



WHITE PAPER

Reducing Improper Payments in the Federal Government

How the federal government can save billions of dollars by reducing the amount of improper payments made to deceased persons through the use of private companies.

INTRODUCTION: PAYING IMPROPER PAYMENTS TO DECEASED PERSONS — AN ONGOING PROBLEM

In 2015, the Government Accountability Office (GAO) issued a report addressing the prevention of payments made to deceased individuals. In this report, GAO emphasized the use of death data as a tool for reducing improper payments and noted that the Social Security Administration's (SSA) Death Master File (DMF) does not always contain the most current and accurate data, nor is it accessible to all federal agencies.¹ The problem of federal government agencies issuing improper payments has been ongoing since GAO addressed it as far back as October 2001 in a report to Congress.²

Complicating the need to reduce improper payment outflows, many federal agencies require additional funding to do so, including the identification and verification of deceased individuals as recommended by the GAO.¹

With improper payments continuing to rise and no answer on the horizon from within the federal government, private companies are ready to assist with their own resources as demonstrated with Department of Education.

A 2020 case study by CRI compared DMF data to the CRI deceased database, and the results showed that using private-sector resources significantly increased the number of deceased identifications. By using private-sector resources, the federal government could dramatically increase the notification of deceased persons thereby helping reduce improper payments to deceased individuals.



FEDERAL AGENCIES' EFFORTS INADEQUATE

While some agencies of the federal government have taken steps to reduce their improper payment volumes, the facts demonstrate current efforts are not having a significant impact on eliminating the billions wasted annually.

Improper Payments Rising

From 2003 through 2017, improper payment estimates have risen to more than \$1.4 trillion. As documented by the federal government's Chief Financial Officers Council (CFO), improper payments paid by the federal government have totaled \$442 billion during the last three fiscal years alone (FY 2015-2017), totaling \$141 billion for fiscal year 2017.³ For fiscal year 2018, the Office of Management and Budget (OMB) reported federal agency overpayment recoveries of about \$20 billion. Based on that data, federal entity improper payment estimates totaled about \$151 billion for fiscal year 2018, an increase of about \$10 billion from the prior year.⁴

Failure to Implement Procedures

Regardless of Congress' previous actions taken to address the improper payment problem – passing or amending laws in 2002, 2010 and again in 2012 – the problem continues to worsen. For FY 2014, 15 of the 24 CFO agency inspectors general (IG) reported that their agencies did not comply with the Improper Payments Elimination and Recovery Act of 2010

(IPERA). Moreover, 38 programs were responsible for instances of noncompliance with over \$100 billion in estimated improper payments.⁵ This data suggests that significant improvements still need to be implemented to further reduce improper payments.

Death Verification Accuracy Decreases Improper Payments¹

As identified in testimony before the Committee on Homeland Security and Governmental Affairs to the U.S. Senate on March 16, 2015, the inability to accurately identify deceased individuals in a timely manner results in hundreds of millions of dollars in improper payments. The primary information source used by federal agencies for identifying deceased individuals is the SSA's Death Master File (DMF). However, some agencies do not access SSA's full DMF; instead, they access the publicly available DMF which does not include various data metrics, including state-reported death data. In addition, agencies may not be accessing accurate data because of flaws in how data are acquired, received, and managed by SSA.

\$1.4 TRILLION
IMPROPER PAYMENTS
BETWEEN 2003-2017

\$151 BILLION
IMPROPER PAYMENTS
ESTIMATED FOR FY18

GAO Identifies Flaws in SSA Procedures

The Government Accountability Office (GAO) testimony also highlights via the following excerpt⁶ that SSA's procedures are not completely adequate for collecting, verifying, and maintaining erroneous or untimely death information. Thus, the SSA's full DMF information is not always current, nor does it account for all unreported deaths.

