



Office of Inspector General

AUDIT OF VETERANS BENEFITS ADMINISTRATION SSA/VA DEATH MATCH PROCEDURES

*VBA needs to develop and implement
an effective method to identify
deceased veteran beneficiaries and
timely terminate their benefits.*

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Office of Inspector General
Washington DC 20420



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to the Under Secretary for Benefits (20)

Audit of SSA/VA Death Match Procedures

1. The Department of Veterans Affairs (VA) Office of Inspector General (OIG) conducted an audit of the Veterans Benefits Administration's (VBA's) current procedures to terminate beneficiary compensation and pension (C&P) benefits based on information about veterans' death received from the Social Security Administration (SSA). The purpose of the audit was to: evaluate the effectiveness of VBA's efforts to timely terminate C&P benefits, based on information received from SSA; determine if vulnerabilities existed in the current requirements for matching SSA death information with VA C&P files; and evaluate the effectiveness of internal VA mechanisms in reporting beneficiary deaths to VA regional offices.
2. We found that VBA needs to develop and implement a more effective method to identify deceased beneficiaries and timely terminate their C&P benefits. Our audit showed that, of a sample of 281 veterans reported as deceased by SSA, only 156 were, in fact, deceased. Further, we found that the C&P benefit awards of 42 out of 156 deceased claimants were: (1) still running; (2) had incorrect termination dates; or (3) had incorrect suspense dates. Overpayments in these 42 cases totaled \$339,977. Based on these results, we estimate that approximately \$3.96 million in erroneous payments were made throughout VBA.
3. Erroneous C&P benefit payments were caused by three main factors: (1) the current VBA beneficiary death notification processing system is not effective; (2) VA's various beneficiary data bases contain system errors, and are not electronically linked; and (3) SSA's Death Master File, which is provided to other government agencies, contains erroneous information.
4. Current VBA policy requires that regional office personnel comply with directives contained in Circular 21-91-8, "Social Security Administration Death Record Procedures," when a notification of a beneficiary's death is received from SSA. We statistically sampled 281 cases where SSA had notified VA of a veteran's death to

determine if regional offices were adhering to these directives. We found the following discrepancies: in 132 out of 281 cases reviewed, there were no death notifications in claim folders, as required; of the remaining 149 claim folders that did contain the required death notifications, 21 had no action taken on them; in 27 out of 281 cases, we could not determine if the veteran was living or deceased based on information found in the claim folders; and adjudication personnel at two regional offices stated that SSA death notifications were not treated as priority work assignments.

5. In our review of VA claimant data bases, we found the following problems: in 4 cases out of 281 reviewed, the C&P Master Record indicated that the veteran was alive, yet the Beneficiary Identification Records Locator System (BIRLS) contained the veteran's correct death information; in 5 cases, a First Notice of Death was processed in BIRLS to terminate the veteran's benefit checks, yet the checks continued to be sent; in 1 case, examination of VA's Insurance Awards File revealed that the deceased veteran's beneficiary had received the proceeds of his life insurance policy, yet his benefit checks continued to be sent at the time of our computer match (his benefit checks have now been terminated); and in 1 case, information in the Veterans Health Administration's Patient Treatment File showed that a veteran had died in a VA medical center, yet his benefit checks continued to be sent.

6. In our review of the official Death Master File sent to VA by SSA, we found the following problems in 281 cases reviewed: in 125 cases, although the veterans were reported as deceased, information found in their claim folders proved them to be alive; in 31 cases, an incorrect date of death was provided by SSA; in 81 cases, a date of death other than the veteran's was provided to VA; in 23 cases, the reported veteran deaths were actually the deaths of veterans' parents, spouses, or children; and in 31 cases, an exact date of death was not provided by SSA.

7. In each error case found, we sent memorandums to the appropriate regional offices to terminate the benefit awards and establish accounts receivable, where necessary. Since the overpayment cases contain possible fraudulent activity, we also referred them to the OIG Offices of Investigations having jurisdiction.

8. Based on our findings, we recommended: implementing a more effective system of follow-up on claimant death notifications; correcting electronic beneficiary data base problems and linking other electronic beneficiary data bases, where necessary; and coordinating with SSA officials to determine a method to improve the accuracy of SSA death reporting.

9. VBA's Deputy Under Secretary for Management concurred, or concurred in principle, with all recommendations and indicated agreement with our estimated dollar impact. Therefore, there are no unresolved issues in this report, although we will continue to follow up on planned actions until completion.

For the Assistant Inspector General for Auditing

/s/

WILLIAM V. DEPROSPERO
Director, Chicago Audit Operations Division

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RESULTS AND RECOMMENDATIONS

VBA Needs To Develop and Implement a More Effective Method of Identifying Deceased C&P Recipients and Terminating Their Benefits

The Veterans Benefits Administration (VBA) needs to develop and implement an effective method to identify deceased beneficiaries and timely terminate their benefits. Our audit found that the compensation and pension (C&P) benefit awards of 42 out of 156 deceased claimants were either still running, had incorrect termination dates, or incorrect suspense dates. The overpayments in these 42 cases totaled \$339,977. Based on these results, we estimate that approximately \$3.96 million in erroneous payments were being made. These overpayments were caused by three main factors: the death notification processing system was not effective; the Department of Veterans Affairs' (VA's) various claimant data bases contain system errors and were not electronically linked; and Social Security Administration's (SSA's) Death Master File (DMF) contained erroneous information.

