

July 2003

VETERANS
BENEFITS
ADMINISTRATION

Process for Preventing
Improper Payments to
Deceased Veterans
Can Be Improved



Contents

| | |
|--|---|
| Letter | 1 |
| Results in Brief | 2 |
| Background | 2 |
| VBA's Death Match Process Does Not Identify All Veterans Receiving Improper Disability Payments | 3 |
| Conclusions | 4 |
| Recommendations for Executive Action | 4 |
| Agency Comments | 5 |

Abbreviations

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| C&P | Compensation and Pension |
| SSA | Social Security Administration |
| VBA | Veterans Benefits Administration |

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G A O

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

July 24, 2003

The Honorable Anthony J. Principi
Secretary of Veterans Affairs

Dear Mr. Secretary:

In fiscal year 2002, the Veterans Benefits Administration (VBA) paid about \$22.4 billion in disability compensation to over 2.6 million veterans and their survivors and about \$3.3 billion in pension benefits to about 581,000 veterans and their survivors.¹ To ensure that VBA makes proper payments under these programs, we reviewed the effectiveness of VBA efforts to prevent payments to deceased veterans by matching its Compensation and Pension (C&P) Master Records database of current beneficiaries with the Social Security Administration's (SSA) Death Master File.

To conduct our review, we matched VBA's C&P Master Records database of current beneficiaries² with the entire SSA Death Master File, which contains information dating back to 1980 on deceased individuals.³ We matched name, address, and social security number of deceased persons with 857 veterans' or survivors' records. Of these, we reviewed 28 case files at four VBA regional offices where we were conducting other ongoing work.⁴ We interviewed VBA regional office and headquarters officials regarding the results of our database match. We also obtained background information, including a Department of Veterans Affairs, Office of the Inspector General, report on VBA efforts to discontinue improper

¹Disability compensation is made available to veterans with service-connected disabilities. Pensions are made available to wartime veterans who have low incomes and are permanently and totally disabled for reasons that are not service related.

²As of January 2003, VBA's C&P database contained approximately 3.2 million records on veterans and their survivors who receive such benefits.

³As of January 2003, SSA's Master Death File database contained about 70 million records.

⁴These regional offices are located in Boston, Mass; Houston, Tex.; Phoenix, Ariz.; and St. Petersburg, Fla.

payments made to deceased beneficiaries.⁵ We conducted this review from January 2003 to May 2003 in accordance with generally accepted government auditing standards.

Results in Brief

We found a vulnerability in VBA's interagency database matching process that results in improper payments to deceased veterans. Specifically, VBA's process does not identify veterans who died during the application process and were given improper benefit payments after their deaths. In addition, we found that VBA's compensation and pension program staff did not always follow internal control procedures and take action to suspend benefits and recover improper payments based on evidence that a beneficiary had died. We are making recommendations to address the problems we identified. VBA agreed with our findings and commented that it would undertake a review of the cases we identified to ensure a cost-effective solution to addressing the vulnerability in the current matching process.

Background

Each month, VBA conducts a "death match" to compare its C&P Master Records database of current beneficiaries with individuals on SSA's Death Master File. VBA uses a database with information on all active disability beneficiaries and matches it with SSA data that contains information on deceased individuals only for the most recent month. In the event there are matches, VBA forwards the information to the appropriate regional offices for confirmation, and if the beneficiary is deceased, follow-up action is taken to stop payments and recover funds improperly paid after the beneficiary's death.⁶

⁵The Department of Veterans Affairs Office of Inspector General on February 6, 1998, issued a report, entitled *Audit of Veterans Benefits Administration SSA/VA Death Match Procedures* (Report No. 8R4-B01-069), which found that VBA had made an estimated \$3.96 million in improper payments to deceased beneficiaries.

⁶Depending on when VBA establishes the onset of the disability, an applicant who dies before VBA rules on eligibility for benefits may be entitled to retroactive benefits for a period of time prior to his death. Such a payment would become property of the veteran's estate.

