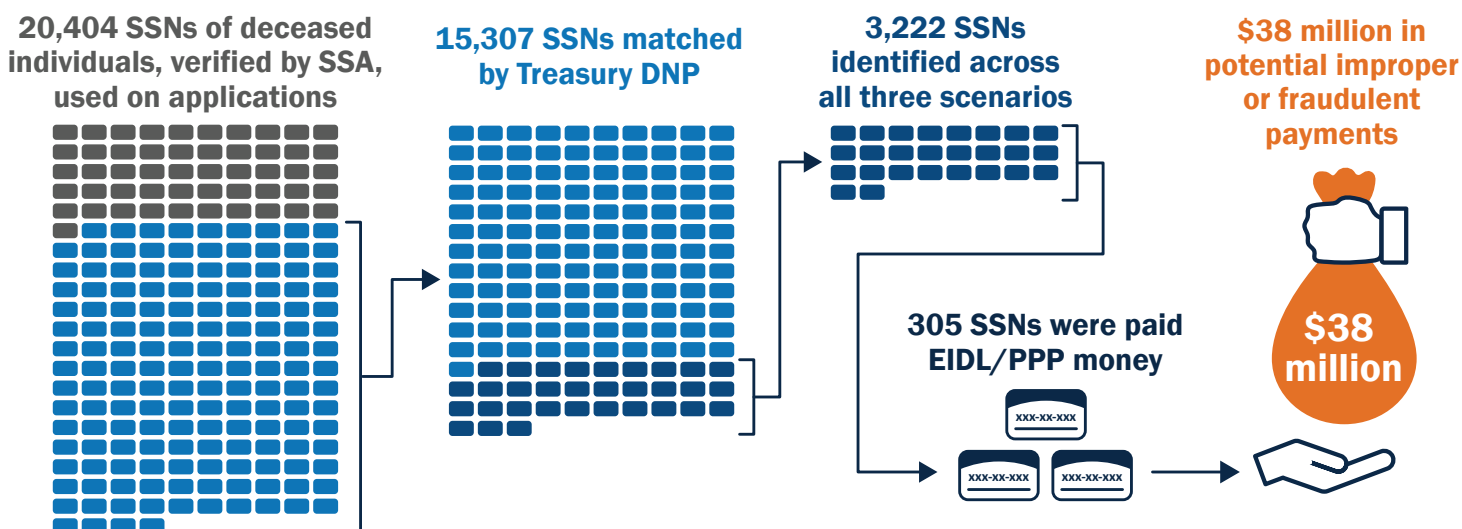# FRAUD ALERT FOLLOW-UP: Improved Sharing of Death Records and Use of the Do Not Pay System Would Strengthen Program Integrity and Better Protect the Public

PRAC Identifies $38 Million in Potentially Improper or Fraudulent Pandemic Loans Associated with Social Security Numbers of Deceased Individuals

This update expands on our January 2023 Fraud Alert that identified 69,000 questionable Social Security Numbers (SSNs) used to obtain $5.4 billion in potentially fraudulent loans made in the COVID-19 Economic Injury Disaster Loan (EIDL) program and Paycheck Protection Program (PPP). As detailed in that Fraud Alert, PRAC data scientists, using our Pandemic Analytics Center of Excellence, identified the questionable SSNs after determining that the names, SSNs, and/or dates of birth used in connection with a targeted selection of COVID-19 EIDL/PPP applications did not match information in Social Security Administration (SSA) records.[1]

We further noted in the Fraud Alert that a significant number of the targeted selection of applications used SSNs that were associated with individuals who, according to SSA records, were deceased as of the date of our verification results received from SSA. We did not include those deceased individuals' SSNs in our January 2023 Fraud Alert because we first needed to determine if those individuals were alive at the time the COVID-19 EIDL/PPP applications were submitted. Therefore, following receipt of this information from SSA, we worked with the Department of the Treasury's (Treasury) Do Not Pay (DNP) system to obtain the dates of death for this separate population of 20,404 SSNs that SSA records indicated were associated with deceased individuals.[2] The Treasury's DNP system was able to provide the dates of death for 15,307 of the requested 20,404 SSNs. Using data available from DNP's matching process and date of death information, the PRAC's data scientists found that 3,222 of the 15,307 deceased individuals' SSNs were used on COVID-19 EIDL/PPP applications across three analytic scenarios.