VBA's Current Death Notification Processing System Is Not Effective

Current VBA directives require that VA C&P Master Records will be matched with death records maintained by SSA on a monthly basis. The SSA records will include only those deaths reported to SSA since the last SSA/VA match. If the social security number (SSN) contained in SSA's DMF matches the veteran's SSN in an active master record, the VA beneficiary will be identified as possibly deceased.

Specific directives for VBA claims examiners to follow in these death match cases are contained in VBA Circular 21-91-8, "Social Security Administration Death Record Procedures." The Hines Benefits Delivery Center (BDC) performs the required monthly computer matching utilizing the DMF sent to them by SSA. If a match occurs, the BDC prepares a "Master Record Printout No. 833" and sends the printout to the appropriate VA regional office. Based upon these "833" printouts, VBA claims examiners are responsible for securing positive proof that the beneficiary is alive or dead. If proof is received that the veteran is alive, the benefit award continues. However, if proof is received that the veteran is, in fact, deceased, the award is to be terminated and an accounts receivable established, if appropriate.

To determine the effectiveness of these procedures, we took a national statistical sample of a VA/SSA death match. We matched the SSA DMF as of December 1, 1995 with active C&P Master Records (where a veteran was the recipient of the payment) as of February 29, 1996.¹ This match produced 4,000 names. However, when we sampled

¹ We used data bases 3 months apart in time to allow VBA personnel reasonable time to have processed death notices arising from the December 1, 1995 match.

this list, we found that many “mis-matches” had occurred between veteran name, “stub” (partial) name, and SSN. This resulted in unusable and/or inaccurate data.

Therefore, to purify our sample, we matched the 4,000 names against VA’s Beneficiary Identification Records Locator System (BIRLS). This match produced a list of 2,900 names. We also matched this list against VA’s file of veterans who had a “fiduciary” appointed to protect their financial interests.² Out of the 2,900 cases, that match identified 269 fiduciary cases leaving 2,631 non-fiduciary cases.

We obtained a statistical sample of 281 cases from this list of 2,900 names.³ We then contacted the VA regional offices having jurisdiction over the veteran claim folders in these 281 cases, and had them send the claim folders to our office. We also contacted the appropriate state bureaus of vital statistics to determine if these state offices had death certificates on file for the reported veteran deaths.

We reviewed each claim folder to determine if regional office claims examiners had followed current VBA directives concerning VA/SSA death match procedures. We found that there was inadequate processing of death notices, which resulted in numerous overpayments and other errors. The results of our review are as follows:

Inadequate Processing of Veteran Death Notification Messages

In our review of the SSA death notification messages, we found the following: in 132 of 281 cases, there were no “833” printouts in the claim folders; of the remaining 149 cases that had “833” printouts in the claim folders, 21 had no action taken on the computer-generated messages; and in 27 out of 281 cases, we could not determine the veteran’s status (living or deceased) based on information found in the claim folder.

We also interviewed adjudication personnel at two regional offices and found that SSA death notifications were not treated as priority work assignments, and staff were not very familiar with directives contained in VBA Circular 21-91-8. In our meeting with VA Central Office C&P officials, they concurred that death notification messages were not top priority assignments at VA regional offices.

² As part of our audit plan, we separately identified cases where a “fiduciary” had been appointed to protect a veteran’s assets. We hypothesized that such fiduciaries might be more inclined toward fraudulently negotiating the benefits of deceased veterans. However, the results of our audit did not identify fiduciary cases as being particularly vulnerable to fraud.

³ The stratified sample of 281 consisted of 57 fiduciary cases and 224 non-fiduciary cases.

Overpayments Found

In 42 cases of 281 reviewed, although the veteran beneficiaries were deceased, we found that C&P benefit awards were still running, had incorrect award termination dates, or incorrect suspense dates. These veterans had been deceased from 5 months to 14 years. These 42 cases accounted for \$339,977 in overpayments. The one fiduciary case had an overpayment of \$3,622, and the average overpayment of the 41 non-fiduciary cases was \$8,204. The breakdown of these error cases is as follows: in 27 cases, the benefit awards were running after the claimant's death, and the benefit checks were either being cashed or electronically deposited into bank accounts; in 9 cases, the benefit awards were terminated with an incorrect date of death; and in 7 cases, although the benefit awards were suspended based on the veteran's presumed death, the suspense dates were incorrect.

Error Cases Without Overpayments

We also found some error cases without overpayments. In four cases, although veteran benefit awards were still running after the veteran's death, there were no overpayments established since no monies were being paid out due to recoupment of prior accounts receivable or because an excessive estate of an incompetent veteran. In 18 cases, the veterans' awards were properly suspended with no overpayments involved. However, although these awards were suspended on the correct dates, no follow-up action had been taken by the regional offices involved to terminate the awards, as required.

In each error case found, we sent memorandums to the appropriate regional offices to terminate the awards and establish accounts receivable, where appropriate. Since the 42 overpayment cases also contained possible fraudulent activity, we referred each of them to the Office of Inspector General (OIG) Offices of Investigations having jurisdiction. We are also working with the Counselor to the Inspector General concerning other actions that can be taken in these overpayment cases, such as contacting banks which have electronically deposited deceased veterans' benefit checks, and requesting that they return the funds to the Department.