VBA's Death Match Process Does Not Identify All Veterans Receiving Improper Disability Payments

VBA's death match process does not identify veterans who died while waiting for claims decisions and were improperly paid benefits after their deaths. This happens because information on a veteran who dies during the application process and is approved for benefits months later would not appear in both the VBA and SSA databases at the same time, thus precluding the possibility of a match.⁷ At the time of death, information on the applicant would be in the SSA database but not in the VBA database, which does not contain information on applicants.⁸ Should this veteran be approved for benefits months later, information on this beneficiary would be placed in the VBA database. However, subsequent death matches would not identify the veteran because VBA compares its database of beneficiaries only against the most recent month of information on SSA's Death Master File.

We identified two claims for disability compensation benefits that illustrate our concerns. In one case, processed by the Phoenix Regional Office, a veteran who applied for benefits in February 1999, died in June 1999, and was approved to receive benefits 9 months after his death, was not identified in the death match. Moreover, at the time of our review, VBA was still making payments to the deceased veteran, although he had died about 3 years earlier and his benefit checks were being returned. Regional officials could not explain why no action was taken in this case.

In the second case, processed by the Boston Regional Office, a veteran who applied for benefits in April 2001, died in October 2001, and was approved for benefits in April 2002, was not identified in the death match. Moreover, at the time of our review, no action was taken to recover an improper payment made to this individual. Boston Regional Office officials informed us that once they have confirmed the death of a beneficiary, agency policy requires that steps be taken to identify whether any improper payments were made to the deceased beneficiary and recover

⁷A veteran might appear in both databases simultaneously if VBA approves benefits very soon after death and the information is quickly reported to SSA.

⁸VBA does not rely entirely on the death match procedure to identify deceased beneficiaries of its disability compensation and pension benefits programs. Often, next-of-kin, guardians, or friends inform VBA of the death of the beneficiary.

these funds.⁹ Regional officials could not explain why the family was not contacted to request return of the funds improperly paid after the beneficiary's death.

Conclusions

The systemic vulnerability we identified raises concerns about the potential for VBA to improperly pay benefits to veterans who die during the application process. The examples we found illustrate that VBA is currently making improper payments as a result of this vulnerability. We do not know the full extent of this problem but, at the very least, our match identified an additional 829 beneficiaries who may be receiving improper payments that we did not examine. These examples also raise concerns about the extent to which VBA's compensation and pension program staff adhere to internal control procedures and act on evidence that beneficiaries may have died, such as checks that are returned.

Recommendations for Executive Action

To improve the effectiveness of VBA's efforts to prevent improper payments to deceased veterans, we recommend that you instruct the Under Secretary for Benefits to

- expand VBA's death match process beyond current disability program beneficiaries to include comparing its list of claimants against the individuals listed in SSA's Master Death File,
- review the 829 matched cases that were not included in our assessment to (1) determine whether and to what extent these beneficiaries received improper payments after having died and (2) recover improper payments when appropriate, and
- issue guidance that restates the importance of following internal control procedures and acting on evidence that a beneficiary may have died to ensure that VBA's compensation and pension program staff are fully complying with the agency's internal control procedures.

⁹Generally, the Department of Veterans Affairs first seeks to recover the funds voluntarily. However, if voluntary recovery is not possible, the agency considers several factors in deciding whether to pursue legal action to make recovery. These include the total amount of the improper payments; the extent to which the individuals who received these payments sought to defraud the government (e.g., forged the deceased veteran's signature on official forms); and the age, health, and economic condition of the individual who received these payments.

Agency Comments

We received oral comments on a draft of this report. VBA agreed with our findings and recommendation that the agency issue guidance restating the importance of following internal control procedures and acting on evidence that a beneficiary may have died. VBA also agreed in principle with our recommendation to reduce improper payments to deceased veterans. However, VBA stated that, before expanding the death match process to include claimants, the agency would prefer to review the 829 matched cases that were not included in our assessment in order to obtain a better understanding of the problem and assure that the agency deals with this problem in the most cost-effective manner. We support VBA's effort to seek a cost-effective process to address this vulnerability but emphasize that any systemic vulnerability could undermine program integrity.

We are sending copies of this report to the appropriate congressional committees and other interested parties. This report is also available on GAO's Web site at <http://www.gao.gov>. If you have questions, please contact me at (202) 512-7101 or Irene Chu at (202) 512-7102. Also contributing to this report were Joseph Natalicchio, Martin Scire, and Gregory Whitney.

Sincerely yours,



Cynthia Bascetta, Director
Education, Workforce,
and Income Security Issues

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