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UNITED STATES GENERAL ACCOUNTING OFFICE
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STATEMENT OF
JOSEPH F. DELFICO, SENIOR ASSOCIATE DIRECTOR
HUMAN RESOURCES DIVISION
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT
OF THE
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
ON
STATE INCOME AND ELIGIBILITY VERIFICATION SYSTEMS
AND
S.2756, THE COMPUTER MATCHING AND PRIVACY PROTECTION
ACT OF 1986



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Mr. Chairman and members of the Committee, we are pleased to appear today to discuss the preliminary results of the work we are doing at your request on the Deficit Reduction Act of 1984 and to provide our views on S.2756, "The Computer Matching and Privacy Protection Act of 1986".

The Deficit Reduction Act of 1984

As you know Section 2651 of the Deficit Reduction Act (herein referred to as DEFRA) requires each state to have an Income and Eligibility Verification System in place by October 1, 1986. Among other requirements, DEFRA requires state agencies responsible for such programs as Aid to Families with Dependent Children, Food Stamp, and Medicaid to use certain federal tax information as a check on the accuracy of income declared by applicants and recipients. In addition to state administered programs, DEFRA authorizes the Supplemental Security Income program which is administered by the Social Security Administration, to access and use, for eligibility verification purposes, unearned income data from the IRS.

Accurate income information is essential to the determination of benefit amounts and to verify applicant and recipient eligibility. Most of the federal tax information to be used in these programs will not come directly from information on individual tax returns. Rather, its source will be the tax reports filed annually with the federal government by employers,

banks, insurance companies, and others. These tax reports, among other sources, provide information used routinely by the IRS to verify the accuracy of information reported by taxpayers. DEFRA requires states to obtain earnings and pension data from the Social Security Administration, and unearned income, data such as interest and dividends from the IRS.

GAO's current work for the Committee

In July 1985, you requested that we keep abreast of the federal and state efforts to establish the eligibility verification systems required by DEFRA. You pointed out that this federal-state data exchange would, when fully operational, constitute one of the largest computer matching programs ever authorized by the Congress.

To do the work we reviewed the proposed federal rules, resulting comments, and the final system rules. On June 3, 1986, we sent a questionnaire to all states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. The questionnaire covered a number of topics but concentrated on the current status of implementation in each state including how each planned to request, receive, and use tax data within the rules established by the federal agencies and the time frames established by DEFRA. To date we have received replies from 53 of the 54 jurisdictions. Today we will summarize selective questionnaire results. Aggregate results of the questionnaire are included in the attachment.

While many states told us of problems they have encountered or anticipate facing in implementing the DEFRA provisions, all but four said they expect to have the required systems and necessary staff in place to request, use for verification purposes, and safeguard tax data by October 1, 1986.

Delay of Automated Systems Development

One reported problem, common to 32 states, is that current automated systems development will be postponed or disrupted for periods of 9 months or longer while those states divert resources to make reprogramming, procedural, and other changes to their existing systems to meet the October 1, 1986 date. Most of these states reported that in the interim they would be operating less than fully efficient systems requiring case workers to do more manual case reviews.

Need for Rule Clarification

A number of states expressed concerns to us about the need for clarification in interpreting and applying DEFRA rules. Questionnaire responses indicated, for example, concerns about the allowable amount of time to process their welfare caseloads. We re-contacted 14 states and found that half had interpreted one rule to mean that beginning October 1, 1986, they had to match their entire welfare caseload with federal tax data and within a

thirty day period take action on at least 80 percent of the cases. We sought clarification from the Presidents' Council on Management Improvement who coordinated development of the DEFRA rules, and were told that it was not mandatory for a state to process its entire case load immediately. They said that a state could incrementally process its caseload so long as it matched every recipient at least once during a one year period. Some states told us that this interpretation could make a significant difference in the way the states prepared for implementation.

Safeguarding Data

One area in which nearly all states said they anticipate no problems is in the safeguarding of data. State agencies administering needs-based programs regularly obtain, use, and safeguard personal data during the normal course of their work. Most states replied that their existing systems ensure the security and confidentiality of data and thus they anticipated no problems in meeting the safeguarding standards established by the IRS and the Social Security Administration for their data.

In July 1985, IRS provided guidelines to the states containing procedures to be followed in requesting and safeguarding unearned income tax data. The Social Security Administration on the other hand, did not issue its data access guidelines to the states until July 1986. To date, 39 states have signed data access and safeguarding agreements with the IRS

and the rest are expected to sign shortly. Ten states have signed data exchange agreements with the Social Security Administration. To date, 6 states have received tax data from IRS and none have received such data from the Social Security Administration.

State Cost and Benefit Concerns

Most states expressed some concerns about the costs and related benefits to be derived from using tax data to verify income and assets declared by applicants and recipients. Since state agencies administering programs under DEFRA have had virtually no experience using such tax data as interest and dividend data for eligibility verification purposes, we feel it is premature to reach conclusions about state's initial predictions. However, more accurate estimates of costs and benefits will become available after states begin using tax data, at which time they will be in a better position to make assessments.

To our knowledge, the only documented usage of such tax data occurred in July 1985, when the Social Security Administration obtained and used unearned income data, that is, interest and dividends, to identify errors in the Supplemental Security Income program. Preliminary data from a recent Social Security Administration study indicates net savings of \$79 million. The study showed that identified overpayments exceeded--by \$68 million--the amount of overpayments which would have been

uncovered in the programs' normal re-determination process. That process does not have access to unearned income tax data.

Many of the cases uncovered in that computer match were categorized as recipient non-reporting of interest, dividends, and related principal amounts. For example, in one case a recipient was identified as having received a large interest payment. Further investigation disclosed that several years earlier the recipient had received insurance proceeds of \$3 million but had failed to report this event. During a subsequent re-determination the recipient denied the existence of any income or resources. The recipient was overpaid about \$7000 in benefits. This case was eventually referred to the HHS Inspector General for fraud investigation. Since the recipient's account was with an out-of-state bank, the match with the IRS data was the only feasible means to detect the unreported income and asset--illustrating the point that there may be no other reliable source for verifying the truth of recipients' declarations that they have no income or assets.