20,404 SSNs of deceased individuals, verified by SSA, used on applications

15,307 SSNs matched by Treasury DNP

3,222 SSNs identified across all three scenarios

$38 million in potential improper or fraudulent payments

305 SSNs were paid EIDL/PPP money

$38 million

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1   We recognize that a data mismatch does not prove that an improper or fraudulent payment has occurred. Further review is necessary by the Small Business Administration (SBA).

2   The Department of Treasury's DNP working system is the executive branch's designated source of centralized data and analytics services to help executive branch agencies verify eligibility for government payments and to help deter improper or fraudulent payments.

These COVID-19 EIDL/PPP applications were submitted: (a) after the SSN owner's date of death; (b) both before and after the SSN owner's date of death; or (c) before the SSN owner's date of death but were paid after the date of death. These potentially improper or fraudulent loans should be further reviewed to ensure payments did not go to ineligible recipients. We further determined that funds were disbursed in connection with applications using 305 of the SSNs, resulting in nearly $38 million in potentially improper or fraudulent payments. Although 2,917 of the 3,222 SSNs did not receive a loan disbursement, we are concerned they could be used to improperly obtain benefits from other government programs and, therefore, warrant further review by the SBA.

As we detail below, Treasury's DNP system does not have access to SSA's full Death Master File (DMF). The full DMF uses data submitted from state level vital statistics agencies and matches them to SSA data to verify their identity. Because of the source of the information and this verification process, DMF data is considered a superior source of death information over the National Technical Information Service Limited Access Death Master File that DNP receives from SSA, as discussed below. This limitation may explain why DNP could only match 75 percent of the SSNs that we provided. Having access to the full DMF would have helped our PRAC data scientists identify whether potential improper or fraudulent payments were associated with the other 5,097 SSNs. More importantly, having such access would allow executive branch agencies to enhance their efforts to identify and prevent improper, and potentially fraudulent, payments to deceased individuals.

Verifying borrower information, including SSN and the date of death, helps prevent identity fraud and ensures government benefits are paid only to those who are eligible.

As we previously reported, identity theft and identity fraud increased substantially since the start of the pandemic. According to a 2021 report from the Identity Theft Resource Center, pandemic-related payments were the most reported stolen payment, with SBA loans (e.g., COVID-19 EIDL and PPP) comprising some of the highest reports of misuse.[3] Each of these programs permitted applicants to self-certify their eligibility. The reduction of controls in 2020 to verify borrower information—coupled with expedited timeframes to disburse pandemic relief funds—increased opportunities for individuals to use stolen identities to commit or conspire to commit fraud.

The DNP system helps government program administrators identify and prevent improper payments by allowing agencies to check a variety of data sources to verify an applicant's eligibility to receive federal funds.[4] However, as noted above, the DNP system does not currently have access to SSA's full Death Master File (DMF). DNP currently receives the National Technical Information Service Limited Access Death Master File from SSA, in addition to other death sources listed in "Our Approach and Analysis" section below. The full file of death information includes all death data that SSA receives, including state-owned data. SSA's death records are cross checked with SSA's system of records that houses identifying information on everyone that holds an SSN.[5]

Data Sharing Success Story

The Treasury Inspector General for Tax Administration (TIGTA) found that the Internal Revenue Service (IRS) had issued nearly 2.2 million payments totaling nearly $3.5 billion to individuals who per their records were deceased. To prevent additional payments to deceased individuals, TIGTA reported that the IRS shared Taxpayer Identification Numbers with Treasury's Bureau of the Fiscal Service to prevent additional Economic Impact Payments to deceased individuals.

(TIGTA, "Implementation of Economic Impact Payments," 2021-46-034, May 24, 2021).

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3   Identity Theft Resource Center, *"2021 Trends in Identity,"* August 2022.
4   Do Not Pay is a service that agencies can use at no cost to check many federated data sources at one time to verify a recipient's eligibility for payment. Agencies can check multiple DNP data sources related to debt, exclusions, and deceased individuals to assist in making payment eligibility decisions. Agencies have the right to access these data sources and are to work with Treasury's Bureau of the Fiscal Service to identify the proper DNP data sources they need for their purposes.
5   Social Security Advisory Board, *"Social Security and the Death Master File,"* June 2019.

As a result of a provision included in the 2021 Consolidated Appropriations Act, Treasury anticipates receiving the full DMF for a three-year period beginning December 27, 2023.[6] The Government Accountability Office (GAO) has recommended that Congress accelerate and make permanent the requirement for SSA to share the full DMF with Treasury for inclusion in the DNP system.[7] We concur with the GAO's recommendation given how access to the DMF can help prevent deceased individuals' identities being used to improperly apply for government benefits. A DNP system that contains the full DMF can give agencies a higher degree of certainty that a payee is legitimate and eligible before making an award or payment.

