

# **Computer Matching Agreement**

**between the**

**Department of Treasury  
Internal Revenue Service**

**and the**

**Department of Veterans Affairs  
Veterans Benefits Administration**

**for The Disclosure of Information to Federal,  
State and Local Agencies (DIFSLA)**

**Effective Date: January 1, 2016**

**Expiration Date: June 30, 2017**

## **I. Purpose and Legal Authority**

A. Purpose. This Computer Matching Agreement (CMA) sets forth the terms, conditions, and safeguards under which the Internal Revenue Service (IRS), will disclose to the Department of Veterans Affairs, Veterans Benefits Administration (VBA), certain return information. The purpose of this CMA is to make available to VBA certain return information needed to determine eligibility for and amount of benefits for VBA applicants and beneficiaries of needs-based benefits and to adjust income-dependent benefit payments as prescribed by law.

## **B. Legal Authority**

1. This agreement is executed to comply with the Privacy Act of 1974 (5 U.S.C. § 522a), as amended by the Computer Matching and Privacy Protection Act (CMPPA) of 1988, Office of Management and Budget (OMB) final guidance interpreting this act published at 54 FR 25818 (June 19, 1989), and OMB Circular A-130, "Management of Federal Information Resources."
2. The Internal Revenue Code (IRC), 26 U.S.C. § 6103(l)(7), authorizes the disclosure of return information with respect to unearned income, as defined by relevant sections of the IRC, to VBA for purposes of determining eligibility for and amount of benefits for needs-based pension under chapter 15 of title 38, United States Code, and parents' dependency and indemnity compensation under section 1315 of title 38, United States Code.

## II. Justification and Anticipated Results

### A. Justification

1. VBA has a legal obligation to reduce the amount of pension and of parents' dependency and indemnity compensation by the amount of annual income received by the VBA beneficiary. Currently, the most cost effective and efficient way to verify annual income of applicants and recipients of these benefits is through a computer match.
2. By comparing the information received through the matching program between VBA and IRS, VBA will be able to timely and accurately adjust benefit amounts. The match information will help VBA minimize overpayments and deter fraud and abuse.

### B. Anticipated Results.

1. IRS does not receive any benefit, direct or indirect, from this matching program.
2. VBA projects a net savings of approximately \$48 million annually over the life of this agreement. This estimate is based upon fiscal year (FY) 2014 data. The specifics of the estimated savings are contained in the cost benefits analysis, attachment 1.

## III. Records Description

### A. System of Records

1. VBA records involved in this match are in "VA Compensation, Pension, Education, and Vocational Rehabilitation and Employment Records – VA" (58 VA 21/22/28), a system of records that was first published at 41 FR 9294 (March 3, 1976), amended and republished in its entirety at 77 FR 42593 (July 19, 2012). The routine use is 55.
2. IRS will extract return information with respect to unearned income of the VBA applicant or beneficiary and (when applicable) of such individual's spouse from the Information Return Master File (IRMF), Treasury/IRS 22.061, as published at 77 FR 47946 - 947 (August 10, 2012).

### B. Data Elements

1. VBA will furnish the IRS with records in accordance with the current IRS Publication 3373, DIFSLA Handbook. The requests from VBA will include:
  - a. the Social Security Number (SSN) and

- b. Name Control (first four characters of the surname) for each individual for whom unearned income information is requested.
2. IRS will provide a response record for each individual identified by VBA. The total number of records will be equal to or greater than the number of records submitted by VBA. In some instances, an individual may have more than one record on file.
3. When there is a match of individual SSN and name control, IRS will disclose the following to VBA:
  - a. Payee account number
  - b. Payee name and mailing address
  - c. Payee TIN
  - d. Payer name and address
  - e. Payer TIN and
  - f. Income type and amount

C. Number of Records. Annually, VBA expects to request return information for approximately 800,000 applicants for, or beneficiaries and spouses of such individuals thereof, VA compensation and pension benefits.

