



Office of Inspector General  
Pension Benefit Guaranty Corporation

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WHITE PAPER:  
DETECTING FRAUD AND IMPROPER PAYMENTS  
INVOLVING DECEASED PARTICIPANTS

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Under the Inspector General Act, we are responsible for providing leadership and recommending policies to prevent and detect fraud and abuse in PBGC programs and operations. The purpose of this White Paper is to provide PBGC senior management with insights to more effectively detect improper payments involving deceased beneficiaries and reduce the risk of fraud that may occur as a result of such payments.

**Background**

As you know, in FY 2017 the Corporation paid \$5.8 billion in monthly retirement benefits to nearly 840,000 retirees and beneficiaries.

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*EXECUTIVE SUMMARY: PBGC uses the Death Master File to identify deceased participants. The OIG has identified improper payments and fraud through other data sources. PBGC can reduce its improper payment and fraud risk by examining the practices of other agencies, supplementing its use of the Death Master File with other data sources, and implementing additional controls as warranted.*

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PBGC is responsible for ceasing payments to retirees and/or beneficiaries upon their death. PBGC does not receive general tax dollars, so every dollar safeguarded from improper payment or fraud is another dollar available to pay earned retirement benefits.<sup>1</sup>

In February 2017, our office launched a computer matching initiative under recently enacted statutory authority to identify deceased PBGC participants in pay status. We compared PBGC participant census data with Health and Human Services (HHS) Medicare data. We then searched state death records in instances where we suspected a PBGC participant had passed away. To date, we have identified 56 deceased participants and \$1.1 million in improper or fraudulent payments. The present value of discontinued future benefit payments is an additional \$479,000. We have referred these cases to the Office of Benefits Administration for termination of payment and recoupment. Our work has resulted in one guilty plea in federal court and other prosecutions are pending.

According to the *Standards of Internal Control for the Federal Government*, also known as the Green Book, PBGC management is responsible for maintaining a system of internal control suitable to meet objectives (including compliance with laws). Included among the *Standards* are requirements for management to assess the risk of fraud, design and implement suitable control activities, and monitor the effectiveness of those controls. Management may decide how to evaluate the cost versus benefit of various controls. However, “cost alone is not an acceptable reason” to avoid implementing an internal control.<sup>2</sup>

The Government Accountability Office issued the *Fraud Risk Management Framework* as supplemental guidance for management to assess fraud risk and develop anti-fraud strategies. Under the *Standards* and *Framework*, management is responsible for defining risk tolerance which “may depend on the circumstances of individual programs and other objectives beyond mitigation of fraud risks.” This White Paper is a type of communication contemplated under the *Framework* which states, “Managers who effectively manage fraud risk collaborate and communicate with the OIG . . . to improve their understanding of fraud risks.”<sup>3</sup>

In 2015, Congress passed the *Fraud Reduction and Data Analytics Act* to improve federal agency financial and administrative controls and procedures to assess and mitigate fraud risks, and to improve federal agencies’ development and use of data analytics. Under the Act, the financial and administrative controls required to be established by agencies must include (a) collecting and analyzing data from reporting mechanisms (i.e., OIG) on detected fraud to monitor fraud trends and using that data and information to *continuously improve* fraud prevention controls; and (b) using the results of monitoring, evaluation, audits, and investigations to improve fraud prevention, detection, and response (emphasis added).<sup>4</sup>

## PBGC’s Death Match Administration

PBGC performs a match to identify deceased participants in order to discontinue their pension payments. PBGC relies on the Social Security Administration’s (SSA) Death Master File (DMF) for this match. The DMF contains the information of every Social Security Number (SSN) holder reported as deceased. The DMF contains over 93 million records and is updated weekly by SSA. On a weekly basis, PBGC matches its list of payees to the DMF. If there is a match, PBGC stops the individual’s payments. PBGC’s death match activities identify a considerable number of deceased retirees each year.<sup>5</sup>

**Table 1: Deceased PBGC Payees Found by Death Match Administration**

	FY 2014	FY 2015	FY 2016	FY 2017
Total PBGC Payees	836,814	843,325	855,203	867,003
Deceased Payees Single Employer Program	11,393	13,066	13,962	14,435
Percentage of Deceased Payees	1%	2%	2%	2%

Source: PBGC Office of Benefits Administration (OBA)

Of the 56 deceased participants we have identified to date in our computer matching initiative, 55 were not listed in the DMF. One individual was listed on the DMF with a one-digit discrepancy in SSN.