VA's Beneficiary Data Bases Either Have System Errors or Are Not Linked, Allowing Erroneous Information To Remain in the Data Bases and Erroneous Benefit Payments To Be Made

During our review of the 281 sample cases, we also found that part of the problem with inadequate processing of VA/SSA death match cases was that VA beneficiary data bases contain system errors, meaning that automatic procedures do not always work for some unknown reason. In addition, some of VA's beneficiary data bases are not electronically linked, allowing conflicting beneficiary data to co-exist. These system errors and independent data bases not only make the regional office claims examiner's task of

determining exactly what the correct beneficiary data is extremely difficult, they also contribute to the numerous overpayments found in this audit.

We found the following: in four cases, the C&P Master Record indicated that the veterans were alive, yet BIRLS contained the veterans' correct death information; in five cases, a First Notice of Death (FNOD) was processed in BIRLS, which is supposed to terminate any benefit checks, yet the deceased veterans' benefit checks continued to be sent; in one case, VA's Insurance Awards File revealed that the deceased veteran's beneficiary received the proceeds of his life insurance policy, yet the deceased veteran's benefit checks continued to be sent; and in one case, the Veterans Health Administration's Patient Treatment File contained information that a veteran had died in a VA medical center, yet the deceased veteran's benefit checks continued to be sent.

SSA Is Providing Inaccurate Information in the Death Master File

Adding to the numerous problems cited above concerning timely termination of benefits due to death, is the fact that the SSA DMF contains inaccurate information. During the course of the audit, we interviewed SSA officials who confirmed that the DMF data sent to other government agencies is not validated. SSA personnel only validate the reported deaths of SSA benefit recipients. They do not validate any other reported deaths.

We found the following: in 125 of 281 cases, the veterans reported as deceased were, in fact, still alive; in 31 of 281 cases, an incorrect date of the veteran's death was provided; in 81 of 281 cases, a date of death other than the veteran's was provided; in 23 of 281 cases, the reported veteran deaths were actually the deaths of veterans' parents, spouses, or children; and in 31 of 281 cases, a date of death was not even provided, just a death notice.

Conclusion

VBA's current beneficiary death notification process is not working properly. Regional office claims examiners are not following current directives, and in our opinion, these directives, even if followed, need strengthening. For example, although some regional office claims examiners contact state bureaus of vital statistics to obtain verification of beneficiary deaths, they are not required to do so. A possible solution might be to have the Hines BDC send a computer-generated request for a death certificate to the appropriate state bureau of vital statistics when the VA/SSA death match is performed. Adding to the problem is the fact that VA claimant data bases are not accurate. Separate data bases contain conflicting beneficiary data, and these data bases are not linked electronically. Correcting these data bases and linking them electronically, as envisioned in future VBA planning, should solve this part of the problem. Finally, SSA is sending other government agencies information from the DMF which contains numerous errors.

VA officials should contact SSA officials in an effort to obtain more accurate claimant death information.

By adhering to the recommendations presented in this report, there is potential to correct these death processing problems, and to avoid additional millions of dollars in erroneous C&P benefit payments to deceased claimants.

For More Information

- *Details concerning our findings on VBA's current beneficiary death notification processing system are contained in Appendix III.*
- *Details concerning our findings on VA's various electronic claimant data bases are contained in Appendix IV.*
- *Details concerning our findings on SSA's Death Master File are contained in Appendix V.*
- *Details concerning our statistical estimate of \$3.96 million in erroneous payments are contained in Appendix VII.*

Recommendation 1

The Under Secretary for Benefits should:

- a. Coordinate with SSA officials to determine a method to improve the accuracy of SSA death reporting.
- b. Insure that claims examiners receive and follow up on SSA death notifications.
- c. Correct electronic beneficiary data base system errors, and link other electronic beneficiary data bases, where necessary.
- d. Create overpayments for the cases where payments continued to be made on behalf of deceased veterans.

The associated monetary impact for Recommendation 1d. is shown in Appendix IX.

Veterans Benefits Administration Comments

VBA's Deputy Under Secretary for Management concurred, or concurred in principle, with all recommendations and indicated agreement with our estimated dollar impact. (The full text of the Deputy Under Secretary's comments is contained in Appendix VIII.)

Office of Inspector General Comments

Based on the VBA comments, there are no unresolved issues in this report, although we will continue to follow up on planned actions until completion.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The purposes of the audit were to: evaluate the effectiveness of VA's efforts to timely terminate beneficiary payments based on death information received from SSA; determine if vulnerabilities exist in the current requirements for matching SSA death information with VA C&P files, and the impact of those vulnerabilities; and evaluate the effectiveness of internal VA reporting mechanisms in terms of reporting claimant deaths to VA regional offices.

Scope and Methodology

a. **Sampling Techniques**

The OIG Technical Support Division in Austin, TX matched SSA's DMF as of December 1, 1995, with the C&P Active Master Record for "Payee 00" (veteran beneficiaries only; not dependent beneficiaries) as of February 29, 1996. They then matched the resulting "hits" with VA's active Fiduciary File as of February 29, 1996. This provided a list of 4,000 presumed deceased veterans receiving C&P benefit checks.