Comments on S.2756

This concludes our remarks on the implementation of Section 2651 of the Deficit Reduction Act. The remainder of my statement provides our views on S.2756 "The Computer Matching and Privacy Protection Act of 1986".

Types of Computer Matches to be Covered

First, you asked our views on the types of matches that should be covered by this bill. We believe distinctions should be made between computer matching to verify eligibility in benefit payment systems, and matching done for such other purposes as law enforcement. In either case, however, the flow and usage of the data used in matching needs to be controlled to protect the privacy of individuals.

We believe that the exchange of data to verify declarations made by applicants and recipients of benefit payment systems can be controlled effectively by the provisions of this bill without hampering the ability of those systems to detect errors.

However, criminal investigations or similar government activities outside of benefit payment system management might be adversely affected by certain bill provisions. Thus we question whether the notification requirements in Sections 2 and 3 of the bill should apply to such agencies as those engaged in law enforcement. Section 2 requires an agreement to notify individuals, and Section 3 requires advance Federal Register notification about upcoming matches. Such notifications could neutralize the effects of law enforcement matches which by their very nature, must be kept confidential. But we also are concerned that law enforcement agencies properly protect information and guard against unwarranted disclosure or abuse of information they

gather. To that end, such agencies should have Data Integrity Boards and have their matches and use of such information periodically reviewed by such independent groups as the Boards.

We support extending the bill's provision requiring matching agreements to state agencies administering federally financed benefit payment systems. We take this position because these agencies manage federal programs and have legitimate informational needs to verify declarations made by applicants and recipients. Under DEFRA, states will have primary responsibility for using tax data to verify eligibility for such programs as Aid to Families with Dependent Children, Food Stamps, and Medicaid. States answering our survey believed that the safeguard and independent verification requirements of DEFRA are not administratively onerous so we have reason to believe they could comply relatively easily with the similar provisions of S.2756.

Matching Agreements

You also asked us to comment about the matching agreements required by Section 2 of the bill. Basically we believe that this section is fairly complete, provides information for future audits, and establishes a much needed vehicle for review and oversight of data exchanges and computer matching. Some clarification and redefinition, however, would be helpful.

First, the bill is unclear with respect to whether and how matches using data that may be or may have been disclosed under existing disclosure conditions of subsection (b) of the Privacy Act would require matching agreements. If your intent is to make all matches subject to matching agreements, then you may wish to make Section 2 a separate section of the Privacy Act, rather than including it as another of the Act's disclosure conditions.

Second, you may wish to consider the need for matching agreements to be tailored and adapted to the particular needs of certain agencies such as law enforcement agencies--as discussed earlier.

Third, we question why there is a requirement after an agreement is reached between agencies for 30 days to elapse before data can be disclosed, and why data should not flow once the agreement is signed by both parties. In the case of matches aimed at verifying income such as for welfare programs, the timing of such matches and subsequent verification is important because of the relatively rapid movement of recipients on and off welfare rolls. We recognize, however, that in cases where one agreement covers a series of matches and time may be less critical, our concern about the 30 day waiting period becomes less important.

Section 2 dealing with notifying individuals of matching programs should, we believe, specify the method of notification to be used for benefit payment system matches that can involve large

data bases. We believe methods such as individually notifying each affected individual whenever such a match is performed may not be desirable. The costs and time required could possibly negate the benefits of the match.

A clause that could be added to section 2 for benefit payment system matches would require agencies to establish procedures for notifying applicants and later, recipients when benefits are redetermined. Section 2 could state that "all applicants for and recipients of federal financial assistance shall be notified at the time of application and periodically thereafter that the information they provide will be subject to verification using such available information as third party reports of wages, interest and dividends, and payment information from other government agencies". This notification language could be included on application and re-determination forms or along with benefit payment checks as well as verbally explained by caseworkers when they contact applicants or recipients.

Finally, we suggest the addition of a matching agreement provision in Section 2 specifying that "information obtained by a matching agency which pertains to the accuracy or completeness of records, be provided to the source agency". This will assist the source agency in correcting any inaccurate or incomplete data in its data base. It has been our experience that a matching agency gains many insights into the accuracy and completeness of supplied

data during the matching process and this could be most helpful to the source agency and to other matching agencies as well.

Data Integrity Boards

We support the idea of establishing Data Integrity Boards in all executive agencies to help ensure compliance with the Privacy Act. Our experience shows that agency privacy officers have limited roles, responsibilities, and resources for ensuring such compliance. We are concerned, however, that the Boards' could become administratively burdensome particularly at some smaller agencies. To help guard against this, we believe the Boards' size, organization, and duties should be consistent with the levels of each agency's data exchange and computer matching activity.

Regarding Section 4 of the bill relating to the Board's reporting requirements, we believe that requiring each board to report to Congress annually might overburden and deluge Congress with the voluminous reports. We suggest that the Boards report only to the Office of Management and Budget, which in turn can compile a consolidated report. This would serve the purpose of informing Congress without needless paperwork increases.

Regarding Section 4 covering the Data Integrity Board's responsibility to receive information on the accuracy and reliability of records, we suggest that the wording be changed as

follows: "serve as a clearinghouse for receiving and providing information on the accuracy, completeness, and reliability of records used in matching programs or front-end eligibility verification programs". This would make the Data Integrity Boards' responsibility for data accuracy consistent with our suggested addition to the bill's matching agreement section --toward the end of assisting source agencies in correcting any inaccurate or incomplete data in their files.

We further suggest that an additional responsibility of the Data Integrity Boards might be publishing notice in the Federal Register as required by Section 3(a)(3). Since the Boards will be focal points within agencies for data exchanges, it seems appropriate that they also should have this responsibility. Related language could be added in Section 4 to cover this.

Verification and Notice Procedures

Your final request was for our views on the verification and notice procedures required by Section 5 of the bill. We endorse the provisions of this section, believing they provide an adequate measure of privacy and due process protection to individuals subject to eligibility tests through matching programs and front-end eligibility verification programs. Because of the errors that may be part of any matching program and the harm that the use of unverified information may cause, we feel strongly that these steps must be taken to protect individual privacy.