D. Projected Starting and Completion Dates

1. The effective (start) date of the matching agreement is the expiration of the 30-day Federal Register public comment period or the 40-day OMB and congressional review period, whichever is later.
2. The agreement shall expire 18 months after its effective date. The Data Integrity Boards for both agencies may, within 3 months prior to the expiration of this agreement, renew this agreement for a period not to exceed 12 months on a showing to such boards by VBA and IRS that: (1) the matching program will be conducted without change and (2) that the matching program has been conducted in compliance with this CMA.

IV. Responsibilities of the Parties

A. VBA Responsibilities

1. When this agreement is approved and signed by the chairpersons of the respective Data Integrity Boards (DIBs), VBA will provide to Congress and OMB copies of this agreement and the proposed public notice of the match.
2. VBA will publish in the Federal Register public notice of the proposed matching program as required by subsection (e)(12) of the Privacy Act. VBA will provide to IRS a copy of the published notice.

- B. Non-renewal of Agreement. If either agency does not want to renew this CMA, it should notify the other of its intention not to renew at least 90 days before the end of the then current period. This agreement may be amended at any time by a written modification to this agreement, which satisfies both agencies and is approved by the DIB of each agency.
- C. Termination of Agreement. This agreement may be terminated at any time with the consent of both agencies. Either agency may singly terminate the CMA upon written notice to the other agency, in which case the termination shall be effective 90 days after the date of the notice, or at a later date specified in the notice, so long as such later date does not exceed either the original or the extended completion date of the match.

#### V. Notice Procedures

- A. Applicants. VBA will notify all individuals who apply for benefits that the information provided on the application is subject to computer matching with other agencies. VBA's direct notice is printed on its application forms or in a separate handout. VBA's notice informs all applicants that information obtained through matching programs may be used to determine eligibility for VBA benefits and the amount of such benefits.
- B. Beneficiaries. VBA will provide subsequent periodic notices to beneficiaries as required. VBA provides notice to certain beneficiaries by check stuffer, letter, or other publication including, a VA-hosted Internet website.

#### VI. Verification and Opportunity to Contest

- A. Consistent with OMB guidance, published at 54 FR 25818, 25827 (June 19, 1989), VBA will combine the independent verification and notice requirements for VBA applicants and beneficiaries into a single step as explained in paragraphs B and C below. VBA expects that compressing these two steps will reduce the overpayments and underpayments created by delays in processing the match. Records of payments reported as being made by any component of the Department of Treasury, including interest on Federal tax refunds, do not require separate verification. While such reports are considered verified upon receipt by VBA, they are return information subject to all of the use and disclosure restrictions provided in IRC 6103, IRS Publication 1075, *Tax Information Security Guidelines for Federal, State, and Local Agencies*, and this Agreement.
- B. Applicants.
  - 1. VBA will attempt to independently verify the return information reported by the match by contacting the recipient and or the source of the income.

2. As part of the development of the claim and in order to compress the steps, VBA will simultaneously provide notice of its attempted independent verification to the applicant and his or her representative. Although 38 U.S.C. § 5317(b) requires VA to take appropriate steps to independently verify income information obtained through its matching programs with the IRS and Social Security Administration, no statute or regulation prescribes a specific time period for VBA's independent verification. VA regulations, 38 C.F.R. § 3.159(b), provide applicants 30 days to respond to VA's notice of evidence required to substantiate a claim. Therefore, the notice will state that VBA provides 30 days for claimants to submit evidence for the purpose of showing that the amount identified in the match is incorrect.
  - a. The independent verification notice advises that, unless the applicant submits evidence to the contrary, VBA will conclude that the information discovered is correct and, if benefits are due, will calculate the initial award of benefits accordingly.
  - b. Waiver. An applicant may waive the 30-day notice period if he or she confirms the information found in the match.