However, after sampling from this list of 4,000 names, we found numerous "mismatches" involving veteran names, stub names, and SSNs. Therefore, in an effort to purify the sample universe, OIG Technical Support Division staff matched the 4,000 names against BIRLS as of February 29, 1996. This match provided a list of 2,900 presumed deceased veterans receiving C&P benefit checks. (269 veterans with fiduciaries, 2,631 veterans without fiduciaries).

Using the VA OIG Office of Audit statistical sampling software program for attributes (95 percent confidence level, + or -5 percent precision level, 20 percent expected error rate), we selected a sample of 281 cases to review (57 fiduciary cases and 224 non-fiduciary cases).

We contacted the regional offices having jurisdiction over the claim folders needed in the sample and asked them to send the selected claim folders to our office. We reviewed each claim folder following the criteria set forth in VBA Circular 21-91-8, "Social Security Administration Death Record Procedures." After our review, we returned each claim folder to the appropriate regional office with our findings.

We also contacted state bureaus of vital statistics to request death certificates for any veteran whom our claim folder review led us to believe was deceased, or whose status was unknown.

b. Additional Computer Matches

Austin Technical Support staff also performed the following computer matches:

- Matched the list of 2,900 names with VA's Patient Treatment File as of February 29, 1996 (patient deaths only). This provided a list of 43 veterans who died in VA medical centers, and who had running awards as of the time of the match.
- Matched the list of 2,900 names with VA's Insurance Awards File as of February 29, 1996. This action identified one veteran who had died, and whose beneficiary had received his life insurance proceeds, yet his benefit checks were still being sent.
- Matched the list of 2,900 names with VA burial benefits found in VBA's Benefits Delivery Network as of February 29, 1996. This match was to search for deceased veterans whose beneficiaries had received VA burial benefits, yet the veterans were still being sent benefit checks. There were no such cases found in this match.

c. Interviews During the Course of the Audit

We interviewed the following individuals concerning the topics indicated:

- Officials in VBA's Compensation and Pension Service in VA Central Office concerning current VA/SSA death match procedures.
- Adjudication personnel at VA Regional Offices Chicago, IL and Milwaukee, WI concerning their procedures for processing VA/SSA death match notifications.
- Personnel in the C&P Batch Section, Hines BDC, Hines, IL concerning the "833 Social Security Death Notifications."
- Officials in SSA's Baltimore Processing Center concerning the SSA DMF which they send to other government agencies.

d. Data Collection

We collected and examined the following data during the course of the audit:

- SSA's DMF as of December 1, 1995.
- VBA's active C&P Master Record as of February 29, 1996.
- VBA's Fiduciary File as of February 29, 1996.
- Veteran C&P Master Record printouts from the Benefits Delivery Network.
- Veteran claim folders.
- BIRLS, Patient Treatment File, Insurance Awards File, and VA burial benefits data.
- Death certificates.

All of the data identified above, except veteran claim folders, is automated and generated by the Austin Automation Center in Austin, TX, the Hines BDC in Hines, IL, or the SSA. For the 281 cases in our sample, we validated the accuracy of these data bases. However, our review of this data was limited to the period December 12, 1995 to February 29, 1996.

We conducted this audit in accordance with generally accepted Government auditing standards, and performed tests considered necessary under the circumstances.

BACKGROUND

VBA Responsibilities

Current VBA directives require that VA C&P master records will be matched with death records maintained by the SSA on a monthly basis. The SSA records are supposed to include only those deaths reported to SSA since the last SSA/VA match. If the SSN contained in SSA's DMF matches a veteran's SSN in an active VA C&P master record, the VA beneficiary will be identified as possibly deceased.

The Hines BDC performs the required monthly match utilizing the DMF sent to them by SSA. If a match occurs, the BDC prepares a "Master Record Printout No. 833" and sends the printout to the appropriate regional office.

Regional office claims examiners are required to follow the directives contained in VBA Circular 21-91-8, "Social Security Administration Death Record Procedures," when working the "833 Printout" messages. They are responsible for securing positive proof that the beneficiary is alive or dead. They are not to suspend or terminate benefits based solely on the results of the match. Verification of the match report must be obtained. If positive evidence is obtained, e.g., a death certificate or hospital report of death, no further review is required and the award should be terminated.

However, if positive evidence of death is not obtained, they are to determine if there is evidence in the beneficiary's claim file that the beneficiary is alive. They are directed to consider the beneficiary alive if there was personal physical contact with VA since the date of death reported by SSA, e.g., an individual reports for a medical examination or the individual is hospitalized at a VA medical facility.

They are then required to attempt to telephone the beneficiary. If the caller (claims examiner) is satisfied that the beneficiary is alive, no further action need be taken other than to make a report of the telephone contact for the file. If, as a result of the phone call, evidence is obtained that reasonably indicates that the beneficiary has died, they are to terminate benefits. If the foregoing steps fail to establish whether the beneficiary is alive or dead, claims examiners are then required to request a field examination to determine the veteran's status. If potential fraud is discovered, claims examiners are instructed to follow the provisions of VBA Circular 20-84-12, "Referral of Fraud, Corruption and Other Criminal Conduct."