This concludes my statement. We would be pleased to respond to any questions you or other Members of the Subcommittee may have.

GAO's Work on the Deficit Reduction Act of 1984

In July 1985, the Chairman, Subcommittee on Oversight of Government Management, Committee on Governmental Affairs, requested GAO to keep abreast of the federal and state efforts to establish income and eligibility verification systems required by Section 2651 of the Deficit Reduction Act of 1984. At that time, the Chairman pointed out that this federal-state data exchange will, when fully operational, constitute one of the largest computer matching programs ever authorized by the Congress. Accordingly, we were asked to closely monitor the federal and state implementation of the systems mandated by DEFRA. Specifically, we were asked to focus our work on (1) resource, coordination, and procedural issues arising from the dissemination and use of federal information; (2) the state agencies' ability to effectively use and control large amounts of tax data, especially in the areas of verification and confidentiality; and (3) issues relating to the need for effective federal and state oversight of the use of the federal information.

In doing our work, we established contact points with federal and state officials responsible for making system rules and providing and using tax information. We reviewed the proposed federal rules, resulting comments, and the final system rules. Immediately after issuance of the final rules we sent a questionnaire to all states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands.

The questionnaire covered a number of topics but concentrated on the current status of implementation in each state and whether each planned to be in a position to effectively accept and use tax data within the rules established by the federal agencies and the time frames established by DEFRA. To date we have received replies from 53 of the 54 jurisdictions. The following copy of the questionnaire has been annotated to show the responses of the replying states.

GAO QUESTIONNAIRE ANNOTATED TO
SHOW RESPONSES OF REPLYING STATES



U.S. GENERAL ACCOUNTING OFFICE
SURVEY OF STATE IMPLEMENTATION OF
THE INCOME AND ELIGIBILITY PROVISIONS
OF THE 1984 DEFICIT REDUCTION ACT

INTRODUCTION

The U.S. General Accounting Office, an agency of the U.S. Congress, is conducting a survey of the 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands, as part of an effort to monitor federal and state efforts to implement the income and eligibility provisions of section 2651 of the Deficit Reduction Act of 1984 (DEFRA).

In this questionnaire we are asking the states to share their views on various DEFRA provisions; provide information about the status of their income and eligibility verification system (IEVS) development; and indicate how they plan to implement the DEFRA requirements within the required timeframes.

Please complete and return this questionnaire within two weeks, if possible. The questions can be answered by checking a box or writing in a number or a few words. We realize that some of the response choices we ask you to select from may not exactly fit the situation in your state. In this event, please select the response that most closely describes your situation.

A self-addressed, business reply envelope is enclosed for your convenience. If you have any questions, call Dick Halter or Dave Pasquarello at 215/597-4330. They will be happy to help you. Should the return envelope be misplaced, mail the completed questionnaire to:

U.S. General Accounting Office
Dave Pasquarello
434 Walnut St., 11th floor
Philadelphia, PA 19106-3797

Thank you for your assistance.

Official responsible for IEVS implementation in your state:

Name: _____

Title: _____

Agency: _____

Official responsible for filling out this questionnaire:

Name: _____

Title: _____

Agency: _____

Phone number: _____

Has the official responsible for filling out this questionnaire had experience working in any of the programs listed below? (CHECK ALL THAT APPLY.)

- 1. [48] Aid to Families with Dependent Children (AFDC)
- 2. [45] Food stamps
- 3. [43] Medicaid
- 4. [9] Unemployment Compensation
- 5. [20] Other (SPECIFY.)

I. OVERALL AUTOMATED SYSTEM DEVELOPMENT

The 1984 DEFRA requires each state to operate an income and eligibility verification system (IEVS) that would handle data exchanges within and between states, and receive and use tax data from both the Internal Revenue Service (IRS) and the Social Security Administration (SSA). Questions in this section refer to the system your state will be using to implement the DEFRA requirements.

1. Which of the statements below best describes how your state intends to meet DEFRA requirements. (CHECK ONE.)

1. Existing system already meets IEVS requirements or will meet all requirements with minimum modifications within the required timeframes. This system, with the necessary modifications, if any, will be the state's operational system for the foreseeable future.
--X(SKIP TO QUESTION 8.)

2. A system currently planned or under development will meet or will be modified to meet the requirements within the required timeframes. This system will replace the existing system and become the state's operational system for the foreseeable future.
--X(SKIP TO QUESTION 8.)

3. A system currently planned or under development will meet or will be modified to meet the requirements and will ultimately become the state's operational system for the future. However, this system cannot be implemented within the required timeframes. Therefore, the state will meet the requirements by an interim modification of an existing system, or implementation of a temporary solution to meet requirements.

2. Currently, at what stage of development is this ultimate automated system? (CHECK ONE.)

1. Fully developed but not yet fully operational

2. Development in process

3. Planning for development

3. How long after 10/1/86 do you estimate your state's ultimate system will be fully operational? (CHECK ONE.)

1. within less than 3 months

2. in 3 to less than 6 months

3. in 6 to less than 9 months

4. in 9 to less than 12 months

5. in 12 months or more

4. In your estimation, how efficiently will your state be able to meet IEVS requirements from 10/1/86 until your ultimate system becomes fully operational? (CHECK ONE.)

1. very efficiently

2. efficiently

3. inefficiently

5. Will resources need to be diverted from development of your ultimate system to modify an existing system, or to implement a temporary solution, to meet DEFRA requirements? (CHECK ONE.)

1. Yes

2. No--X(SKIP TO QUESTION 8.)

6. To what extent, if any, will this diversion of resources from the development of your jurisdiction's ultimate system contribute to a delay in its eventual implementation? (CHECK ONE.)

1. To a very great extent

2. To a great extent

3. To a moderate extent

4. To some extent

5. To little or no extent
-->(SKIP TO QUESTION 8.)

7. If your jurisdiction did not have to take the measure of modifying an existing system, or implementing a temporary solution, solely to meet the 10/1/86 deadline, how much earlier do you estimate your jurisdiction would be able to implement its ultimate system? (CHECK ONE.)

