

Summary of Final Rules for Income and Eligibility Verification Required Under the Deficit Reduction Act of 1984*

The Departments of Agriculture, Labor, and Health and Human Services issued final rules in the *Federal Register* on February 28, 1986, to implement Section 2651 of the Deficit Reduction Act of 1984 (DEFRA). Section 2651 amended the Social Security Act, the Food Stamp Act, and the Internal Revenue Code to require federally funded public assistance and unemployment agencies to improve the accuracy of eligibility determinations and benefit programs by exchanging information with each other and by obtaining unearned income data from the Internal Revenue Service (IRS) and other income and wage data from the Social Security Administration (SSA) and from State wage and Unemployment Insurance Benefit (UIB) data files. The rules require State agencies to develop an Income and Eligibility Verification System (IEVS) for administering the following programs:

1. The Food Stamp Program under the Food Stamp Act of 1977, as amended.
2. The Aid to Families With Dependent Children (AFDC) Program under Title IV-A of the Social Security Act; the Adult Assistance Programs under Titles I, X, XIV, and XVI of the Social Security Act.
3. The Medicaid Program under Title XIX of the Social Security Act.
4. The Unemployment Compensation Program under Title III of the Social Security Act.

Use of IEVS Data.—IEVS data can be used to obtain information for prosecutions, i.e., as the basis for investigations in the same way as it is used as a basis of inquiry about household circumstances.

Oversight and Coordination of IEVS.—No specified type of oversight requirement on States; no statutory requirement on States to organize implementation of IEVS in any special or uniform way; no plan to add to existing Federal oversight

mechanisms; not feasible, within established timeframes, to establish uniform guidelines and programming specifications for the required matches.

Access and Use of Information.—Data must be requested from all of the required sources on applicants for Medicaid, AFDC, adult assistance, and food stamp programs at the first available opportunity, which would be the next scheduled match for each source. The State Wage Information Collection Agency (SWICA) and the State Unemployment Compensation Agency must accept and process requests for wage information at least twice a month. Requests for IRS data for applicants must be made at the first available monthly IRS match date. With regard to requesting data from SSA, at the first available opportunity, the applicant should be processed in the next cycle of the Beneficiary and Earnings Data Exchange (BENDEX) System or queried through the Third Party Query (TPQY) System.

Timeframes.—Proposed rules required that IEVS information be used to determine eligibility within 20 calendar days of receipt. Final rules extended this to 30 days because of the need to verify IEVS information.

Cost Effectiveness.—“. . . all of the required information sources have been demonstrated to be useful in preventing incorrect eligibility and benefit amounts, either by directly offsetting costs or by helping deter nonreporting by applicants and recipients” (p. 7183).

Automation.—“We encourage States to develop on-line systems and other methods for rapid turnaround of State agency requests so that wage and UIB data can be used to determine eligibility and benefits of applicants” (p. 7180). “We encourage the use of on-line systems for front-end verification, but our rules do not require States to have this capability” (p. 7181). “SSA and IRS have not found it cost effective to make the wage and self-employment (SSA) and unearned income (IRS) information accessible on-line for their own agency purposes. Therefore, it would not be feasible to allow States on-line access to these files. SSA has the capability of providing on-line access to bene-

*The final rules appeared in the *Federal Register* on Feb. 28, 1986 (vol. 51, No. 40, pp. 7178-7217). The proposed rules were published in the *Federal Register* on Mar. 14, 1985 (50 FR 10450). Comments on the proposed rules were received from 53 parties: 38 States, 6 client advocate groups, 4 local or county welfare agencies, 4 Federal agencies, and 1 private citizen.

fit data. A pilot project is being conducted with Tennessee to provide wire-to-wire exchange of benefit data” (p. 7184).

In the proposed rules, it was stated that “the statutory requirements for IEVS mandated a logical process and not necessarily a physical or automated system to assure the timely and efficient exchange of information among the various programs.” It was recognized that “an increasing number of States are operating automated on-line systems to exchange, maintain and make data available to workers, but this level of automation was not required. Many commenters suggested that automation would be required to meet IEVS requirements fully. The Federal agencies agreed that “automating the required IEVS functions would enhance a State agency ability to respond in a timely fashion to the substantial amount of information made available to the State agencies as a consequence of the data exchange requirements,” but did not believe that such automation should be required in the rules (p. 7194).

State Wage Information Collection Agencies. – Final rules retain requirement for quarterly wage matching. Employers in each State are required to report wages quarterly.

Unemployment Insurance Benefits. –Agencies are required to do data matches for UIB information at application and for 3 months following application or loss of employment. For the Food Stamp Program, in addition to wage and UIB information, State agencies are required to request and utilize any information available from Unemployment Compensation (UC) agencies to the extent permitted.

Internal Revenue Service. –An annual match of recipients against IRS data on unearned income is required. IRS has scheduled 11 monthly runs of State tapes against its national file of unearned income information. IRS will only process one tape per month per State.