Prior Audit Findings

In 1982, the OIG matched VA C&P records to the files of deceased persons maintained by a commercial firm. Analysis of the matches confirmed that payments were made to 256 veteran addresses after the claimants had died. The overpayments resulting from this review totaled about \$1.2 million. In July 1990, General Accounting Office (GAO) staff reported similar problems upon comparing C&P records with SSA death information files. In September 1992, the OIG conducted a follow-up review and found that controls continued to need improvement. In August 1994, GAO published a report stating that SSA does not verify deaths for non-beneficiaries. Consequently, other Federal agencies using SSA death information for persons not receiving Social Security or Supplemental Security Income benefits may be using incorrect information.

DETAILS OF AUDIT

VBA's Current Death Notification Processing System Is Not Effective

To determine the effectiveness of current VBA procedures, we selected a national stratified statistical sample of 281 cases (57 fiduciary and 224 non-fiduciary) from the purified list of 2,900 matches between the SSA DMF and the VA C&P file. We then contacted the regional offices having jurisdiction over the veteran claim folders in those 281 cases, and had them send those folders to our office.

We reviewed each claim folder to determine if regional office claims examiners were following current VBA directives concerning VA/SSA death match procedures. We found that there was inadequate processing of death notices, which resulted in numerous overpayments and other errors. The results of our review are as follows:

Inadequate Processing of Veteran Death Notification Messages

- In 132 of 281 cases reviewed (47 percent), there was no “833” printout in the claim folders. We interviewed Hines BDC personnel who stated that they mail the printouts to the applicable regional offices. They do not know what happens to these death notifications once they are mailed. We also interviewed regional office personnel at two regional offices. They stated that the printouts are given to the appropriate adjudication personnel when they are received.
- Of the remaining 149 cases that did have “833” printouts in the claim folders, 21 had no action taken on the computer-generated messages. They were simply “filed down.” We had no way of determining whether a claims examiner had actually reviewed the “833” printout and ignored it, or if it was simply filed down by a clerk as “incoming mail, no action needed.”
- In 27 out of 281 cases, we could not determine the veteran’s status (living or deceased) based on information found in the claim folders. In these 27 cases, we could not find any recent activity (mail to or from the veteran, regional office notices to the veteran, etc.). Some of these files showed no activity for several years. There would be no way that regional office personnel could know if the veteran was alive or deceased because of a lack of activity documented in the claim folders.
- We interviewed adjudication personnel at two regional offices and found that SSA death notifications were not treated as priority work assignments, and staff were not that familiar with directives contained in VBA Circular 21-91-8. Staff in each of

these two offices explained their procedures for dealing with “833” messages. However, in neither office did staff feel that processing these printouts was a high priority. In addition, officials in VBA Headquarters’ C&P Service told us that processing death notification messages was not a high priority work assignment at VA regional offices.

Overpayments Found

In 42 cases of 281 reviewed, although the veteran beneficiaries were deceased, we found that C&P benefit awards were still running, had incorrect award termination dates, or incorrect suspense dates. These veterans had been deceased from 5 months to 14 years. These 42 cases accounted for \$339,977 in overpayments. The one fiduciary case had an overpayment of \$3,622, and the average overpayment of the 41 non-fiduciary cases was \$8,204. The breakdown of these 42 error cases is as follows:

- In 26 cases (9.2 percent of 281 cases), the benefit awards were running after the claimant’s death, and the benefit checks were either being cashed or electronically deposited into bank accounts. These 26 overpayments totaled \$239,887.
- In 9 cases (3.2 percent of 281 cases), the benefit awards were terminated with an incorrect date of death. The overpayments in these 9 cases totaled \$80,332.
- In 7 cases (2.5 percent of 281 cases), the benefit awards were suspended based on the veteran’s presumed death. However, these 7 cases contained incorrect suspense dates. The overpayments in these 7 cases totaled \$17,758.

Error Cases Without Overpayments

In 4 cases (1.4 percent of 281 cases), although each veteran’s benefit award was still running after the veteran’s death, there were no overpayments established since no monies were being paid out due to recoupment of prior accounts receivable or an excessive estate of an incompetent veteran. Thus, no new overpayments could be created as a result of the veterans’ deaths.

In 18 cases (6.4 percent of 281 cases), the veterans’ awards were properly suspended with no overpayments involved. However, although these awards were suspended on the correct dates, no follow-up action was ever taken by the regional offices involved to terminate these awards, as required.

In each error case found, we sent memorandums to the appropriate regional offices to terminate the awards and establish accounts receivable, where appropriate. Since the 42

overpayment cases also contained possible fraudulent activity, we referred each of them to the OIG Office of Investigations having jurisdiction. We are also working with the Counselor to the Inspector General concerning other actions that can be taken in these overpayment cases, such as contacting banks which have electronically deposited deceased veterans' benefit payments, and requesting that they return the funds to the Department.

The accounts receivable error rate found in the sample for fiduciary cases was 1.8 percent, and for non-fiduciary cases it was 18.3 percent. The population for fiduciaries contained 269 cases. Therefore, projecting a 1.8 percent error rate over 269 cases yields a potential of 5 error cases in the population. Multiplying 5 cases times the one sample overpayment found of \$3,622 yields a potential total overpayment of \$18,110 in the population of 269 cases. The population for non-fiduciary cases totaled 2,631. Therefore, projecting an 18.3 percent error rate over 2,631 cases yields a potential of 481 error cases in the universe. Multiplying 481 cases times the average sample overpayment found of \$8,204 yields a potential total overpayment of \$3,946,124 in the universe of 2,631 cases, as of September 1997.