C. Beneficiaries.

1. VBA will attempt to independently verify the return information reported by the match by contacting the recipient and/or the source of the income.
2. In order to compress the steps, VBA will simultaneously provide notice to the beneficiary and his or her representative. VA regulations, 38 C.F.R. § 3.103(b)(2), prohibit VA from reducing, suspending, or terminating benefits unless VA has provided the beneficiary with notice of its proposed adverse action and 60 days to submit evidence showing that VA should not take such action. Therefore, the notice will state that VBA allows 60 days for the beneficiary to submit evidence for the purpose of showing that VBA should not take adverse action. The notice will contain the following information:
  - a. The proposed decision and the reason(s) for the decision, and
  - b. Notice that unless the beneficiary responds to the proposed adverse action within 60 days, VBA will conclude that the return information is correct and take necessary action regarding payment of benefits to the beneficiary.
  - c. Waiver. Beneficiaries may waive the 60-day due process period by confirming the information found in the match.

- D. Appeal. Upon completion of the processing of the claim or adverse action, VBA will notify the applicant or beneficiary of the administrative appeal rights, the amount of any overpayment, and procedures for requesting waiver of recovery of an overpayment.

## VII. Disposition of Matched Records

- A. VBA will maintain all identifiable records received from IRS in accordance with 26 U.S.C. § 6103(p)(4) and the current revision of IRS Publication 1075.
- B. VBA's input file is the only identifiable record IRS uses in the course of the matching program. This file is not incorporated into IRS record keeping, is not used by IRS for any purpose other than this matching program, and is not an IRS agency record. Nevertheless, IRS will provide the same protections to the VBA input files as to its Privacy Act covered records. IRS will comply with the following restrictions on the information provided by VBA:
  - 1. Records provided by VBA will remain the property of VBA.
  - 2. Records provided by VBA will not be used to extract information concerning individuals therein for any purpose not specified in this Agreement.
  - 3. Records provided by VBA will not be duplicated or disseminated within or outside the IRS, except as required by Federal law, without the written permission of VBA.
- C. Neither VBA nor IRS will create a separate file or system of records, which consists of information concerning only those individuals who are involved in this specific matching program, except as necessary in controlling and/or verifying the information for purposes of this program.
- D. VBA will destroy the file generated through this matching operation as soon as the information has served the matching program's purpose and all legal retention requirements established in conjunction with the National Archives and Records Administration (NARA) under applicable procedures have been met. IRS will retain VBA's input file(s) with identifying information for approximately 90 days. After that time, the file(s) will be electronically erased.

## VIII. Safeguards Requirements and Disclosure Restrictions

- A. VBA will maintain all federal tax returns and return information (FTI) sourced from the IRS in accordance with IRC section 6103(p)(4) and comply with the safeguards requirements set forth in Publication 1075, *Tax Information Security Guidelines for Federal, State and Local Agencies*, which is the IRS published guidance for security guidelines and other safeguards for protecting returns and

return information pursuant to 26 CFR 301.6103(p)(4)-1. IRS safeguarding requirements require:

