe. Over 80 percent of these overpayments resulted from changes in bank account ownership or balances, as shown on the next page.

Overpayments Because Of Resource Changes

	<u>Oct. 1977 to Sept. 1978</u>	<u>Oct. 1978 to Sept. 1979</u>
Bank accounts	\$24,070,000	\$ 29,220,000
Nonhome real property	2,570,000	3,010,000
Automobiles	10,000	1,080,000
Life insurance	1,070,000	1,080,000
Household goods and personal effects	-	50,000
Other	<u>1,330,000</u>	<u>1,130,000</u>
Total	<u>\$29,050,000</u>	<u>\$35,570,000</u>

Claims representatives attempt to identify changes in resource values during redeterminations made annually to insure that recipients are still eligible and being paid the proper amount. During the redetermination process recipients are expected to provide the same kind of information that was given when they applied including any changes in income, resources, or other circumstances. The case files for recipients contain detailed information about the resources owned and their values, but because the files are normally shipped to a centralized record storage location, they are not readily available when redeterminations are made.

To assist claims representatives during the redetermination process, SSA provides them printouts from the computerized system that show a recipient's SSI payment history and other identifying information. However, the types of resources and their dollar values--information in the hard copy case file--are generally not included in the printouts because they have not been recorded in the computer system. Consequently, claims representatives spend considerable time and effort during the redetermination process reidentifying resources owned by recipients.

Officials in all seven district offices said that having detailed resource information, including the types and values of resources, readily available from the computerized system would be extremely helpful in that they could concentrate their efforts on identifying new resources that have been acquired and detecting changes in known resources. SSA regional officials in Atlanta, Dallas, and New York, and SSA headquarters officials, pointed out that resource information provided by the current system was inadequate and that more information is needed to effectively monitor resource ownership.

OUTREACH EFFORTS COULD BE ENHANCED
BY ADDITIONAL RESOURCE INFORMATION

Since the SSI program began in 1974, SSA has made an ongoing effort to reach needy aged, blind, and disabled persons who are potentially eligible for benefits. However, SSA had not taken full advantage of information maintained in its records to directly identify and contact applicants who were previously denied, but may now be eligible for benefits.

This problem was pointed out in an April 22, 1977, letter (HRD-77-87) we sent to the Commissioner of Social Security concerning the 1976 changes to the Social Security Act; these changes excluded the home as a countable resource. We recommended that previously denied homeowners be contacted to re-apply under the new criteria, and that, in the future, similar actions be taken where legislative changes are made that can affect the eligibility status of previously denied individuals.

Because SSA was unable to specifically identify previously denied homeowners from data in its SSI computerized system, it had to send outreach notices to all individuals who had been denied eligibility due to excess resources. Expanding information in the computerized system for monitoring resource ownership and values would help SSA identify individuals who may now be eligible because of legislative as well as administrative changes.

SSA has made several administrative changes to the resource eligibility criteria, including changing the method of establishing the value of real property, household goods, and personal effects from a current market value basis to an equity 1/ basis; increasing the dollar exclusion for household

1/Equity is the current market value less any legal debt.

goods and personal effects from \$1,500 to \$2,000; and increasing the automobile exclusion value from \$1,200 to \$4,500. These changes made it easier for owners of these resources to qualify for SSI.

According to SSA headquarters officials, SSA has not made any concentrated efforts to contact such people previously denied eligibility because the current computerized system does not provide adequate information to identify those denied with the specific resources they owned in excess of limitations.

CONCLUSIONS

The current computerized information on resources owned by SSI applicants and recipients is insufficient for SSA to (1) effectively manage and monitor changes in resource ownership and values for those presently on the payment rolls or (2) contact previously denied applicants who may now be eligible because of legislative and administrative changes to the resource criteria. More computerized data on the types and values of resources owned by recipients are needed by claims representatives to reduce the overpayment problem resulting from resource ownership and value changes. Otherwise, the overpayment problem will likely continue because of the reliance placed on recipients' accurately reporting changes in their circumstances. In addition, more complete resource data should enhance SSA's outreach efforts.

RECOMMENDATION TO THE SECRETARY OF HHS

We recommend that the Secretary direct the Commissioner of Social Security to develop and maintain detailed automated SSI applicant and recipient resource information that includes the types of resources owned and their dollar values. This information should be readily available to (1) claims representatives so that they can monitor changes in recipient resource ownership and values and (2) the appropriate headquarters component responsible for contacting previously denied applicants who may subsequently become eligible for SSI because of legislative and administrative changes to the resource criteria.