In conclusion, the total potential overpayment in the population of 2,900 (269 plus 2,631) cases of veterans reported deceased, but still having running C&P awards, is \$3,964,234 (\$18,110 plus \$3,946,124).

DETAILS OF AUDIT**VA's Various Claimant Data Bases Either Have System Errors or
Are Not Linked Electronically**

During our review of the 281 sample cases, we also found that part of the problem with inadequate processing of VA/SSA death match cases was the fact that VA beneficiary data bases contain system errors, meaning that automatic procedures do not always work for some unknown reason. In addition, some of VA's beneficiary data bases are not electronically linked, allowing conflicting beneficiary data to co-exist. These system errors and independent data bases not only make the regional office claims examiner's task of determining exactly what the correct beneficiary data is extremely difficult, they contribute to the numerous overpayments found in this audit. We found the following:

- In five cases, a First Notice of Death (FNOD) was processed in Beneficiary Identification Records Locator System (BIRLS), which is supposed to suspend any benefit checks, yet the deceased veterans' benefit checks continued to be sent. A FNOD can also be input by numerous employees based on death information that they have received. Although the FNOD input is supposed to automatically suspend a benefit award, we were told by adjudication employees that they have seen other instances where, for some reason, this action did not trigger the award suspense. Program officials should look into the reasons for this "ADP system error."
- In one case, VA's Insurance Awards File revealed that the deceased veteran's beneficiary received the proceeds of his life insurance policy, yet the deceased veteran's benefit checks continued to be sent. These benefits have since been terminated. We only found one such instance in our sample of 281 cases. However, since the Insurance Awards File is not linked to other VA benefit data bases, the potential exists that this could happen on a much larger scale.
- In one case, the Veterans Health Administration's Patient Treatment File contained information that a veteran had died in a VA medical center, yet the deceased veteran's benefit checks continued to be sent. Our match of the C&P Master Record and the Patient Treatment File identified 43 total cases. In the other 42 cases, action was immediately taken to terminate the deceased veterans' C&P award. This quick action was a result of medical center personnel inputting the death data into the Automated Medical Information Exchange (AMIE) system. However, since we found one case out of 281 where action was not immediately taken, the potential exists that this could happen on a much larger scale.

Based on the results of our audit, we believe that action should be taken to find the causes of the system errors discussed above. We also believe that consideration should be given to linking all automated VA data bases as soon as possible. We were told that VBA has future plans to do so, but no one could tell us when this linkage may take place.

DETAILS OF AUDIT

SSA's Death Master File Contains Erroneous Information

Adding to the numerous problems concerning timely termination of C&P benefits due to death, is the fact that the version of SSA's DMF that is sent to other Federal agencies contains inaccurate information. During the course of the audit, we interviewed SSA officials who confirmed that the DMF death data is not validated prior to sending it out to other users. SSA personnel only validate the reported deaths of SSA benefit recipients. This means that they only validate reported deaths of Social Security and Supplemental Security Income recipients. They do not validate any other reported deaths.

Prior audit reports by both VA OIG and GAO have also indicated that there is inaccurate information being provided to Federal agencies by SSA in the DMF. In this audit, we sought to quantify the degree of inaccuracy.

During the course of this audit, we also tabulated the following statistics in our national sample, which confirm that the exported SSA DMF has inaccurate information:

- In 125 of 281 cases (44.5 percent), the allegedly deceased veterans were, in fact, still alive.
- In 31 of 281 cases (11 percent), an incorrect date of the veteran's death was provided by SSA.
- In 81 of 281 cases (29 percent), a date of death other than the veteran's was provided by SSA.
- In 23 of 281 cases (8.2 percent), SSA-reported veteran deaths were actually the deaths of veterans' parents, spouses, or children.
- In 31 of 281 cases (11 percent), a date of death was not even provided by SSA, just a death notice.

We also learned during the audit that this inaccurate death information is causing two additional problems in death match cases.

Some VBA adjudication personnel rely on Social Security's Third Party Query (TPQY) system to validate that the veteran is dead or alive. This is a computer inquiry system in which claims examiners can request information on VA benefit recipients, including

whether they are alive or deceased. Prior to May 1996, the claims examiners would send the information request in and receive a response back within 1 to 2 weeks. Since May 1996, the TPQY system has been automated, and claims examiners can get a response back in 1 day.

However, the results of this audit indicate that relying on TPQY information will not assist claims examiners in responding to “833 death notifications” for non-SSA benefit recipients. If SSA’s DMF contains unvalidated data concerning non-SSA recipients, so does the TPQY system.

Some VBA adjudication personnel ignore SSA “833 death notifications” when they receive them because they know that much of the information in the DMF is incorrect or inaccurate. This may explain why so many “833 notices” are not even filed down in the claim folders (or are filed down without any action taken).

Based on the results of this audit, we believe that, in the best interests of the Department, VBA officials should contact SSA officials in an effort to coordinate a more accurate death reporting mechanism.

