



Monday, August 3, 1998

GREG FRAZIER  
Chief of Staff

*Food Stamp Fraud*

To Rahm Emanuel –

I have attached draft Presidential directives aimed at three aspects of food stamp fraud that we previously discussed; note, however, that the third is a new proposal we have not before discussed. Questions and answers follow each draft, explaining it more detail.

- DEATH MATCHING. This directive requires the Social Security Administration to share with the Department information from its death master files to ensure that food stamp recipients who die are immediately removed from the food stamp rolls -- at the green tab.
- RETAILER DEBT. This directive requires the Department to refer retailer debt cases to the Department of the Treasury for collection through the federal income tax off-set debt collection program – at the orange tab.
- INTERSTATE MATCHING. This directive requires the Department to work with HHS and the states to develop a national system that will enable food stamp administrators to ensure that food stamp recipients are not receiving benefits in multiple states – at the yellow tab.

You should be aware of two related developments scheduled this week: first, on Wednesday, the House Agriculture Committee will hold a hearing on death matching and second, on Friday, GAO plans to release a report calling for interstate matching.

When you decide how and when you want to proceed, and if you have questions, call me: 720.3631.

*Hyman*  
*August 3*

MEMORANDUM FOR THE SECRETARY, EXECUTIVE DEPARTMENTS AND  
AGENCIES OF THE SOCIAL SECURITY ADMINISTRATION AND DEPARTMENT  
OF AGRICULTURE

SUBJECT: Use of Social Security Administration's Death Master File to Prevent  
Deceased Persons from Receiving Food Stamp Program Benefits

This Administration strongly supports initiatives to prevent ineligible individuals from receiving food stamp benefits. The Food Stamp Program is the cornerstone of our nation's effort to provide food assistance and nutritional security to low-income American households. Over 19 million individuals receive food stamp benefits monthly. Over 50 percent of food stamp participants are children and a significant number of benefits are issued to households containing a disabled or elderly family member.

The Social Security Administration (SSA) maintains records containing the most comprehensive death information available to Federal agencies. SSA receives information about deceased individuals from Federal agencies, funeral homes and family members. When the death of a beneficiary is reported, SSA verifies the report, terminates SSA benefits and updates its Death Master File (DMF). Establishing a computer match between the State agencies responsible for administering the Food Stamp Program and the SSA would further improve the integrity of the Food Stamp Program and enhance existing computer matches conducted by the States.

To reduce the possibility that deceased persons may be counted as members of food stamp households, I hereby direct the following:

(1) The SSA and the U. S. Department of Agriculture (USDA) shall work together to develop databases and systems that will allow the State agencies administering the Food Stamp Program to have access to the SSA databases containing information about deceased individuals. The Agencies shall work together to determine the most feasible and cost-effective method for retrieving information about deceased persons and for providing that information to the State agency;

(2) Based on matches with the SSA, State agencies that identify ineligible persons receiving food stamp benefits shall take prompt action, consistent with statutory requirements, to terminate benefits;

(3) The SSA and USDA shall work with State and local governments, where appropriate, and take whatever actions are practicable to carry out this memorandum.

I believe these measures will strengthen the partnerships between the State and Federal agencies and will build public confidence in our Federal food assistance programs.

## Talking Points for Executive Directive about Death Match

- *Key Points About the Food Stamp Program*

Approximately 8 million households with 19.5 million individuals participate in the Food Stamp Program. The program is the cornerstone of the Federal government's food assistance programs. It provided \$19.6 billion in benefits in 1997.

The USDA Food and Nutrition Service (FNS) administers the Food Stamp Program through agreements with State agencies. The State agencies administer the Food Stamp Program through county offices. Eligibility and benefits levels are based on the number of eligible household members, household income, assets, expenses and other eligibility criteria. The Food Stamp Program requires verification of all household members' social security number. While the Social Security Administration (SSA) verifies the validity of the social security number, it does not advise the States if the social security number is for a deceased person.