1. less than 1 month earlier

2. from 1 to less than 3 months earlier

3. from 3 to less than 6 months earlier

4. from 6 to less than 9 months earlier

5. from 9 to less than 12 months earlier

6. 12 months earlier or more

8. Beyond your current programming budget, will your jurisdiction need additional funds to implement the DEFRA requirements within the required timeframe?

1. Yes

2. No -->(SKIP TO QUESTION 11.)

9. Indicate whether or not you plan to obtain any of the needed funds from each of the sources listed below. (CHECK ONE BOX FOR EACH SOURCE.)

	YES	NO
	1	2
1. Federal funding	30	6
2. State funding	24	12
3. Reprogram funds from other programs	10	26
4. Other (SPECIFY.)	4	32

10. Can these additional funds be obtained by 10/1/86? (CHECK ONE.)

1. Definitely yes

2. Probably yes

3. Probably no

4. Definitely no

I. INCOME AND ELIGIBILITY VERIFICATION SYSTEM PROFILE

1. In SECTION A enter the number of the statement below that best describes how your jurisdiction met each DEFRA requirement as of 5/29/86.

1. The 5/29/86 deadline was waived by a federal agency until 10/1/86.
2. The requirement was met as of 5/29/86 using an interim or temporary system. Another system is planned or under development that will ultimately become the jurisdiction's operational system for the foreseeable future.
3. The requirement was met as of 5/29/86 using the jurisdiction's existing system (with minimal, if any, modifications). This same system will be the jurisdiction's operation system for the foreseeable future.
4. The requirement was met as of 5/29/86 using a newly developed system (whether or not it was based on an existing system). This same system will be the jurisdiction's operational system for the foreseeable future.

For each requirement for which your response in SECTION A is either statement "1" or "2", in SECTION B enter the number of the statement below that best describes how your jurisdiction plans to fulfill each DEFRA requirement as of 10/1/86.

1. As of 10/1/86 the requirement will be met using an interim or temporary system. Another system is planned or under development that will ultimately become the jurisdiction's operational system in the foreseeable future.
2. As of 10/1/86 the requirement will be met using a system that will be the jurisdiction's ultimate operational system for the foreseeable future.

In SECTION C indicate whether, currently, each provision is fully, partially, or not yet implemented in your jurisdiction. (CHECK ONE BOX FOR EACH PROVISION.)

In SECTION D indicate whether your jurisdiction believes the cost (in terms of start up and operation dollars, time and human effort) expended to implement each provision is worth the potential benefit (in terms of program dollars saved.) (CHECK ONE BOX FOR EACH PROVISION. DO NOT RESPOND IN SHADED BOXES.)

	<u>SECTION A</u> HOW JURISDICTION MET RE- QUIREMENT AS OF 5/29/86?		<u>SECTION B</u> HOW JURISDICTION WILL MEET REQUIREMENT AS OF 10/1/86?		<u>SECTION C</u> CURRENT IMPLEMENTATION?			<u>SECTION D</u> COST VS. BENEFIT?		
	1-35	3-5	1-27	2-16	FULL	PAR- TIAL	NONE	COST EXCEEDS BENEFIT	COST EQUALS BENEFIT	BENEFIT EXCEEDS COST
	2-8	4-0			1	2	3	4	5	6
1. Use standard record formats	1-35	3-5	1 - 27	2 - 16	6	23	20	16	17	10
2. Obtain and verify program applicants' and family members' SSN	1-30		1 - 24	2 - 14	18	28	5	5	19	20
3. Validate program applicants'/recipients' SSN with SSA Third Party Query, Bendex, or Enumeration/validation system	1-33		1 - 24	2 - 18	9	37	5	7	18	18
4. Obtain and use state wage data for income/eligibility verification	1-19		1 - 20	2 - 9	17	27	0	10	5	24
	2-10									
	3-15									
	4-0									

In SECTION A enter the number of the statement below that best describes how your state met each DEFRA requirement as of 5/29/86.

1. The 5/29/86 deadline was waived by a federal agency until 10/1/86.
2. The requirement was met as of 5/29/86 using an interim or temporary system. Another system is planned or under development that will ultimately become the state's operational system for the foreseeable future.
3. The requirement was met as of 5/29/86 using the state's existing system (with minimal, if any, modifications). This same system will be the state's operational system for the foreseeable future.
4. The requirement was met as of 5/29/86 using a newly developed system (whether or not it was based on an existing state system). This same system will be the state's operational system for the foreseeable future.

For each requirement for which your response in SECTION A is either statement "1" or "2", in SECTION B enter the number of the statement below that best describes how your state plans to fulfill each DEFRA requirement as of 10/1/86.

1. As of 10/1/86 the requirement will be met using an interim or temporary system. Another system is planned or under development that will ultimately become the state's operational system in the foreseeable future.
2. As of 10/1/86 the requirement will be met using a system that will be the state's ultimate operational system for the foreseeable future.

In SECTION C indicate whether, currently, each provision is fully, partially, or not yet implemented in your state. (CHECK ONE BOX FOR EACH PROVISION.)

In SECTION D indicate whether your state believes the cost (in terms of start up and operation dollars, time and human effort) expended to implement each provision is worth the potential benefit (in terms of program dollars saved.) (CHECK ONE BOX FOR EACH PROVISION. DO NOT RESPOND IN SHADED BOXES.)