AGENCY COMMENTS

HHS agreed with our recommendation and said it has just tripled the amount of space in the SSI computer record that stores information about resources. According to HHS, it will use that space to keep more detailed information about the types and values of resources owned by SSI recipients. For example, in the resource field of the Supplemental Security Record, HHS said it will add codes to indicate that the claimant has a bank account and the number of accounts. The dollar value of these accounts can be displayed in another area of the computer record. All of this information will be readily available to field office personnel and will permit more effective monitoring of changes in bank accounts and other resources owned by SSI recipients. In addition, whenever there is a change in the resources rules--such as an increase in dollar limit--HHS said it will be better able to identify previously denied applicants who might be eligible. (See app. I.)



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

21 NOV 1980

Mr. Gregory J. Ahart
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "The Social Security Administration Can Save Millions of Dollars by Better Identifying Resources Owned by Supplemental Security Income Recipients." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,


For Richard B. Lowe III
Inspector General (Designate)

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES
ON THE GAO DRAFT REPORT, "THE SOCIAL SECURITY ADMINISTRATION
CAN SAVE MILLIONS OF DOLLARS BY BETTER IDENTIFYING RESOURCES
OWNED BY SUPPLEMENTAL SECURITY INCOME RECIPIENTS," HRD-81-4

GAO Recommendation

The Secretary of HHS should direct the Commissioner of Social Security to initiate steps to have SSI applicants and recipients sign tax information consent forms and provide the signed forms to IRS for purposes of obtaining Information Return Processing (IRP) file information needed to verify SSI income and resources records.

Department Comment

We agree that interest income records contained in IRS' files represent a potentially valuable tool for identifying bank accounts owned by SSI applicants and recipients. We will be working with IRS to see if a cost-effective methodology can be developed for checking these records--probably concentrated on "high-risk" SSI cases--consistent with the requirements of the Tax Reform Act. By June 1981 we expect to have an operational methodology worked out and a target date identified for testing it.

GAO RECOMMENDATIONS

- Incorporate into the proposed interview questionnaire form, now being developed, separate questions emphasizing real property ownership.
- Incorporate into field office operations procedures a requirement that SSI applicants and recipients be informed that information they provide may be verified through third party contacts.
- Place more emphasis on real property ownership as a cause of overpayments during training for claims representatives.

Department Comment

We agree and are taking steps to strengthen real property questioning in the SSI claims process. SSA has developed a new version of the interview questionnaire that serves as the basic SSI application form; the new form, which is expected to go to OMB for approval very shortly, contains specific questions about real property ownership. The new interview questionnaire will also require the applicant to give specific permission to check any statement made in the application and further require the applicant to authorize any and all sources of information to disclose the information to Social Security. We are in the process of redesigning the training course for claims representative trainees, and we will stress interviewing SSI applicants about their possible ownership of real estate.

GAO Recommendation

The Secretary should direct the Commissioner to assess the effect the resource disposition dollar limitations have on applicant eligibility. If the effect is significant, the Commissioner should prepare for HHS approval revised regulations which substantially raise or eliminate these dollar limitations to ensure that SSI benefits are provided to those persons the program is intended to assist.

Department Comment

Conditional payments may be made to an applicant (either an individual or a couple) who meets the income limitations but not the resource limitations of the SSI program. Resources in excess of the limitation usually take the form of real property owned by the applicant. To receive conditional payments, the applicant must agree to sell the real property and to refund the conditional payments after the sale is made. Dollar limits are set on how much property a person can own and still qualify for conditional payments. (An original purpose of the dollar limit was to avoid making what, in effect, would amount to interest-free loans to persons with substantial assets.)

We share GAO's concern that the current dollar limits--set in 1973--may be too restrictive, and we will assess the need for raising them. In addition, we are considering development of a new regulation that would generally exempt applicants for SSI conditional payments from the current resource dollar limits if the property they are trying to dispose of is their former home. This would permit conditional payments to an individual who, for example, now lives in a nursing home but still owns a house.

GAO Recommendation

Develop and maintain detailed automated SSI applicant and recipient resource information that includes the types of resources owned and their dollar values. This information should be readily available to (1) claims representatives so they can monitor changes in recipient resource ownership and values and (2) the appropriate headquarters component responsible for contacting previously denied applicants who may subsequently become eligible for SSI because of legislative and administrative changes to the resource criteria.

Department Comment

We agree. We have just tripled the amount of space in the SSI computer record that is dedicated to storing information about resources. We will use that space to keep more detailed information about the types and values of resources owned by SSI recipients. For example, in the resource field of the Supplemental Security Record we will add codes to indicate that the claimant has a bank account and the number of accounts. The dollar value of these accounts can be displayed in another area of the computer record. All of this information will be readily available to field office personnel and will permit more effective monitoring of changes in bank accounts and other resources owned by SSI recipients. In addition, whenever there is a change in the resource rules--such as an increase in the dollar limit--we will be better able to identify previously denied applicants who might be eligible.

(105072)

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