PRIOR RELEVANT OIG AUDITS AND OTHER REPORTS

A review of past audit reports from 1982 to the present showed that there were problems found in matching VA C&P records with SSA death information by both the OIG and GAO. Examples of published audit reports are as follows:

Review of Payments to Deceased Individuals - VA OIG Report No. 2AB-B99-132, September 29, 1982

The OIG matched data from the October 1981 Compensation, Pension, and Education Files against a file of 43 million deceased persons maintained by a commercial firm. Analysis of these records confirmed that payments were actually made on behalf of 256 deceased individuals. The cumulative value of these payments was \$1.2 million.

VA Needs Death Information from Social Security to Avoid Erroneous Payments - GAO Report No. HRD-90-110, July 27, 1990

GAO stated that, in April 1989, VA paid compensation or pension benefits for 1,212 veterans whose SSA records indicated that they had died at least 4 months earlier. About 100 had been dead 10 years or more.

Audit of Rejected Records from Social Security Administration - VA OIG Report No. OAM-B99-089, September 17, 1990

This audit found 108,851 individual VA master records (of living and deceased beneficiaries) which did not match SSA records. This amounted to 8.1 percent of the total 1.37 million names and social security numbers (SSNs) in VA records, affecting \$376.8 million in annual VA benefit payments.

Audit of Compensation and Pension Records Matched with Social Security Death File - VA OIG Report No. 2AD-G07-215, September 30, 1992

This audit found that a significant number of payments were made on behalf of deceased individuals. The report identified 36 veteran records totaling an estimated \$286,000, 110 survivor records totaling an estimated \$1.3 million, and 70 terminated records totaling an estimated \$60,000. Using the monthly benefit actually being paid on each of those records determined to have overpayments, the report estimated that potentially \$1.6 million in overpayments would continue to be generated annually on behalf of 471 deceased veterans and \$9.8 million in overpayments would continue to be generated annually on behalf of 2,018 deceased dependents of veterans.

Follow-up Inspection On Audit of Rejected Records From Social Security Administration - VA OIG Report No. 3PP-B99-181, September 30, 1993

This follow-up was conducted to determine whether reported corrective actions were effectively taken relating to rejected records from SSA. It was determined that VBA initiated actions to implement all recommendations, but had not completed such actions in all cases. VBA issued policy concerning SSN verification, negotiated an agreement with SSA to conduct matches, conducted two matches, began reviewing the cases that did not match, and proposed legislation to require mandatory SSN disclosure from beneficiaries.

However, VBA had not established a process to monitor the completion of required actions and thus had no assurance of the status of corrective actions. In addition, VBA did not conduct matches as frequently as required. Also, VBA had not installed the necessary program edits to the C&P system to “flag” cases without SSNs.

Social Security: Most Social Security Death Information Accurate, But Improvements Possible - GAO Report No. HEHS-94-211, August 29, 1994

In this report, GAO states that SSA death information is very accurate for recipients of SSA benefits. However, the report states, “SSA does not verify deaths for non-beneficiaries. Consequently, other Federal agencies using SSA death information for persons not receiving Social Security or Supplemental Security Income benefits may be using incorrect information.”

STRATIFIED STATISTICAL SAMPLING METHODOLOGY

The VA OIG Technical Support Division in Austin, TX provided a match of the SSA DMF as of December 21, 1995 to the C&P Master Record as of February 29, 1996. This match contains a list of veterans who had died as of December 1, 1995 but who were still being sent C&P benefit checks as of February 29, 1996. The matched list was further matched by SSN to VBA's Fiduciary File as of February 29, 1996.

The result of these matches produced two separate files of deceased claimants:

1. Deceased veterans with fiduciaries receiving C&P benefit checks, resulting in 269 cases.
2. Deceased veterans without fiduciaries receiving C&P benefit checks, resulting in 2,631 cases.

We performed random statistical sampling and stratified the population into two parts as described above. Therefore, we drew two separate samples. For the non-fiduciary sample, based upon our desired confidence level of 95 percent and the desired precision of +/-5 percent, we were required to draw a sample of 224 cases. For the fiduciary sample, with the same parameters, the required sample size was 57. We used the VA OIG statistical sampling software to generate random numbers to select the required samples from the two populations.

Based upon sample results, the population reflects the following percentage of errors for each strata:

- For veterans with fiduciaries:

We are 95 percent confident that, of the 269 cases in the population, 5⁴ represent cases where benefit awards continued after a veteran's death.

- For non-fiduciary veterans:

We are 95 percent confident that, of the 2,631 cases in the population, 481⁵ represent cases where benefit awards continued after a veteran's death.

⁴ Projection based upon achieved precision of +/- 3.026 percent. Actual range is estimated to be -3 to 13 cases.

⁵ Projection based upon achieved precision of +/- 4.844 percent. Actual range is estimated to be 354 to 609 cases.

In order to estimate the monetary impact of these errors, we determined the average overpayment of the cases found in error:

- For veterans with fiduciaries:

The actual amount of overpayments found in the sample was \$3,622. The average overpayment was \$3,622 ($\$3,622/1$). Therefore, the projected overpayment is calculated as **\$18,110**⁶ ($\$3,622 \times 5$).

- For non-fiduciary veterans:

The actual amount of overpayments found in the sample was \$336,355. The average overpayment was \$8,204 ($\$336,355/41$). Therefore, the projected overpayment is calculated as **\$3,946,124**⁷ ($\$8,204 \times 481$).