## Limitations of the DMF that May Affect PBGC’s Death Match Administration

Due to the DMF’s efficiency and affordability, many federal agencies use it. However, there are factors that limit its effectiveness. They are as follows:

- *Erroneous Assigning of Social Security Numbers*

Between the years of 1935-1972, the Social Security Administration had a decentralized process of assigning SSNs.<sup>6</sup> This manual process occasionally assigned a person multiple SSNs or assigned many people the same SSN.<sup>7</sup> SSA OIG reported that 2 million SSNs were excluded from the DMF due to a failure in cross referencing individuals with multiple SSNs.<sup>8</sup>

- *Deceased Social Security Number Holders Not Included on the DMF*

The DMF is compiled from many sources, including reports from family members, funeral homes, financial institutions, postal authorities, states and other federal

agencies. However, the DMF is not a comprehensive record of all deaths in the country, and many SSN holders who have died are not listed on the DMF. A 2001 study published in the *Social Security Bulletin*, Vol. 64, No.1, states that since 1973, between 4% and 7% of all deaths among persons aged 65 or older were not included in the DMF.<sup>9</sup>

- *Clerical Errors*

Data entry and clerical errors occur when inputting death information from family members, funeral homes, financial institutions, postal authorities, states and other federal agencies. These errors negatively affect PBGC's matching process. A Washington Post article estimates that approximately 750 individuals per month are erroneously marked as deceased on the DMF.<sup>10</sup>

#### *DMF Deficiency Case Study – SSA OIG Audits*

SSA OIG has conducted numerous audits regarding issues found with the DMF and death reporting. Below are two audits where SSA OIG compared SSA's records (including the DMF) to a state's death files.

##### *Audit: Match of California Death Information Against Social Security Administration Records*

In an April 2017 audit, SSA's records were cross referenced with the California Department of Public Health (CDPH) Death Statistical Master Files. This audit found that between 1970 and 2004, 188,000 likely deceased number holders were not recorded as deceased in SSA's systems.<sup>11</sup>

##### *Audit: Match of Massachusetts Death Information Against Social Security Records*

In a September 2017 audit, SSA's records were cross referenced with Massachusetts Registry of Vital Records and Statistics (MRVRS) records. According to the MRVRS records, more than 2 million individuals died in Massachusetts between 1980 and 2016. The audit successfully matched 1.8 million of those records. The remaining 200,000 deaths were not matched with SSA records.<sup>12</sup>

## **Limitations on Computer Matching**

In addition to the DMF, other death information exists which could assist PBGC in identifying deceased persons. However, the *Computer Matching and Privacy Protection Act of 1988* (CMPPA) places restrictions on computer matching activities involving federal agencies. The

CMPPA provides protections for individuals applying for and/or receiving federal benefits. Computer matching is any computerized comparison of two or more automated systems of records with non-federal records for (1) establishing or verifying eligibility, (2) determining compliance requirements of applicants, recipients, beneficiaries or participants or (3) recouping payments or delinquent debts under federal benefit programs.<sup>13</sup>

As a result, the CMPPA would preclude PBGC from matching its data to other data that may affect the rights, benefits, or privileges of identified individuals unless a computer matching agreement has been established. PBGC currently has a formal information exchange agreement with SSA for the DMF.

## **Benchmarks**

Currently, many federal agencies use the DMF to identify deceased persons. The following are among the agencies who use the DMF:

- Centers for Medicare/Medicaid Services
- Railroad Retirement Board
- Department of Veterans Affairs
- Department of Defense
- Internal Revenue Service
- Office of Personnel Management
- Department of Agriculture
- Department of Homeland Security
- Department of Justice
- Department of Treasury<sup>14</sup>

Several agencies supplement the DMF with other federal government information systems to identify deceased persons. The Centers for Medicare/Medicaid Services (CMS), Railroad Retirement Board (RRB), and the Veterans Health Administration (VHA) are examples of agencies that use additional sources of death information.

### *Centers for Medicare/Medicaid Services*

To identify Medicare payments made on behalf of deceased beneficiaries, CMS relies on information in its Enrollment Database. The Social Security Administration and the Railroad Retirement Board are CMS's primary sources of information about deceased beneficiaries. CMS receives death information daily from SSA's Master Beneficiary Record and RRB's systems.<sup>15</sup>

### *Railroad Retirement Board*

The RRB has implemented various internal controls to identify deceased annuitants, such as computer matches with SSA's DMF and CMS's Health Insurance Daily RRB Exception Files. Based on these matches, the RRB suspends benefit payments as necessary.<sup>16</sup>

### *Veterans Health Administration*

The VHA uses a combination of supporting documentation or actions to determine if a veteran is deceased. VHA determines if:

- A veteran died at a VHA facility or while under VA auspices;
- A death certificate exists; or
- The veteran received National Cemetery Administration benefits.