- *Key Points about Households Receiving Benefits After Someone Dies*

A recent General Accounting Office (GAO) Report concluded that current methods for preventing a deceased person from receiving food stamp benefits are inadequate and that states should match participant rolls against SSA databases to detect and remove deceased persons from the Food Stamp Program.

FNS supports actions that would help the State agencies improve the integrity of the Food Stamp Program through computer matches. A match between the State Food Stamp agencies and SSA would strengthen the Program's existing matching requirements (e.g., income and prisoner verification).

- *Key Points about the SSA Death Master File (DMF)*

The SSA DMF is the most comprehensive list of death information available to the Federal government.

SSA receives information about deceased persons from the Health Care Financing Administration, the Department of Veterans Affairs, family members, funeral homes, postal authorities and internal entitlement sources. Ninety percent of deaths reported to SSA are from family members and funeral homes.

A small percentage of information is reported through State Vital Statistics reports and many States restrict the SSA from re-disclosing information to other States. Therefore, a statutory change would be required to allow States access to the complete DMF.

By law, the SSA shares the DMF (including all State data) with four Federal Agencies. The SSA also sells the DMF (without State data) to seven Federal agencies. The Department of Commerce sells the DMF to the private sector. USDA does not receive DMF data through any of these methods.

The purpose of this action is to allow a computer exchange between the States and SSA in the most streamlined and efficient manner possible.

Some States place restrictions on the use of the death data they provide to SSA. Thus, without changes to Federal law, SSA lacks the authority to disclose the small amount of restricted death information to States administering Federal benefit programs.

- *What is FNS doing to facilitate computer matches between the States and SSA?*

The FNS Administrator sent all State Commissioners a copy of the GAO report, which concluded that the Food Stamp Program could be improved if the States were allowed to use a comprehensive database. The Administrator encouraged States to use the database, to the extent permitted by State and Federal law, to establish agreements with SSA. Approximately 20 States have responded to the Administrator. Overall, the States strongly support actions, including proposed legislation, that would provide them with complete access to the SSA DMF in the most useful format.

USDA and SSA have begun to engage in discussions to resolve programmatic and technical issues in implementing a computer match for identifying and removing deceased persons from the Food Stamp Program.

USDA supports proposed legislation to allow the SSA to exchange the complete DMF with State Food Stamp agencies. Senator Lugar has introduced such legislation, which FNS has supported in hearings. The Under Secretary for Food, Nutrition and Consumer Services (FNCS) is also scheduled to testify on August 5 in support of a similar proposal. Congressman Goodlatte will introduce in the near future.

## MEMORANDUM FOR THE SECRETARIES OF AGRICULTURE AND TREASURY

**SUBJECT:** Collection of Delinquent Retailer Debt in the Food Stamp Program Through the Federal Debt Collection Process

The Food Stamp Program (FSP) is one of many benefit programs government wide which makes use of Department of Treasury's Debt Collection Systems. I am pleased to recognize the efforts of the Departments of Agriculture and Treasury, as well as cooperating State agencies, for their success in the area of collections for overpayments to recipients in the FSP. A major contributor to this success has been federal/State implementation of federal tax and salary offset. The Food and Nutrition Service (FNS) of the Department of Agriculture is a transfer point for data between the States and IRS, as well as other federal agencies who make the collections. Beginning with two states and \$3.5 million in collections in 1992, the offset programs now include 47 States with collections of close to \$65 million in the 1998 tax cycle. Total collections through these methods now exceed \$200 million. All States will participate in Fiscal Year 1999 and we anticipate that collections will continue to increase.