For example, as we reported in November 2013, SSA did not independently verify all reports before including them in its death records. SSA only verified death reports for Social Security beneficiaries in order to stop benefit payments and did not verify death reports for non-beneficiaries. Further, for Social Security beneficiaries, SSA verified only those reports from sources that it considered to be less accurate, such as reports from other federal agencies. SSA did not verify reports from what it considered to be more accurate sources, such as funeral directors, family members, and states using the Electronic Death Registration System (EDRS). SSA considered death reports submitted by states through this system to be the most accurate because the information is verified with SSA databases before the reports are submitted to SSA.

Because SSA verifies a limited portion of death reports, it increases the risk of having erroneous information in its DMF data, such as including living individuals or not including deceased individuals. Currently, federal agencies that use SSA data assume, incorrectly, that the SSA DMF contains completely accurate and reliable data.



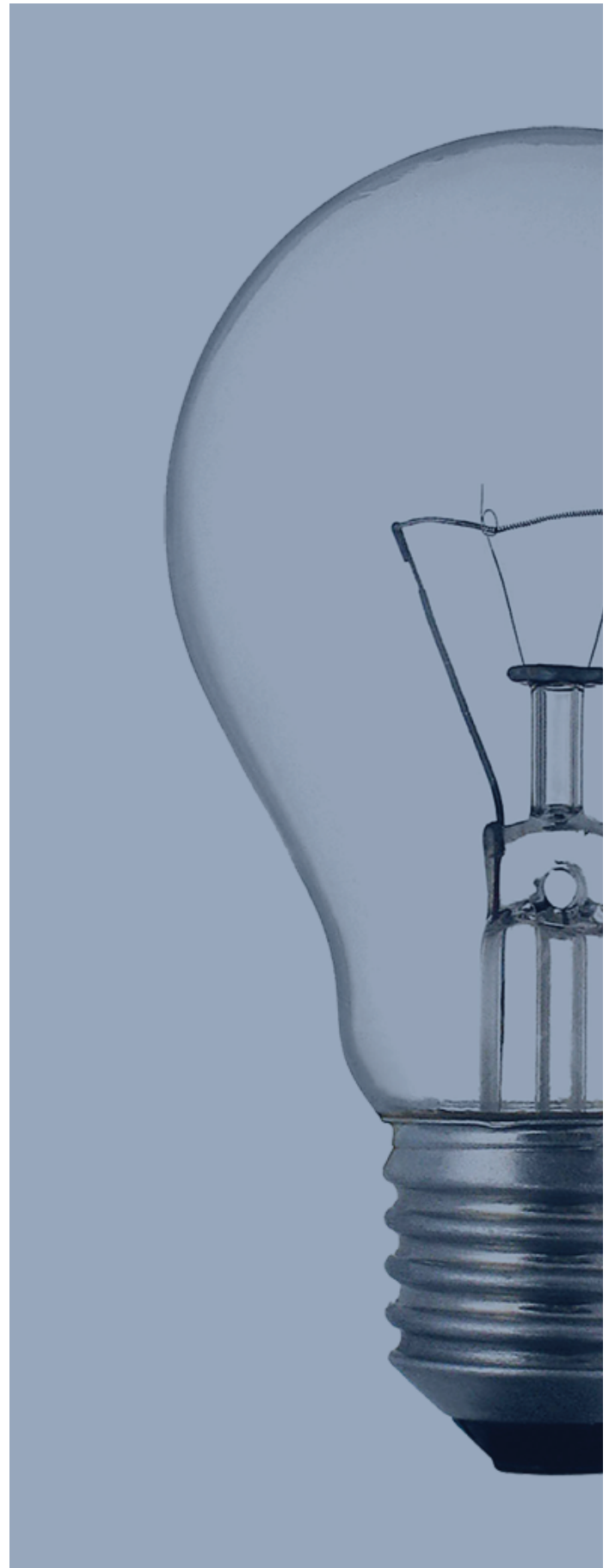
PRIVATE COMPANIES IMPROVE RESULTS

The U.S. Department of Education demonstrates how using private companies to help identify deceased former students can reduce improper payments.