Effective use of government information requires timely and effective program controls.

As reported in our January Fraud Alert, both COVID-19 EIDL and PPP loans were susceptible to fraud because in 2020 SBA initially prioritized getting pandemic relief to those in need quickly with few safeguards to confirm eligibility. In some cases, agency officials relaxed or removed controls to expedite payments. The SBA's Office of Inspector General (OIG) has identified the DNP system as a critical control that could have been implemented at the onset of these relief programs to prevent billions of dollars from being improperly disbursed. The Payment Integrity Information Act of 2019 dated March 2, 2020, requires agencies to evaluate fraud risks and use a risk-based approach to design and implement financial and administrative controls to counter identified fraud risks. The law reinforces the requirement for agencies to review pre-payment and pre-award procedures. At a minimum, and before issuing payment, agencies must review certain databases, statutorily mandated to be within the DNP Initiative, to verify eligibility of the payment.[8] As discussed below, SBA began referencing the DNP system for PPP and COVID-19 EIDL loan applications beginning in January 2021 and April 2021, respectively.[9]

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6   Consolidated Appropriations Act, 2021, Pub. L. No. 116-260. § 801, 134 Stat. 1182, 3201 (Dec. 27, 2020), amending 42 U.S.C. § 405(r). This provision will take effect three years after enactment and will be effective for a three-year period.
7   GAO, *"Emergency Relief Funds: Significant Improvements Are Needed to Address Fraud and Improper Payments,"* GAO-23-106556, February 1, 2023.
8   SBA OIG, *"Paycheck Protection Program Loan Recipients on the Department of Treasury's Do Not Pay List,"* 21-06, January 11, 2021.
9   SBA gained direct access to Treasury's DNP system in March 2021 for PPP when Treasury issued its revised Computer Matching Agreement. According to SBA officials, from January to March 2021, SBA provided loans daily to Treasury to verify PPP borrowers on the DNP system.

What We Found

In connection with our January Fraud Alert, SSA informed us that 20,404 of the questionable SSNs we identified in our targeted selection were associated with deceased individuals. We excluded those SSNs and the associated loans from the Fraud Alert because we were in the process of using Treasury's DNP system to determine if those individuals were alive when they submitted their COVID-19 EIDL/PPP application. Applications submitted **after** the recorded date of death raise the potential that an individual's identity was being used improperly.[10]

The PRAC obtained from DNP the dates of death for 15,307 (75 percent) of the 20,404 SSNs that SSA verified were deceased. Next, PRAC data scientists analyzed the 15,307 SSNs and their associated COVID-19 EIDL/PPP applications to identify instances of potential improper or fraudulent payments. Our data scientists looked at three categories of applications associated with these 15,307 SSNs to assess potential fraud or improper payments: (a) applications filed after the SSN owner's date of death; (b) applications filed both before and after the SSN owner's date of death; and (c) applications submitted before the SSN owner's date of death but paid after the date of death.[11] See Table 1 for more details on the scenarios we considered.

Table 1. Potential Improper or Fraudulent Payments Identified Across 15,307 SSNs Matched Against the Treasury's DNP System.

Scenario	Count of SSNs Associated with Applications	Count of SSNs Associated with Disbursements	Number of Disbursements	Disbursed Amount
1. SSNs used on applications submitted after date of death	3,109	131	153	$10,425,461
2. SSNs in Scenario 1 also associated with applications submitted before date of death*	169	92	184	$13,369,416
3. SSN owner was alive at time of application but deceased before disbursement**	113	113	118	$14,098,357
Total*** **(Based on distinct counts)**	**3,222**	**305**	**455**	**$37,893,234**

Source: PRAC analysis of 15,307 SSNs matched against Treasury's DNP System.

* This scenario does not include applications/disbursements that are already included in analytic scenario 1.

** This scenario only focuses on disbursements and SSNs associated with undisbursed applications would not be included.

***The number of SSNs and applications are not a one-for-one match given that a distinct SSN could have been used across multiple COVID-19 EIDL and/or PPP applications that were disbursed and undisbursed. Therefore, a SSN can be associated with multiple applications and disbursements.