In addition to debts as a result of overpayments to food stamp recipients, FNS has a significant number of outstanding debts owed by retailers which have been found violating FSP regulations. FNS has recently referred to Treasury a total of 178 delinquent retailer debts totaling \$3.3 million. Treasury is in the process of attempting to contact these retailers in order to arrange a schedule of voluntary repayment. Failing such an agreement, Treasury will refer these debts to a private collection agency. It is projected that over the next two years, up to an additional \$5 million in delinquent retailer debt will be eligible for referral to Treasury for administrative offset (tax refund and Federal salary offset) once all required public notifications are in place. Therefore, to ensure the timely implementation of administrative offset for delinquent retailer debts, I hereby direct as follows:

- ✓ (1) The Department of Agriculture shall publish a Departmental regulation and a Privacy Act Notice within the next 120 days which will set forth the Department's authority and intent to collect delinquent retailer debts through administrative offset.
- (2) Immediately following publication of the above documents, the Department of Agriculture will issue a notice to all participating retailers in the Food Stamp Program advising them that any delinquent debt they may incur in the future will be referred to the Department of Treasury for administrative offset. All retailers newly applying to accept Food Stamp benefits shall be similarly advised upon application.
- (3) Once all required public notifications are in place, the Department of Agriculture shall immediately refer all currently eligible delinquent retailer debts to the Department of Treasury for administrative offset and continue to refer subsequent appropriate debts as they become delinquent.

(4) The Department of Treasury shall act expeditiously to take appropriate collection action on the recently referred \$3.3 million in delinquent retailer debt, as well as take timely and appropriate action on subsequent delinquent retailer debts referred for administrative offset.

I believe this coordinated inter-Departmental approach will contribute significantly to the government's success in meeting the requirements of the Debt Collection Improvement Act of 1996.

WILLIAM J. CLINTON

## Talking Points for Retailer/Wholesaler Debt Collection in the Food Stamp Program

### ◆ *Key Points About the Food Stamp Program*

Approximately 8 million households with 19 ½ million individuals participate in the Food Stamp Program. The program is the cornerstone of the Federal government's food assistance programs. It provided \$19.6 billion in benefits in 1997.

### ◆ *Background*

The Debt Collection Improvement Act of 1996 requires that all federal agencies refer debt that is over 180 days delinquent to the Department of Treasury for collection. Treasury has at its disposal several debt collection mechanisms in place which they can use to collect such debt, one of which is administrative offset. Administrative offset is the withholding of funds payable by the Federal government, such as tax refunds and Federal salaries, to satisfy a claim or debt.

Currently, 182,000 retail food stores and wholesale food concerns participate in the Food Stamp Program. The vast majority of these retailers abide by the rules which govern the Food Stamp Program; however, in any given year over 2,000 stores are found violating the Food Stamp Program. As a result of the violations uncovered, many of these stores are assessed monetary penalties. For example, in Fiscal Year 1997, monetary penalties totaling \$3.7 million were assessed. A significant number of the monetary penalties imposed on retailers become delinquent.

### ◆ *Action Items*

- Before the Food Nutrition Service (FNS) can fully participate in the administrative offset program several things must occur. A revision to the Departmental rule entitled, Debt Collection, must be published in the Federal Register and a Privacy Act Notice needs to be done. Both revisions simply notify retailers and the public that FNS will begin referring delinquent retailer debt to Treasury's administrative offset program. The revisions to the Departmental rule and Privacy Act Notice are currently going through clearance.
- The current FNS application for authorization which is completed by store owners who are interested in participating in the Food Stamp Program must be revised to give notice to the applicants that their Taxpayer Identification Numbers (i.e., Social Security Numbers and Employer Identification Numbers) will be shared with other Federal agencies (e.g., Treasury) for debt collection purposes. In addition to this item being added, a number of other revisions are being made to the application. In the meantime, FNS plans to develop an insert which will accompany the application that provides such notice to each new applicant. In addition, a notice will be issued to all

participating retailers advising them that any delinquent debt they may incur in the future will be referred to Treasury for administrative offset.

- As soon as the above items are completed, FNS will begin referring all currently eligible delinquent retailer debt to Treasury for administrative offset and continue to refer subsequent appropriate debts as they become delinquent. As of May 1998, 1,382 retailer debts, totaling \$25,632,858 appear on FNS' books. It is estimated that of this total debt, up to \$5 million of it will be eligible for referral to Treasury for administrative offset.