⁶ Actual range is estimated to be **\$0 to \$47,086** [$\$3,622 \times (-3 \text{ to } 13)$].

⁷ Actual range is estimated to be **\$2,822,176 to \$4,889,584** [$\$8,204 \times (344 \text{ to } 596)$].

Results of Sample for Attributes, as Computed on July 24, 1997

- Fiduciary Cases

Values of sample statistics, assuming normal population:

Population size 269
 Sample size 57
 Number of successes 1

Point Estimate (Percent) = 1.8
 Point Estimate (Successes) = 5

Confidence limits on sample proportion:

| | Limit on Sample Proportion (Percent) | Projection of Limit on Sample Proportion (Successes) |
|----------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------|
| <i>(95 percent confidence level, actual sample error +/-3.026 percent)</i> | | |
| Lower Limit | -1.271 | -3 |
| Upper Limit | 4.780 | 13 |

- Non-Fiduciary Cases

Values of sample statistics, assuming normal population:

Population size 2,631
 Sample size 224
 Number of successes 41

Point Estimate (Percent) = 18.3
 Point Estimate (Successes) = 481

Confidence limits on sample proportion:

| | Limit on Sample Proportion (Percent) | Projection of Limit on Sample Proportion (Successes) |
|----------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------|
| <i>(95 percent confidence level, actual sample error +/-4.844 percent)</i> | | |
| Lower Limit | 13.460 | 354 |
| Upper Limit | 23.148 | 609 |

FULL TEXT OF
DEPUTY UNDER SECRETARY FOR MANAGEMENT COMMENTS

**Department of
Veterans Affairs**

Memorandum

Date: January 22, 1998

From: Deputy Under Secretary for Management (20)

Subj: Draft Report, Audit of Veterans Benefits Administration SSA/VA Death Match
Procedures, Project No. 6R4-060.

To: Assistant Inspector General for Auditing (52)

1. This is in response to your memorandum of September 25, 1997, concerning Project No. 6R4-060.
2. We concur in Recommendation 1a. Compensation and Pension Service staff have made preliminary contacts with SSA officials to determine a method to improve the accuracy of SSA death reporting. SSA staff advise us that they have several initiatives underway to improve the accuracy of the Death Master File. SSA has also informed us that they have a series of planned updates to the Death Master File but they have been put on the back burner because of Year 2000 activities.
3. We concur in Recommendation 1b. We agree that claims examiners at field stations are not consistently developing potential deaths of VA beneficiaries and dependents identified by the SSA Death Match. To ensure that claims examiners receive and follow up on death notifications the Compensation and Pension Service has prepared a Project Initiation Request (PIR) to produce a listing summarizing each month's Death Match cases by regional office which will be mailed to each station for use in monitoring action on Message Code 833 (Death Match) writeouts. The PIR will also provide for generation of a followup Death Match listing four months after the month of the initial Death Match Listing. The followup listing will identify cases from the original list where it appears that no action has been taken on the original Death Match writeout. The station will be required to submit an annotated copy of each month's followup Death Match listing to VACO. VACO will monitor the annotated listings to ensure that timely action is being taken on Death Match cases. The Office of Information Management (OIM) is currently reviewing this PIR and determining the level of effort required to implement this project. The review will be completed by January 29, 1998.
4. We concur in principle with Recommendation 1c to correct electronic database system errors, and link other electronic databases, where necessary. Compensation and Pension Service has prepared a PIR to capture first notice of death (FNOD) actions for analysis by Central Office. By January 29, 1998, OIM will have reviewed the problem and will furnish an estimate of the feasibility of performing the required data collection for analysis. Compensation and Pension Service has also prepared a PIR to investigate the feasibility of an electronic data exchange with VHA. By January 29, 1998, OIM will report to Compensation and Pension Service on the

2.

Assistant Inspector General for Auditing (52)

feasibility of such an electronic data exchange.

5. We concur in Recommendation 1d to create overpayments where awards are paid after the month of the beneficiary's death. A review of the list provided by the OIG Chicago Audit Operations Division indicates that one of two conditions exists. Either there is a "D" type master record with an overpayment or there is no master record. If there is no master record, we assume that any overpayment was recovered and the master record dropped out of the system. None of the cases on the list provided by the Chicago Audit Operations Division is still running or suspended.

6. We agree with the estimated dollar impact discussed in the report.

/s/
Nora Egan

MONETARY BENEFITS SUMMARY

REPORT TITLE: Audit of Veterans Benefits Administration
SSA/VA Death Match Procedures

REPORT NUMBER: 8R4-B01-069

ISSUE DATE: February 6, 1998

| <u>Rec. No.</u> | <u>Recommendation</u> | <u>OIG ESTIMATE</u> | | <u>AUDITEE ESTIMATE</u> | |
|------------------------|------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------------------|--------------------------------|-----------------------------------------------|
| | | <u>Questioned Costs</u> | <u>Recommended Better Use of Funds</u> | <u>Questioned Costs</u> | <u>Recommended Better Use of Funds</u> |
| 1d. | Amount of overpayments that could be recouped from benefits erroneously paid on behalf of veterans after their deaths. | -0- | \$3,964,234 | -0- | \$3,964,234 |
| TOTAL | | -0- | \$3,964,234 | -0- | \$3,964,234 |

2/6/98
Date

/s/ William V. DeProspero
Director

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