	<u>SECTION A</u>				<u>SECTION B</u>			<u>SECTION C</u>			<u>SECTION D</u>				
	HOW STATE MET REQUIREMENT AS OF 5/29/86?				HOW STATE WILL MEET REQUIREMENT AS OF 10/1/86?			CURRENT IMPLEMENTATION?			COST VS. BENEFIT?				
	1	2	3	4	1	2	3	FULL	PAR-TIAL	NONE	COST EXCEEDS BENEFIT	COST EQUALS BENEFIT	BENEFIT EXCEEDS COST		
5. Exchange data between needs-based programs within your state	1 - 20	2 - 13	3 - 17	4 - 0	1 - 27	2 - 6			24	24	3		9	8	29
6. Exchange wage and needs-based program data with other states	1 - 27	2 - 11	3 - 5	4 - 1	1 - 26	2 - 12		2	21	21			22	12	7
7. Obtain and use IRS tax data for income/eligibility verification	1 - 50	2 - 0	3 - 0	4 - 0	1 - 30	2 - 20		0	8	43			29	9	5
8. Obtain and use SSA tax (wage, private pension & self-employment) data for income/eligibility verification	1 - 42	2 - 6	3 - 2	4 - 0	1 - 32	2 - 16		2	22	27			33	6	6

In SECTION A enter the number of the statement below that best describes how your state met each DEFRA requirement as of 5/29/86.

1. The 5/29/86 deadline was waived by a federal agency until 10/1/86.
2. The requirement was met as of 5/29/86 using an interim or temporary system. Another system is planned or under development that will ultimately become the state's operational system for the foreseeable future.
3. The requirement was met as of 5/29/86 using the state's existing system (with minimal, if any, modifications). This same system will be the state's operational system for the foreseeable future.
4. The requirement was met as of 5/29/86 using a newly developed system (whether or not it was based on an existing state system). This same system will be the state's operational system for the foreseeable future.

For each requirement for which your response in SECTION A is either statement "1" or "2", in SECTION B enter the number of the statement below that best describes how your state plans to fulfill each DEFRA requirement as of 10/1/86.

1. As of 10/1/86 the requirement will be met using an interim or temporary system. Another system is planned or under development that will ultimately become the state's operational system in the foreseeable future.
2. As of 10/1/86 the requirement will be met using a system that will be the state's ultimate operational system for the foreseeable future.

In SECTION C indicate whether, currently, each provision is fully, partially, or not yet implemented in your state. (CHECK ONE BOX FOR EACH PROVISION.)

In SECTION D indicate whether your state believes the cost (in terms of start up and operation dollars, time and human effort) expended to implement each provision is worth the potential benefit (in terms of program dollars saved.) (CHECK ONE BOX FOR EACH PROVISION. DO NOT RESPOND IN SHADED BOXES.)

	<u>SECTION A</u>		<u>SECTION B</u>		<u>SECTION C</u>			<u>SECTION D</u>		
	HOW STATE MET RE-QUIREMENT AS OF 5/29/86?		HOW STATE WILL MEET REQUIREMENT AS OF 10/1/86?		CURRENT IMPLEMENTATION?			COST VS. BENEFIT?		
					FULL	PAR-TIAL	NONE	COST EXCEEDS BENEFIT	COST EQUALS BENEFIT	BENEFIT EXCEEDS COST
					1	2	3	4	5	6
9. Safeguard IRS tax data	1-46	3-2	1	26						
	2-1	4-0	2	21	1	12	38			
10. Safeguard SSA tax data	1-35	3-9	1	25						
	2-6	4-0	2	16	12	16	23			
11. Safeguard your state's wage and needs-based program data	1-12		1	15						
	2-11		2	8						
	3-26				33	14	4			
	4-1									
12. Safeguard other states' wage and needs-based program data	1-19		1	18						
	2-12		2	13						
	3-17				21	17	10			
	4-0									

In SECTION A enter the number of the statement below that best describes how your state met each DEFRA requirement as of 5/29/86.

1. The 5/29/86 deadline was waived by a federal agency until 10/1/86.
2. The requirement was met as of 5/29/86 using an interim or temporary system. Another system is planned or under development that will ultimately become the state's operational system for the foreseeable future.
3. The requirement was met as of 5/29/86 using the state's existing system (with minimal, if any, modifications). This same system will be the state's operational system for the foreseeable future.
4. The requirement was met as of 5/29/86 using a newly developed system (whether or not it was based on an existing state system). This same system will be the state's operational system for the foreseeable future.

For each requirement for which your response in SECTION A is either statement "1" or "2", in SECTION B enter the number of the statement below that best describes how your state plans to fulfill each DEFRA requirement as of 10/1/86.

1. As of 10/1/86 the requirement will be met using an interim or temporary system. Another system is planned or under development that will ultimately become the state's operational system in the foreseeable future.
2. As of 10/1/86 the requirement will be met using a system that will be the state's ultimate operational system for the foreseeable future.

In SECTION C indicate whether, currently, each provision is fully, partially, or not yet implemented in your state. (CHECK ONE BOX FOR EACH PROVISION.)

In SECTION D indicate whether your state believes the cost (in terms of start up and operation dollars, time and human effort) expended to implement each provision is worth the potential benefit (in terms of program dollars saved.) (CHECK ONE BOX FOR EACH PROVISION. DO NOT RESPOND IN SHADED BOXES.)

	<u>SECTION A</u> HOW STATE MET RE- QUIREMENT AS OF 5/29/86?		<u>SECTION B</u> HOW STATE WILL MEET REQUIREMENT AS OF 10/1/86?		<u>SECTION C</u> CURRENT IMPLEMENTATION?			<u>SECTION D</u> COST VS. BENEFIT?			
					FULL	PAR-	(NONE)	COST	COST	BENEFIT	
						TIAL		EXCEEDS	EQUALS	EXCEEDS	
								BENEFIT	BENEFIT	COST	
						1	2	3	4	5	6
13. Take appropriate action on cases identified by IRS or SSA tax data within 30 days	1-49	2-1	3-0	4-0		0	11	40	33	6	6
14. Track record volume and report annually	1-48	3-1	2-1	4-0		0	15	35	29	12	4
15. Track case disposition and report annually	1-48	3-1	2-1	4-0		1	13	37	34	7	4

12. A coordinating agency or agencies will be needed in each state to handle data exchanges with the IRS Information Returns Processing (IRP) system and the SSA Bendex system. Please indicate how your state will be structured to accomplish this. (CHECK ONE.)

1. [4] a single agency will be responsible for coordinating your state's data exchanges with both SSA and IRS systems

2. [4] separate agencies will be responsible for coordinating your state's data exchanges with SSA and IRS systems

Questions 13 through 19 refer to the functions of this coordinating agency (or agencies if IRS and SSA data are each handled by a separate agency). Answer them in regard to how it (or they) will be functioning as of 10/1/86.