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10   According to DNP, the DNP is NOT a list of entities or people who should not be paid. It requires agencies to perform additional due diligence before awarding payments.

11   The COVID-19 pandemic resulted in excess deaths in the United States. These results do not account for any time that may have lapsed between when the death occurred and when it was reported and recorded in SSA's full Death Master File or DNP's Limited Access Data File.

Scenario 1 | SSNs used on applications submitted after date of death:
131 SSNs connected to $10.4 million in potential fraudulent payments.

In total, we identified 3,109 SSNs used in this manner on loan applications and believe these are likely instances of identity fraud. Of these applications, 131 SSNs received loan disbursements totaling $10.4 million.

Although SBA in January 2021 (for PPP) and April 2021 (for COVID-19 EIDL) began to check applicants against DNP, our analysis found 41 deceased individuals' SSNs were used on 45 loan disbursements after this control was implemented. This underscores the importance of GAO's recommendation for Congress to accelerate and make permanent the requirement for SSA to share the full DMF with Treasury for inclusion in the DNP system. Additionally, implementing DNP still requires agencies to do their own due diligence when they receive a positive match.

Table 2. Timing of Disbursements for the 3,109 SSNs used on PPP/COVID-19 EIDL applications submitted after the SSN owner's Date of Death

Timeframe*	SSNs used on applications submitted after death date	SSNs used on disbursements after death date**	Disbursements using these SSNs	Total dollar value
Before Use of DNP	2,783	91	108	$ 7.47 million
After Use of DNP	375	41	45	$ 2.96 million
Total**	**3,109**	**131**	**153**	**$10.43 million**

Source: PRAC data analysis of SSNs used on PPP/COVID-19 EIDL applications after date of death.

*Pre-control update includes PPP loans between April 2020 and January 2021 and COVID-19 EIDL loans between March 2020 and April 2021. Post-control update includes PPP loans between January 2021 and October 2022 and COVID-19 EIDL loans between April 2021 and October 2022.

**The number of SSNs and applications are not a one-for-one match given that a distinct SSN could have been used across multiple COVID-19 EIDL and/or PPP applications that were disbursed and undisbursed. Therefore, an SSN can be associated with multiple applications.

We also identified particularly egregious examples in Scenario 1 where SSNs had an associated date of death one year prior or earlier to the declaration of the pandemic – March 11, 2020. Specifically, 30 SSNs were used in this manner on applications that received $1.3 million in total. These examples suggest these identities may have been exploited for years by wrongdoers in attempts to fraudulently obtain other government benefits.

Scenario 2 | SSNs identified in Scenario 1 also used on applications submitted before individual's date of death:

92 SSNs connected to $13.4 million in potential fraudulent payments.

We further examined the SSNs identified in the scenario above and found that 169 of these 3,109 SSNs had been used on loan applications that were submitted both before and after the associated individuals' date of death, and that 92 SSNs received loan disbursements totaling an additional $13.4 million.[12] We believe these are instances of potential identity fraud.

Scenario 3 | SSNs used on applications belonging to individuals alive at time of application but deceased before disbursement:

113 SSNs associated with $14.1 million in improper payments.

We found an additional 113 SSNs used in this manner on 118 loan applications that received a loan disbursement. We believe these are potentially improper payments, but not necessarily fraudulent.[13]

While PPP loans were disbursed by lenders to applicants in a lump sum, COVID-19 EIDL loans could be distributed in incremental or partial payments.[14] In programs like this, continuous monitoring and recertification of eligibility through additional DNP checks can help prevent and deter improper payments. For example, in 2021, SBA added a control in its COVID-19 EIDL program to detect late-stage bank account changes prior to disbursement. Beginning in 2021, SBA also conducted one last fraud check in its loan system of record to identify any duplicate and/or potential suspicious loans prior to disbursement and issuance of a loan number. This approach is consistent with GAO's fraud risk management framework, which requires agencies to automate data-analytic tests to monitor fraud indicators on a continuous, real-time basis.[15]

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12 While applications submitted while the SSN owner was still alive are not inherently fraudulent, because they were also used on applications following their associated date of death, this could indicate that these SSNs may have already been exploited while the individuals were still alive, indicating potentially fraudulent activity.

13 While these individuals were alive at the time the applications were submitted, DNP sources show that they were deceased at the time federal funds were released to them. The Payment Integrity Information Act of 2019, which authorizes and governs DNP, requires agencies to use DNP sources as a control before the release of federal funds.