✓ MEMORANDUM FOR THE HEADS OF USDA, SSA, AND HHS

SUBJECT: Identification of cost-effective interstate matching systems to prevent duplicate participation in the Food Stamp Program

The State welfare agencies that administer the Food Stamp Program are required by law to have systems in place that prevent duplicate participation in the Food Stamp Program within their borders. This requirement is usually met through a State-wide registry of recipients.

Duplicate participation across State lines can occur because of ongoing deliberate fraud or during a transitional period when recipients move from one location to another. Both situations are illegal and should be prevented.

Many States also match with adjacent States or with noncontiguous States where there is a known pattern of movement (e.g. New York and Florida). However, all States are not participating in such matches and existing matches are often sporadic rather than regular and systematic.

Although the goal of interstate matching has been recognized for some time, it is only recently that technology advances would permit the matching of such large data bases as implied by the Food Stamp Program in which more than 20 million Americans participate each month.

State welfare agencies that administer the Food Stamp program usually are also responsible for the management of other public assistance or human service programs. In most cases, States manage all or most of their public assistance and many of their human service programs with the aid of integrated automated systems for determining eligibility. Several of the larger Federal programs administered by the States are the responsibility of the Department of Health and Human Services (HHS). HHS has recently reported to Congress on the ability of these systems to effectively match data on their assistance cases. Through its sponsorship of the Public Assistance Reporting Information System (PARIS), HSS has also promoted and supported efforts to expand States' ability to match data with each other. As a result of these efforts, HHS is in a unique position to effectively contribute to the development of an inter-State matching system. Similarly, the development of such an inter-State matching system will be greatly facilitated by the participation in the project of the Social Security Administration (SSA). As the custodian of the Nation's major depositories of automated records on recipients of Federal benefits, and as an active partner in such ongoing matching projects as PARIS, SSA has already taken a leading role in facilitating the exchange of data among the States.

✓ Therefore, to provide for a coordinated effort to prevent duplicate participation in the Food Stamp Program across State lines, I hereby direct the United States Department of Agriculture to consult with the Department of Health and Human Services and the Social Security Administration and take the appropriate steps necessary to identify the most feasible and cost effective method to prevent interstate duplicate participation in the Food Stamp Program.

By March 30, 1999, the executives of these three agencies shall provide a report on the results of their deliberations, including their recommendation on the most feasible and cost-effective method for preventing duplicate participation in the food stamp program.

## Talking Points for the Announcement of the Executive Memorandum on interstate matching to prevent duplicate participation in the Food Stamp Program

- *Key Points About the Food Stamp Program*

Approximately 8 million households with 19.5 million individuals participate in the Food Stamp Program each month. The program is the cornerstone of the Federal government's food assistance programs. The Food Stamp Program provided \$19.6 billion in benefits to low income Americans during FY 1997.

- *This is one more example of the way the FSP is using technology to improve program administration.*

**EBT:** As technology has improved so has it been used to improve the administration of the Food Stamp Program. You are already aware of electronic benefits transfer (EBT) where benefits are issued electronically through a kind of debit card rather than by coupons. EBT is now used for forty percent of issuance with the portion expected to reach 50 percent by the end of the year. Thirty five States currently operate EBT; 20 are State wide. All States must be operational by FY 2002.

**Benefit Accuracy:** The interstate matching anticipated by the Presidential memorandum is addressed to payment accuracy in the Food Stamp Program. It adds one more application to many automated data matching applications that already support accurate benefit determination.

**Duplicate Participation:** Tools to prevent duplicate participation include central State recipient registries that use identifiers such as name, date of birth and social security numbers and the increasing use of finger imaging.

**Imposition of Fraud Penalties:** To ensure implementation of the fraud disqualification provisions of the Food Stamp Act, the Food and Nutrition Service operates a central registry of recipients disqualified for fraud. The Disqualified Recipient System holds about 650,000 names including about 260 entries a year involving fraud in one State by someone who had already committed fraud in another State. FNS is currently working with the Social Security Administration to make the prison data they collect to ensure the integrity of their own programs also available to State welfare agencies.