13. Indicate whether or not your state coordinating agency will screen IRS output files to eliminate cases in which data shows accurate income was reported by applicant/recipient.

1. [23] Yes--(CONTINUE.)

2. [27] No---(SKIP TO QUESTION 16.)

In questions 14 and 15 "case followup" refers to determination of differences between applicant/recipient-provided data and IEVS data through record comparisons; verification with applicant/recipient or third party where differences do exist; and case investigation and fraud referral where warranted.

14. Will your state coordinating agency perform IRS case followup independent of counties, user agencies, or caseworkers in your state?

1. [4] Yes--(SKIP TO QUESTION 16.)

2. [19] No--(CONTINUE.)

15. Indicate whether or not your state coordinating agency will be responsible for sorting and distributing IRS data files in each of the ways listed below. (CHECK ONE BOX FOR EACH ROW.)

	YES	NO
	1	2
1. Sort IRS output file by caseworker within each user agency and distribute subfiles to agencies for screening and case followup	28	18
2. Sort IRS output file by state user agency and distribute subfiles to each for screening and case followup	21	25
3. Sort IRS output file by county and distribute subfiles to each for screening and case followup	29	37

16. Indicate whether or not your state coordinating agency will screen SSA output files to eliminate cases in which data shows accurate income was reported by applicant/recipient.

1. [27] Yes--(CONTINUE.)

2. [23] No---(SKIP TO QUESTION 18.)

17. Will your state coordinating agency perform SSA case followup independent of counties, user agencies, or caseworkers in your state?

1. [4] Yes--(SKIP TO QUESTION 19.)

2. [23] No---(CONTINUE.)

18. Indicate whether or not your state coordinating agency will be responsible for sorting and distributing SSA data files in each of the ways listed below. (CHECK ONE BOX FOR EACH ROW.)

	YES	NO
	1	2
1. Sort SSA output file by caseworker within each user agency and distribute subfiles to agencies for screening and case followup	31	15
2. Sort SSA output file by state user agency and distribute subfiles to each for screening and case followup	25	21
3. Sort SSA output file by county and distribute subfiles to each for screening and case followup	29	17

III. USE OF SOCIAL SECURITY NUMBERS

19. Indicate whether or not your state currently requires applicants and family members to provide their social security numbers (SSNs) to each of the programs listed below. (CHECK ONE BOX FOR EACH PROGRAM.)

STATE REQUIRES SSN FROM....

	APPLI- CANTS ONLY	BOTH APPLI- CANTS AND FAMILY	NEITHER APPLI- CANTS NOR FAMILY
	1	2	3
1. Medicaid	6	42	2
2. Aid to Families with Dependent Children (AFDC)	3	47	0
3. Food Stamps	4	46	0

20. How does the cost (in terms of dollars, time, and human effort) of each of the following initiatives compare to its potential benefit (in terms of program dollars saved)? (CHECK ONE BOX FOR EACH ROW.)

	COST EXCEEDS	COST EQUALS	BENE- FIT EXCEEDS
	BENE- FIT	BENE- FIT	COST
	1	2	3
1. Modify existing application forms to facilitate SSN verification	9	24	11
2. Case worker training to implement SSN verification	8	23	13

21. Which SSA system does your state most often use to validate a program recipient's SSN? (CHECK ONE.)

- 1. Third party query system
- 2. Bendex system
- 3. Enumeration/validation system

22. About how long, on average, does it take SSA to answer your state's requests for SSN validation with the system your state most often uses? (CHECK ONE.)

- 1. Less than 1 day
- 2. 1 day to less than 1 week
- 3. 1 week to less than 2 weeks
- 4. 2 weeks to less than 3 weeks
- 5. 3 weeks to less than 4 weeks
- 6. 4 weeks or more
- 7. Can't determine--very little experience with SSA

23. In your opinion, how accurate are SSA's responses to your state's requests for SSN validation? (CHECK ONE.)

- 1. very accurate (99-100%)
- 2. accurate (95-98%)
- 3. inaccurate (94% or less)

IV. STATE WAGE REPORTING

24. Is your state currently a wage reporting state?

1. Yes - (SKIP TO QUESTION 31.)

2. No

25. Which of the statements listed below best describes how your state will fulfill the DEFRA requirement to collect and record state wage data? (CHECK ONE.)

1. adopt or create an entirely new system

2. totally or almost totally redesign an existing state system

3. make moderate changes to an existing state system

4. make minimal changes to an existing state system

5. use an existing state system essentially as it stands

26. Will this system also be used for unemployment compensation purposes?

1. Yes

2. No

27. Indicate whether your state believes the start up and operating costs to collect and record state wage data will exceed, equal, or fall short of the potential benefit (in terms of program dollars saved). (CHECK ONE.)

1. cost exceeds benefit

2. cost equals benefit

3. cost falls short of benefit

28. Will this system require changes in your state's laws?

1. Yes

2. No

29. Will your state need special funding to start up and/or operate this system?

1. Yes

2. No

30. Will your state begin quarterly wage reporting by 9/30/88? (CHECK ONE.)

1. Definitely yes

2. Probably yes

3. Probably not

4. Definitely not

V. NEEDS-BASED AND WAGE DATA EXCHANGES WITHIN YOUR STATE

31. Listed below are the programs that must access and use state wage data. In each program, is this process currently automated or manual? (CHECK ONE BOX FOR EACH PROGRAM.)

	AUTOMATED --MOSTLY OFF-LINE	AUTOMATED --AS OFTEN OFF-LINE AS ON-LINE	AUTOMATED --MOSTLY ON-LINE	MANUAL	NOT APPLICA- BLE-- STATE WAGE DATA NOT ACCESSED
	1	2	3	4	5
1. Medicaid	18	6	9	2	15
2. AFDC	26	9	8	1	7
3. Food Stamps	24	8	9	3	7

32. Currently, how compatible, if at all, is your state's automated wage reporting system with the systems of each of the programs listed below? (CHECK ONE BOX FOR EACH PROGRAM.)