14 The PPP data the PRAC received from SBA does not include a disbursement date. According to _SBA guidance_, the lender must disburse the loan no later than 10 days from the date of loan approval. Therefore, we derived the disbursement date as 10 days after the application date.

15 GAO, _"A Framework For Managing Risk in Federal Programs,"_ GAO-15-593SP, July 2015: The objective of fraud risk management is to ensure program integrity by continuously and strategically mitigating the likelihood and impact of fraud and facilitate achievement of the program's broader mission and strategic goals by helping to ensure that funds are spent effectively, services fulfill their intended purpose, and assets are safeguarded. Additionally, in the context of fraud risk management, the objective is to mitigate fraud risks—in general, to have a very low level of fraud.

Our Approach and Analysis

As discussed in our January 2023 Fraud Alert, the PRAC's data scientists identified a targeted selection of 2.7 million SSNs associated with COVID-19 EIDL loan applications that fell under two rule sets:

1. potentially invalid SSNs; and

2. SSNs potentially "not issued" prior to June 2011

Due to limited access to the necessary government information for proper verification, we used our CARES Act authorities to request SSA's assistance to provide several verification results on this cohort of 2.7 million SSNs. One such request was for SSA to verify if any of the SSNs used on associated loan applications were associated with deceased individuals. SSA could only provide the death indicator information for fully verified SSNs. The SSA was able to determine that 20,404 out of the 2.7 million SSNs belong to deceased individuals.

What Did We Ask DNP to Do?

As the date of death was not provided in SSA's verification output, we requested Treasury DNP to provide the date of death for the 20,404 deceased individuals' SSNs to perform additional analysis. DNP provided the information using several data sources available to them including:

1. Electronic Verification of Vital Events Fact of Death (EVVE);[16]

2. Department of State;

3. American InfoSource Obituary;

4. American InfoSource Probate;

5. Limited Access Death Master File; and

6. Department of Defense Death Data

What Analyses Did We Perform?

Using the date of death results returned from DNP, the PRAC data scientists identified 15,307 SSNs where at least one of DNP's data sources returned a date of death. From this data set, the PRAC identified 5,640 distinct SSNs tied to deceased individuals who received payments from 8,536 PPP loans and/or COVID-19 EIDL applications, totaling $374 million.[17] Of these, we identified 3,222 SSNs used on applications across the three scenarios. The 3,222 is a subset of the 15,307 containing both disbursed and undisbursed SSNs.[18]

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16   This data set from *NAPHSIS | Electronic Verification* comes from 44 states and jurisdictions and, therefore, helps cover the state protected records that are missing from the Limited Access DMF.

17   The PRAC identified COVID-19 EIDL applications and PPP loans using only the deceased SSNs, including applications where the associated first name, last name, and date of birth may not have matched with the respective data attributes in the deceased SSN data set. We determined that this was appropriate as all identified SSNs in this population had been confirmed as deceased by SSA. Therefore, any instance with one of these SSNs is questionable and warrants inclusion in our analysis.

18   The remaining 9,667 SSNs (15,307-5,640) are undisbursed SSNs.

The data scientists conducted time-based analysis to better understand the timing of the applications and disbursements in relation to the dates of death, including:

1. SSNs used in COVID-19 EIDL/PPP applications where the date of death preceded the submission date;

2. SSNs used in multiple COVID-19 EIDL/PPP applications both before and after the date of death; and

3. SSNs used in COVID-19 EIDL/PPP applications where the date of death was after the submission date but preceded the payment date

Of the 15,307 SSNs returned by DNP, there are 191 SSNs where DNP's data sources returned different dates of death. According to DNP Analytics, the EVVE death source has a higher degree of certainty; in cases where there are multiple dates of death with the same SSN, DNP Analytics recommends using the EVVE death date. In the 191 SSNs with multiple dates of death, there are 62 SSNs where the earliest date of death available does not match the EVVE death date. For 53 of these 62 SSNs, the earliest death date is within 30 days of the EVVE death date. For the remaining 9 SSNs, the earliest death date differs by 31 days or more from the EVVE death date. We determined that this is not a significant margin of error. Therefore, for trends and patterns analysis that require date comparison, the PRAC used the earliest date of death returned by DNP data sources for applicable SSNs.

PRAC's Commitment to Quality and Integrity

We conducted this review using agile oversight principles that require we adhere to the professional standards of independence, due professional care, and quality assurance and follow procedures to ensure accuracy of the information presented. These principles are embedded in the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Federal Offices of Inspectors General.

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