Social Security Administration. –State agencies are required to access all available SSA data on applicants by using the TPQY system (for SSA benefit data) or the BENDEX System (for pension, earnings, and self-employment information). If TPQY is used, when the applicant becomes a recipient the State agency must add the name to BE NDEX. Regarding data quality, the final rules emphasize two factors: 1) except for UC and SSA benefit data, the information obtained through IEVS will be generally treated as a lead for further verification activity, for example, SSA earnings will almost always need to be verified; and 2)

“if a State receives what they believe [sic] is incorrect information, no adverse action should be initiated until the discrepancy is resolved” (p. 7186).

Interprogram and Interstate Exchange. –All programs in IEVS are required to exchange income and eligibility information with each other in accordance with interstate and intrastate agreements in effect and as appropriate to the requesting program’s verification and eligibility determination needs. State agencies are encouraged to request data from adjacent jurisdictions and other States where experience indicates the data would be useful. States may also access the State Employment Security Internet System for IEVS matches, although this is not a requirement. The Internet System is still under development and its potential uses are still being evaluated by the Department of Labor.

Alternate Sources. –A State agency may obtain data from sources other than those specified in the regulations (from banks, for example) if it can demonstrate to the respective Secretaries that the alternate source furnishes data as timely, complete, and useful as data from the source specified in the regulations.

Independent Verification. –Independent verification is an inquiry about a possible discrepancy in the information reported by the individual and information reported from other sources. Information can be independently verified by contacting the applicant or a third-party source (for example, the employer or bank that reported the information). “The option of contacting a third party is necessary in cases where the recipient fails or refuses to cooperate, the State agency believes it to be in the interest of the investigation of potential fraud or when other factors indicate that a third party contact is preferable” (p. 7188).

DEFRA requires independent verification of IRS unearned income. With respect to other information obtained through IEVS, the food stamp program set explicit guidelines for verification, while the AFDC, adult assistance, and Medicaid programs require independent verification of IEVS information if determined appropriate based on agency experience. “The State agencies remain responsible for ensuring that any information they use in determining eligibility and payment amounts is correct” (p. 7196).

Social Security Numbers: Furnishing, Using, and Verifying. –DEFRA requires each applicant for, and each recipient of, AFDC, adult assistance in the territories, food stamps, unemployment compensation, and Medicaid to furnish his or her so-

cial security number in order to associate information on applicants and recipients for the required matches. Existing AFDC and food stamp program rules already require the furnishing of social security numbers. All State agencies implementing Medicaid, AFDC, food stamp, and adult assistance programs must verify applicant and recipient social security numbers to ensure efficient administration of the matching programs and to prevent improper disclosure of information. However, eligibility determinations cannot be delayed pending social security number verification.

Social security numbers can be verified through the BENDEX, State Data Exchange (SDX), TPQY, and social security number verification systems. There is no required order for using these systems. SSA generally verifies the social security numbers of recipients of title II or title XVI benefits. Therefore, a social security number for such an individual received through BENDEX can be considered verified. However, not all social security numbers in BENDEX are verified. At present, the social security number verification system is being redesigned, and when completed, verification of social security numbers should be completed within 3 weeks. On-line access to the social security number verification system is not feasible at this time. SSA is working on a pilot project with Tennessee to provide wire-to-wire exchange of benefit data, including verification of social security numbers. SSA expects to offer the same service to other States.

Routine Notice to Individuals. -DEFRA requires that all applicants and recipients be notified that information available through IEVS will be requested and utilized. Notification is to be given at application and periodically thereafter, i.e., based on existing program case-processing cycles. Notice must be written and must inform the individual that income and eligibility information may be obtained using his or her social security number and will be used in determining eligibility. The notice must include the types of agencies that will be contacted, for example, unemployment compensation agencies.

The Departments of Labor, Agriculture, and Health and Human Services "believe that State

agencies should obtain assurances from provider agencies that their automatic data processing methods prevent providers from recording what recipient names and/or social security numbers are processed and that individuals having access to such information are bound by the disclosure rules of the various programs" (p. 7191).

Notice of Expiration or Adverse Action. -Under the proposed rules, the applicant or recipient had to be notified of any planned adverse action and had to be given the opportunity for a fair hearing. The food stamp program proposed rules also included a provision under which households that failed to respond in a timely fashion to State agency requests for information would be sent a notice of expiration of their certification period. The final rule replaces the proposed use of the notice of expiration with a notice of adverse actions when a household does not respond in a timely fashion to a State agency inquiry about IEVS information.

Safeguards for Confidentiality. -DEFRA requires each State agency to institute adequate safeguards to assure: "(1) that information is made available only to the extent necessary to assist in the valid administrative needs of the program receiving the information and that unearned income data from IRS is exchanged only with those agencies authorized to receive it; and (2) the information is adequately protected against unauthorized disclosure for other purposes" (p. 7192).

Oversight. -DEFRA did not mandate any reporting system to gather information on actions taken and savings realized. The proposed rules asked for comments on such a system. In the final rules, the Departments of Agriculture, Labor, and Health and Human Services stated that reporting "is necessary to help ensure the proper and efficient administration of the programs," and that they were "developing uniform, annual reporting requirements intended to minimize the recordkeeping and reporting costs and burden on States, while enabling the Federal Government to monitor compliance with the requirements for accessing and using information" (p. 7197).