**Earnings, Benefits and Assets Data:** The federal government has for years encouraged and, in many cases assisted, State use of automated data to get accurate information on earnings, benefits from other programs, and information on assets. State welfare agencies receive benefits and earned income information from the Social Security Administration, data on unearned income from the Internal Revenue Service, and earnings information from State wage reporting agencies. States verify the status of aliens through the SAVE system

(Systematic Alien Verification for Entitlements) operated by the Immigration and Naturalization Service. States also use a variety of other instate matches such as department of motor vehicles and tax records.

Recent improvements include access to State "new hire" data systems that speed the detection of unreported income.

- *Why did the President issue this order? Is there a great deal of interstate fraud in the Food Stamp Program?*

We have no reason to believe that there is a great deal of interstate fraud in the Food Stamp Program. Most studies of the issue show it to be a fairly small problem. Enough instances exist, however, to concern us. For example, a 1997 match among 16 States conducted by HHS found 35,900 possible duplicates out of the 10 million participants in those States.

Similarly at the request of Senator Lugar, GAO conducted a match of 1996 Food Stamp Program recipients in Florida, New York, California and Texas. (NOTE: CONFIDENTIAL INFORMATION FOLLOWS; RELEASE IS IMMINENT. EXPECTED AUGUST 7.) The GAO found 20,000 raw matches, which if proved to be duplicate participation (GAO was not able to follow up on the cases to determine whether benefits were actually used), suggested 1996 losses of about \$4 million due to duplicate participation among these four States, which had issued \$8 billion in benefits during this period.

Relatively small problems, however, can become significant in a large program, and we fix them to assure the public of our good stewardship of their tax dollars. In the past, State systems varied, and matching large data bases was cumbersome and expensive. With advances in technology, it now appears feasible to develop an economical national matching system for the Food Stamp Program.

Such a system could also support the tracking of individuals subject to the new Food Stamp Program time limits (i.e., individuals aged 18-50 without dependents and not working or in a work program).

- *Why is a national system needed? Can't States do this on their own?*

It is true that many States are conducting matches. A recent FNS survey showed that nearly half are doing at least some interstate matching. However, all States are not matching. Furthermore, those conducting matches are not able to match efficiently with many States. Most matching is done with a couple of neighboring States, but the GAO results show that duplicate participation can occur between nonadjacent States. A national system has the potential for more efficient and comprehensive matching.

- *How do you know it will work? How much will this cost?*

To implement this requirement FNS will conduct the necessary planning, including cost estimates for the new system. The analysis conducted by HHS indicates the technical feasibility of such a system. Costs should be less than those developed by HHS for a more complex system. (HHS estimated costs for alternatives ranged from \$3.2 million to \$10.7 million to develop a family assistance case tracking system.)

- *HHS recently submitted a report to Congress on automation in welfare that was required by the Personal Responsibility and Work Opportunity Reconciliation Act (i.e., "welfare reform"). How does this initiative fit with Secretary Shalala's report?*

PRWORA required the Secretary of HHS to report to Congress on the requirements necessary to establish a system capable of tracking recipients over time and across States. HHS analyzed the requirements and provided sketches of alternate system architectures that could meet various levels of matching. The report discussed the advantages of each approach and suggested that implementation might best be accomplished by an incremental approach, which would allow for development of a system over time with progressively more sophistication.

The President's directive is consistent with the recommendation for an incremental approach. We are not being asked to put in place all the possible interstate matching opportunities that might serve welfare administration, many of which were included in the HHS study. However, this initiative is undertaken with full awareness of the expressed concern of Congress to insure that States fulfill the matching requirements of the TANF program. As the States' Food Stamp case loads represent a significant fraction of their TANF populations, the development of an effective interstate Food Stamp matching system will contribute substantially to the goal of an interstate TANF matching system.