1. VBA will establish a central point of control for all requests for and receipt of federal tax returns and return information, and maintain a log to account for all subsequent disseminations and products made with/from that information, and movement of the information until destroyed, in accordance with Publication 1075, section 3.0.
2. VBA will establish procedures for secure storage of federal tax returns and return information consistently maintaining two barriers of protection to prevent unauthorized access to the information, including when in transit, in accordance with Publication 1075, section 4.0.
3. VBA will consistently label federal tax returns and return information obtained under this agreement to make it clearly identifiable and to restrict access by unauthorized individuals. Any duplication or transcription of federal tax returns and return information creates new records which must also be properly accounted for and safeguarded. Federal tax returns and return information should not be commingled with other VBA records unless the entire file is safeguarded in the same manner as required for federal tax returns and return information and the FTI within is clearly labeled in accordance with Publication 1075, section 5.0.
4. VBA will restrict access to federal tax returns and return information solely to officers and employees of VBA whose duties require access for the purposes of carrying out this CMA. Prior to access, VBA must evaluate which employees require such access. Authorized individuals may only access federal tax returns and return information to the extent necessary to perform services related to this CMA, in accordance with Publication 1075, section 5.0.
5. Prior to initial access to FTI and annually thereafter, VBA will ensure that employees and officers that will have access to federal tax returns and return information receive awareness training regarding the confidentiality restrictions applicable to the federal tax returns and return information and certify acknowledgement in writing that they are informed of the criminal penalties and civil liability provided by IRC sections 7213, 7213A, and 7431 for any willful disclosure or inspection of federal tax returns and return information that is not authorized by the IRC, in accordance with Publication 1075, section 6.0.
6. VBA will submit an annual Safeguard Security Report (SSR) to the Office of Safeguards by the submission deadline specified in Publication 1075, Section 7.0 to provide an update on safeguarding activities during the

reporting period and provide Head of VBA certification that the SSR addresses all Outstanding Actions identified by the Office of Safeguards from VBA's prior year's SSR; accurately and completely reflects VBA's current environment for the receipt, storage, processing and transmission of FTI; accurately reflects the security controls in place to protect the FTI in accordance with Publication 1075 and of the VBA's commitment to assist the Office of Safeguards in the joint effort of protecting the confidentiality of FTI; report all data incidents involving FTI to the Office of Safeguards and TIGTA timely and cooperate with TIGTA and Office of Safeguards investigators, providing data and access as needed to determine the facts and circumstances of the incident; support the Office of Safeguards on-site review to assess VBA compliance with Publication 1075 requirements by means of manual and automated compliance and vulnerability assessment testing, including coordination with information technology (IT) divisions to secure pre-approval, if needed, for automated system scanning and to support timely mitigation of identified risk to FTI in VBA's Corrective Action Plan (CAP) for as long as VBA maintains federal tax returns and return information. Required reports will be transmitted in electronic format and on the template provided by Office of Safeguards using an IRS-approved encryption method in accordance with Publication 1075, Section 7.0.

7. VBA will ensure that federal tax returns and return information is properly destroyed or returned to the IRS when no longer needed based on established VBA record retention schedules in accordance with Publication 1075, section 8.0.
8. VBA will conduct periodic internal inspections of facilities where federal tax returns and return information is maintained to ensure IRS safeguarding requirements are met and will permit the IRS access to such facilities as needed to review the extent to which VBA is complying with the IRC section 6103(p)(4) requirements of this section.

B. Generally, this agreement covers secure electronic transmission of Federal tax returns and return information to the VBA provided the VBA's computer systems are compliant with 44 U.S.C § 3554(b)(2)(D), as added by the Federal Information Security Modernization Act of 2014 (FISMA) or National Institute of Standards and Technology (NIST) Special Publication 800-53 standards and guidance for security of data at the moderate impact level. The VBA's SSR must fully describe the computer system and security controls implemented for the receipt, processing, storage, and transmission of electronic federal tax returns and return information. Required security controls for systems that receive, process, store and transmit electronic federal tax returns and return information are specified in Publication 1075, section 9.0.

Any receipts of Federal tax returns and return information in paper format must also be fully disclosed in the VBA's SSR. Required security controls associated

with the receipt, processing, and storage of any Federal tax returns and return information received in paper format are specified in previously mentioned sections of Publication 1075.