	COMPATIBLE	SOMEWHAT COMPATIBLE	INCOMPATIBLE
	1	2	3
1. Medicaid	24	12	6
2. AFDC	27	12	5
3. Food stamps	27	12	5

33. We would like to know how your state's privacy/confidentiality laws affect data exchanges, in general, in your state. Do your state's privacy/confidentiality laws facilitate, neither facilitate nor hinder, or hinder these exchanges, in general? (CHECK ONE.)

- 1. greatly facilitate
- 2. somewhat facilitate
- 3. neither facilitate nor hinder
- 4. somewhat hinder
- 5. greatly hinder

34. Consider the Medicaid, AFDC, and Food Stamps programs in your state. Which of the statements below best describes how these programs are administered in your state? (CHECK ONE.)

- 1. All three programs are administered by the same department
--(SKIP TO QUESTION 36.)
- 2. Two out of the three programs are administered by the same department
- 3. Each of the three programs is administered by a different department

35. Consider the fact that not all of these needs-based programs are administered by the same department in your state. Does this facilitate, neither facilitate nor hinder, or hinder data exchanges, in general, between these programs? (CHECK ONE.)

- 1. greatly facilitates
- 2. somewhat facilitates
- 3. neither facilitates nor hinders
- 4. somewhat hinders
- 5. greatly hinders

VI. DEFRA 30 DAY ACTION DEADLINE

36. Listed below are four procedures associated with handling the tax data provided to the states by IRS and SSA. We would like to know how, and at what level, each will be performed under the system your state will implement by 10/1/86.

In SECTION A indicate whether each procedure will be done manually or automatically. (CHECK ONE BOX FOR EACH PROCEDURE.)

In SECTION B indicate at what level each procedure will be performed in your state. (CHECK ONE BOX FOR EACH PROCEDURE.)

	<u>SECTION A</u> HOW PROCEDURE WILL BE PERFORMED			<u>SECTION B</u> LEVEL AT WHICH PROCEDURE WILL BE PERFORMED		
	MOST OFTEN MANUALLY	AS OFTEN MANUALLY AS AUTOMATICALLY	MOST OFTEN AUTOMATICALLY	MOST OFTEN AT THE ELIGIBILITY WORKER LEVEL	AS OFTEN AT THE ELIGIBILITY WORKER LEVEL AS ABOVE	MOST OFTEN ABOVE THE ELIGIBILITY WORKER LEVEL
	1	2	3	4	5	6
1. Screening to eliminate cases where client-provided and IRS data agree	33	7	10	33	2	15
2. Screening to eliminate cases where client-provided and SSA data agree	27	12	11	33	4	13
3. Third party validation of cases where client-provided and IRS data are discrepant	46	4	0	42	3	5
4. Third party validation of cases where client-provided and SSA data are discrepant	45	5	0	43	4	3

37. Do you anticipate, initially, greater numbers of cases that require followup than you expect as the program progresses? (CHECK ONE.)

- 1. Definitely yes
- 2. Probably yes
- 3. Probably no - ~~X~~ SKIP TO QUESTION 43.)
- 4. Definitely no - ~~X~~ SKIP TO QUESTION 43.)

38. In approximately what proportion of the initial cases identified with federal data will your state realistically be able to take action within 30 days after receipt of this data? (CHECK ONE.)

- 1. 80-100%--all or almost all cases
- 2. 60-79%--most cases
- 3. 40-59%--about half the cases
- 4. 20-39%--some cases
- 5. 0-19%--few, if any, cases

39. Will your state have enough staff on hand to follow up on and complete most of these initial cases within the 30 day timeframe? (CHECK ONE.)

- 1. Definitely yes - ~~X~~ SKIP TO QUESTION 43.)
- 2. Probably yes - ~~X~~ SKIP TO QUESTION 43.)
- 3. Probably no
- 4. Definitely no

40. Indicate whether or not your state is planning to deal with this staff shortage in each of the following ways. (CHECK ONE BOX IN EACH ROW.)

	YES	NO
	1	2
1. Seek funding for additional staff	15	23
2. Divert staff from other functions	14	24
3. Make your best effort to meet 30 day deadline with staff on hand	34	4
4. Prioritize cases	32	6
5. Contract for services	0	38
6. Other (SPECIFY.)	1	37

41. According to your state's due process laws, how many days is each type of program recipient listed below given to respond to an adverse action notice? (ENTER NUMBER FOR EACH TYPE OF RECIPIENT.)

	NUMBER OF DAYS TO RESPOND	
1. Medicaid	10 days	39
	Over 20 days	5
2. AFDC	10 days	6
	Over 20 days	5
3. Food stamps	10 days	37
	Over 20 days	7

42. Indicate whether or not your state plans to take each of the actions listed below, once your state IEVS is fully implemented, to attempt to reconcile the DEFRA 30 day action deadline with your state's right to due process laws. (CHECK ONE BOX FOR EACH ACTION)

	DEF- FINI- TLY YES	PRO- BABLY YES	UN- CER- TAIN	PRO- BABLY NO	DEF- FINI- TLY NO
	1	2	3	4	5
1. Streamline the case follow-up process to shorten case processing time	12	18	10	9	2
2. Increase the number of eligibility workers	1	1	14	17	17
3. Make the best effort to comply with DEFRA as well as state laws given available resources	33	14	3	0	1
4. Other (SPECIFY.) 4 states responded					

VII. EXCHANGING NEEDS-BASED PROGRAM DATA WITH OTHER STATES

43. With how many states does your state currently have an ongoing agreement for the exchange of needs-based program data? (ENTER NUMBER. IF NONE, ENTER "0".)

0	states	- 34
1	"	- 4
2	"	- 8
4	"	- 1
5	"	- 1
6	"	- 2
15	"	- 1

44. In how many of these agreements are there specific provisions safeguarding the confidentiality of the data exchanged? (ENTER NUMBER. IF NONE, ENTER "0".)