While the GAO has identified significant issues with SSA's DMF, including policy and lack of procedures to prevent improper payments, it did not identify the U.S. Department of Education (ED) as a federal agency which has already employed a death verification model for how to successfully reduce improper payment outflows. For decades, ED has used private collection agencies (PCAs) to identify deceased former students. PCAs are compensated only for successful identification and obtaining verification, such as a death certificate.

It is common practice for PCAs to use non-government sources and/or more current and up-to-date sources to identify and verify death – including but not limited to, commercial databases, family confirmation, web searches, obituaries, etc., as well as human reviews to maximize positive validations. ED's PCAs have proven to be an excellent solution for improving ED's improper payment results by identifying thousands of deceased individuals, in a timely manner, that were not previously identified.

“Currently, federal agencies that use SSA data assume, incorrectly, that the SSA DMF contains completely accurate and reliable data.”



CASE STUDY – CRI VS DMF

In July 2019, CRI performed a case study by comparing the number of deceased individuals in 2018 reported in the DMF and separately reported by CRI. Of the 2.83 million deaths reported in 2018⁷, the DMF identified 767,720 deaths⁸ or 27% of all deaths. CRI, using proactive searches through more than 13,000 additional sources, identified an additional 1,102,304 or 39% more deaths. The combined total for DMF and CRI resulted in 66% of the deaths in 2018.

This study emphasizes the need to use multiple sources in addition to the passive DMF if the goal is to save money, time and effort. Early identification of deceased persons using multiple sources of data is critical to preventing improper payments made to unknown deceased persons.

2.83 MILLION
DEATHS IN 2018

767,720
DEATHS REPORTED
IN SSA'S DMF

1,102,304
ADDITIONAL DEATHS
LOCATED BY CRI

PROPOSED CORRECTIVE ACTION

Why don't more government agencies follow the successful practice of the U.S. Department of Education?

While we cannot speak for every agency, we have been told by some agencies that there are no funds available to pay private companies to accurately identify and verify deceased individuals. Instead, they are relying on the limited SSA DMF or other sources if access to the DMF is not available, even though the cost of prevention via private agency services is far less than the high dollar amounts paid out in improper payments.

We respectfully suggest Congress consider providing the funding necessary for all federal agencies which have made improper payments to implement an improved improper payment solution. This funding could require Pilot Projects be conducted across several federal agencies from the High Priority Programs list. These Pilot Projects could provide the definitive data and proof necessary to demonstrate the savings available to federal agencies and taxpayers via the improper payment solutions recommended by the GAO and proven practice already in place and implemented by ED of utilizing private-sector agencies to perform death identification and verification.

Footnotes

¹ Government Accounting Office, "Improper Payments – Government-Wide Estimates and Use of Death Data to Help Prevent Payments to Deceased Individuals," GAO-15-482T, March 16, 2015, GAO Highlights/What GAO Found (preface)

² Government Accounting Office, "Strategies to Manage Improper Payments — Learning From Public and Private Sector Organizations," GAO-02-69G, October 2001

³ Government Accounting Office, "Reducing Government-wide Improper Payments," https://www.gao.gov/key_issues/reducing_government-wide_improper_payments/issue_summary

⁴ Government Accounting Office, "General Government: Government-wide Improper Payments (2011-46)," www.gao.gov › duplication › action_tracker › action1

⁵ Government Accounting Office, Improper Payments – "CFO Act Agencies Need to Improve Efforts to Address Compliance Issues," GAO-15-554, June 2016, GAO Highlights/What GAO Found (preface)

⁶ Government Accounting Office, "Improper Payments – Government-Wide Estimates and Use of Death Data to Help Prevent Payments to Deceased Individuals," GAO Highlights, Improving the Accuracy and Completeness of Death Data, GAO-15-482T, March 16, 2015, page 13

⁷ According to Centers for Disease Control and Prevention 2018 U.S. mortality statistics, <https://www.cdc.gov/nchs/nvss/deaths.htm>

⁸ The Social Security Administration has two versions of the Death Master File; this data is the public subscriber version.

About CRI

CRI was founded in 2002 as a Service-Disabled Veteran Owned Small Business and provides asset recovery solutions through its CRI Financial Recovery Services division.

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