Additionally, VHA also identifies evidence such as state and community public records and coroner's reports, clinical summaries signed by medical officers in U.S. controlled hospitals, and affidavits of persons with personal knowledge of the fact of the veteran's death. Lastly, VHA is finalizing a sharing agreement with SSA to automatically process the DMF and feed date of death data to the VHA systems that require the information.<sup>17</sup>

## **Moving Forward**

We have identified some additional controls for management to consider to more effectively detect improper payments involving deceased beneficiaries and reduce the risk of fraud that may occur as a result of such payments.

### *Data Analytics for Risk Assessment*

To assess risk, PBGC can compare its data with actuarial tables to make predictions about the numbers of participants who were likely to have died in any given year. PBGC could then compare the estimated number of deceased participants from this calculation with the actual number of deaths reported in the DMF. For example, a life table may indicate that it is reasonable to expect that approximately 15% of 90 year old males in the United States died in a given year. If PBGC's death matches from the DMF for this demographic are significantly lower than the estimate, then it is reasonable to suspect that some deaths may be unreported. This data could be used to better inform the risk assessment and management's determination regarding additional controls.

### *Share Red Flag Data with the OIG*

Actuarial table data analysis can help PBGC better assess risk, but this analysis itself would not detect deceased individuals. PBGC should consider continuing and expanding some existing control activities, and periodically sharing red flag data with the OIG for further attention as warranted. Our office has authorities like the Computer Matching Act exemption and investigative tools not available to management. The following activities performed by PBGC generate red flags:

- **Non-Responsive Centenarians** - In a recent effort to collect data on PBGC centenarians, PBGC sent letters to 737 participants older than 100. This effort successfully identified 14 deceased participants and 237 responses from living participants. The remaining 486 participants did not respond. Several of PBGC's multiemployer plans verify the status of participants using similar methods.
- **Individuals with Uncashed Checks** - PBGC and its paying agent, State Street Bank, track individuals who do not cash their checks. In a June 2017 report from State Street Bank, PBGC found that 580 payees did not cash their checks in 6 months.
- **Individuals with Outstanding 1099R Forms** - PBGC records the number of participants with outstanding 1099R forms.

### *Experiment with Partial Match Techniques and Share Partial Matches with the OIG*

PBGC's Death Match Administration process currently matches deceased PBGC participant records to DMF records using an exact SSN match. We noted in a section above the well-known data quality issues with the DMF, and in our computer matching initiative we identified a deceased participant whose SSN had a one-digit discrepancy with the DMF. Given these limitations, management should experiment with partial matching techniques. For example, a partial match may be based on a combination of some or all of the following: match of less than nine SSN digits, similarly-spelled last name, partial match of birth month and day or birth day and year. Partial matches should be flagged for further attention by management and shared with our office.

### *Supplement the DMF with Other Data Sources*

Several commercial vendors provide death record information that can be used to supplement the DMF. The HHS OIG has released multiple audit reports regarding Medicare payments made on behalf of deceased beneficiaries. In their work, HHS OIG used Accurant, a LexisNexis data depository. Through use of this tool, HHS OIG has identified millions in improper payments.<sup>18</sup>

Another data source is the Electronic Verification of Vital Events system from the National Association for Public Health Statistics and Information Systems, a national non-profit organization that represents state vital records and public health statistics offices.

### **Staff Acknowledgments**

This White Paper was prepared by OIG Program Analyst Connor Geiran, CIGIE Fellow Ron Anderson, and Deputy Inspector General Nick Novak.

### **Disclaimer**

This White Paper contains research and promising practices from other organizations. It is intended solely to provide risk information, promote effectiveness, and provide leadership to detect and prevent fraud and improper payments. It is not an audit performed under Government Auditing Standards and not an inspection, evaluation, or review performed under CIGIE Quality Standards for Inspection and Evaluation.



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<sup>1</sup> Some of these figures have been rounded for readability. All figures are based on the PBGC's 2017 Annual Report, available at <https://www.pbgc.gov/sites/default/files/pbgc-annual-report-2017.pdf>. (accessed March 3, 2018).

<sup>2</sup> United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, <https://www.gao.gov/assets/670/665712.pdf>. (accessed March 3, 2018).