0	agreements	- 37
1	"	- 4
2	"	- 6
5	"	- 1
6	"	- 2
15	"	- 1

45. Listed below are factors that might affect two states' ability to reach an IEVS data exchange agreement. Indicate what effect, if any, each has on your state's ability to reach such agreements. (CHECK ONE BOX FOR EACH FACTOR.)

	GREATLY IMPEDES	SOMEWHAT IMPEDES	NEITHER IMPEDES NOR PROMOTES	SOMEWHAT PROMOTES	GREATLY PROMOTES
	1	2	3	4	5
1. States' privacy/confidentiality laws	5	16	25	2	0
2. Compatibility of states' computer systems	9	20	17	2	1
3. One of the two states may discourage interstate exchanges	16	18	14	1	0
4. Compatibility of states' record file layouts	11	21	14	2	1
5. Other (SPECIFY.) <u>1 state responded</u> <u></u>					

46. In your opinion, which of these factors is the greatest impediment to your state's ability to reach IEVS data exchange agreements with other states? (CHECK ONE.)

- 1. States' privacy/confidentiality laws
- 2. Compatibility of states' computer systems
- 3. One of the two states might discourage interstate exchanges
- 4. Compatibility of states' record file formats
- 5. Other (SPECIFY.)

47. Please describe any other reasons why your state has difficulty reaching data exchange agreements with other states.

18 states commented

VIII. CASE VOLUME & DISPOSITION TRACKING SYSTEM

48. DEFRA regulations require states to establish a system to annually account for the volume and disposition of cases identified through an IEVS. Which of the statements listed below best describes how your state plans to account for record volume and case action to comply with this DEFRA requirement by 10/1/86? (CHECK ONE.)

- 1. Both record volume accounting and case action tracking will be done manually
- 2. Record volume accounting will be done manually; case action tracking will be automated
- 3. Record volume accounting will be automated; case action tracking will be done manually
- 4. Both record volume accounting and case action tracking will be automated

IX. STATE'S USE OF IRS AND SSA TAX DATA

49. Has your state signed final tax data exchange agreements with the IRS and/or SSA? (CHECK ONE.)

1. Signed agreement with IRS but not SSA

4. Did not sign agreement with IRS or SSA.

2. Signed agreements with both IRS and SSA

3. Signed agreement with SSA but not IRS

50. Indicate the statement that best describes what your state will have to do to meet the safeguarding agreements for each of the four types of tax data listed below. (CHECK ONE BOX FOR EACH TYPE OF DATA.)

	ADOPT/ CREATE NEW SYSTEM	EXTEN- SIVELY CHANGE EXISTING SYSTEM	MODERATELY CHANGE EXISTING SYSTEM	MINIMALLY CHANGE EXISTING SYSTEM	USE EXISTING SYSTEM AS IT STANDS
	1	2	3	4	5
1. IRS unearned income data	17	7	15	5	5
2. SSA wage data	7	6	15	9	13
3. SSA private pension data	7	6	14	9	14
4. SSA self-employment income data	9	7	13	8	13

51. In SECTION A indicate how often, if ever, case files from each of the programs listed below contain historical income data that can be compared with older IRS and SSA tax data? (CHECK ONE BOX FOR EACH PROGRAM.)

In SECTION B indicate whether or not this historical case income data is automated when it is available. (CHECK ONE BOX FOR EACH PROGRAM.)

SECTION A
CASEFILES CONTAIN
HISTORICAL CASE
INCOME DATA...
(CHECK ONE.)

SECTION B
HISTORICAL CASE
INCOME DATA
AUTOMATED?
(CHECK ONE.)

	ALWAYS OR ALMOST ALWAYS	SOMETIMES	RARELY, IF EVER	YES	NO	NOT AP- PLICABLE CASE DATA RARELY, IF EVER, EXISTS
	1	2	3	4	5	6
1. Medicaid	28	15	7	9	36	5
2. AFDC	28	15	8	11	34	6
3. Food stamps	28	15	7	12	33	5

X. ADDITIONAL INFORMATION

52. Beyond its base requirements, DEFRA also encourages states to access and use other sources of information to verify the eligibility of program applicants/recipients.

In SECTION A indicate whether or not your state currently uses, or is planning to use each of the information sources listed below for eligibility verification. (CHECK ONE BOX FOR EACH SOURCE.)

For each source your state is currently using, indicate in SECTION B whether the eligibility verification process is most often automated or manual. (CHECK ONE BOX FOR EACH SOURCE YOUR STATE CURRENTLY USES.)

SECTION A
STATE CURRENTLY USES?

SECTION B
VERIFICATION PROCESS...

	YES, STATE CURRENTLY USES	NO, BUT STATE PLANS TO USE	STATE NEITHER USES NOR PLANS TO USE	AUTOMATED ON-LINE	AUTOMATED OFF-LINE	MANUAL
	1	2	3	4	5	6
1. Birth records	33	3	14	5	0	30
2. Death records	30	3	17	3	5	25
3. Marriage records	27	2	21	1	0	27
4. Divorce records	26	2	22	1	0	25
5. Drivers' license records	25	4	20	8	6	12
6. Auto registration records	33	9	8	16	10	13
7. Selective service records	5	0	44	0	0	5
8. Police records	11	1	37	1	2	9
9. Tax records (other than fed.)	14	8	26	1	3	12
10. Housing records	18	4	28	1	0	18
11. Bank records	32	6	12	1	4	29
12. Insurance records	21	1	25	0	2	22
13. Credit records	13	0	36	1	3	9
14. Other (SPECIFY.)						
<u>10 states</u>						
<u>responded</u>						

53. In responding to the cost vs. benefit questions earlier in this questionnaire, were any of your responses based on actual studies or analyses your state has done?

1. [10] Yes

2. [39] No--(SKIP TO QUESTION 55.)

54. We are interested in obtaining the results of any cost/benefit studies or analyses your state has done, related to the DEFRA, IEVS provisions. However, we would like you to give priority to the completion and return of this questionnaire. Under separate cover and at your convenience, please send a copy of such reports to us at the address shown on the front of this form.

1 study received

55. Please write comments you might have about the DEFRA regulations, in general, or its provisions or impact, in particular, in the space below.

18 states commented