<sup>3</sup> United States Government Accountability Office, *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP, <https://www.gao.gov/assets/680/671664.pdf>. (accessed March 3, 2018)

<sup>4</sup> Fraud Reduction and Data Analytics Act of 2015, 31 USC § 3321, available at <https://www.congress.gov/114/plaws/publ186/PLAW-114publ186.pdf>.

<sup>5</sup> Smith, David. Interview by Connor Geiran and Ronald Anderson. Washington DC, February 2, 2018.

<sup>6</sup> Puckett, Carolyn, Social Security Bulletin, Vol. 69, No. 22009, *The Story of The Social Security Number*, p. 57, available at <https://www.ssa.gov/policy/docs/ssb/v69n2/v69n2p55.pdf>. (accessed March 3, 2018).

<sup>7</sup> Id. At 63. available at <https://www.ssa.gov/policy/docs/ssb/v69n2/v69n2p55.pdf>. (accessed March 3, 2018).

<sup>8</sup> Social Security Administration Office of Inspector General, *Cross-Referred Social Security Numbers*, A-06-13-23091, p. 3, available at <https://oig.ssa.gov/sites/default/files/audit/full/pdf/A-06-13-23091.pdf>. (accessed March 3, 2018).

<sup>9</sup> Hill, Mark E. and Rosenwaik, Ira, Social Security Bulletin, Vol. 64, No. 1, 2001/2002, *The Social Security Administration's Death Master File: The Completeness of Death Reporting at Older Ages*, p. 45, available at <https://www.ssa.gov/policy/docs/ssb/v64n1/v64n1p45.pdf>. (accessed March 3, 2018).

<sup>10</sup> Fahrenthold, David A. *Agencies Can't Always Tell Who's Dead and Who's Not, So Benefit Checks Keep Coming*, Washington Post, November 3, 2013, available at [https://www.washingtonpost.com/politics/agencies-cant-always-tell-whos-dead-and-whos-not-so-benefit-checks-keep-coming/2013/11/03/5e0b89f6-40be-11e3-a751-f032898f2dbc\\_story.html?utm\\_term=.2ec060ba797a](https://www.washingtonpost.com/politics/agencies-cant-always-tell-whos-dead-and-whos-not-so-benefit-checks-keep-coming/2013/11/03/5e0b89f6-40be-11e3-a751-f032898f2dbc_story.html?utm_term=.2ec060ba797a). (accessed March 1, 2018).

<sup>11</sup> Social Security Administration Office of Inspector General, *Match of California Death Information Against Social Security Administration Records*, A-06-14-24138, p. 3, available at <https://oig.ssa.gov/sites/default/files/audit/full/pdf/A-06-14-24138.pdf>. (accessed March 3, 2018).

<sup>12</sup> Social Security Administration Office of Inspector General, *Match of Massachusetts Death Information Against Social Security Records*, A-01-17-50244, p. 3, available at <https://oig.ssa.gov/sites/default/files/audit/full/pdf/A-01-17-50244.pdf>. (accessed March 3, 2018).

<sup>13</sup> Computer Matching and Privacy Protection Act of 1988, Pub. L. 100-503, available at <https://www.law.cornell.edu/uscode/text/5/552a>.

<sup>14</sup> United States Government Accountability Office Report to Congressional Requesters, *Social Security Death Data, Additional Action Needed to Address Data Errors and Federal Agency Access*, GAO-14-46, p. 19-22, <https://www.gao.gov/assets/660/659289.pdf>. (accessed March 3, 2018).

<sup>15</sup> Department of Health and Human Services Office of Inspector General, *Medicare Payments Made on Behalf of Deceased Beneficiaries in 2011*, OEI-04-12-00130, p. 4, available at <https://oig.hhs.gov/oei/reports/oei-04-12-00130.pdf>. (accessed March 3, 2018).

<sup>16</sup> Railroad Retirement Board Office of Inspector General, *The Railroad Retirement Board's Method for Recording and Reporting Overpayments Identified by Death Matches Can Be Improved*, Report No. 16-08, p.1, available at <https://www.rrb.gov/sites/default/files/2017-01/1608.pdf>. (accessed March 3, 2018).

<sup>17</sup> Veterans Health Administration Office of Inspector General, *Audit of Alleged Improper Payments to Providers After Veterans' Reported Deaths*, 16-00252-137, p. 9, <https://www.va.gov/oig/pubs/VAOIG-16-00252-137.pdf> (accessed March 3, 2018).

<sup>18</sup> *Medicare Payments Made on Behalf of Deceased Beneficiaries in 2011*, p. 9, available at <https://oig.hhs.gov/oei/reports/oei-04-12-00130.pdf>. (accessed March 3, 2018).