- C. VBA agrees to report suspected unauthorized inspection or disclosure of federal tax returns and return information within 24 hours of discovery to the appropriate Agent-in-Charge, Treasury Inspector General for Tax Administration (TIGTA), and to the IRS Office of Safeguards in accordance with as specified in Publication 1075, section 10.0.
- D. VBA officers and employees may have access to federal tax returns and return information obtained under this CMA. VBA may not allow contractors access to federal tax returns and return information for any purpose.
- E. VBA officers and employees who inspect or disclose federal tax returns and return information obtained pursuant to this CMA in a manner or for a purpose not so authorized by IRC are subject to the criminal sanction provisions of IRC sections 7213 and 7213A, and 18 U.S.C. section 1030(a)(2), as may be applicable. In addition, the VBA could be required to defend a civil damages action under IRC section 7431.
- F. IRS will conduct periodic safeguard reviews of the VBA to assess whether security and confidentiality of federal tax returns and return information is maintained consistent with the safeguarding protocols described in Publication 1075, the VBA's SSR and in accordance with the terms of this agreement. Periodic safeguard reviews will involve the inspection of VBA facilities where FTI is maintained; the testing of technical controls for computer systems storing, processing or transmitting FTI; review of VBA recordkeeping and policies; and interviews of VBA employees to verify the use of FTI including confirming that no contractor has access to the FTI and to assess the adequacy of procedures established to protect FTI.
- G. VBA recognizes and treats all Safeguards documents and related communications as IRS official VBA records; that they are property of the IRS; that IRS records are subject to disclosure restrictions under federal law and IRS rules and regulations and may not be released publicly under state Sunshine or Information Sharing/Open Records provisions and that any requestor seeking access to IRS records should be referred to the federal Freedom of Information Act (FOIA) statute. If the VBA determines that it is appropriate to share Safeguards documents and related communications with another governmental function/branch for the purposes of operational accountability or to further facilitate protection of FTI that the recipient governmental function/branch must be made aware, in unambiguous terms, that Safeguards documents and related communications are property of the IRS; that they constitute IRS official VBA records; that any request for the release of IRS records is subject to disclosure restrictions under federal law and IRS rules and regulations and that

any requestor seeking access to IRS records should be referred to the federal Freedom of Information Act (FOIA) statute. Federal agencies in receipt of FOIA requests for safeguards documents must forward them to IRS for reply.

IX. Accuracy Assessments

A. IRS. The IRS will initially validate all SSNs and Name Controls provided by VBA against the National Account Profile (NAP)-DM1 file prior to matching the records against the IRMF. The correctness of the return information provided to VBA is generally contingent upon the correctness of the information provided to IRS by the payer of the income.

B. VBA. Based on the verification of the name and social security numbers in VBA's records and internal verification procedures, at least 99% of the name, SSN, and benefit information are accurate. This accuracy assessment is based on previous matching activities.

X. Access by the Comptroller General. Consistent with 26 U.S.C. § 6103(i)(8), the Government Accountability Office (Comptroller General) may have access to all IRS and VBA records as necessary in order to verify compliance with this Agreement.

XI. Reimbursement. All work done by IRS for VBA under this agreement will be performed on a cost reimbursable basis. IRS will recover all reasonable direct and indirect costs, including overhead, associated with performing services for VBA under this agreement.

Cost estimates will be prepared on an annual basis. The IRS administers the computer matching program for the benefit of the agencies that participate in it. Accordingly, the IRS expects to recover 100 percent of the costs it incurs to administer this program. In the unlikely event actions by one or more Agencies significantly alter the total cost incurred by the IRS or the calculation of the Agencies' pro rata share of program costs, the IRS may need to adjust the computation of annual costs. If this occurs, your agency will be notified.

Costs associated with this program are primarily related to the actions by IRS required to make the data sharing program available to VBA for the performance of the computer matching. These costs include personnel in place to administer the program, setup and testing of the matching system by Information Technology personnel, and the Safeguards program and personnel necessary to ensure protection of the associated FTI.

Billing will be at least quarterly, and may be monthly during the last quarter of the fiscal year. Actual costs may be higher or lower than the estimate. Both agencies must sign Forms 7600A and 7600B Interagency Agreement prior to the initiation of any services under this agreement. IRS authority to incur obligations through the

performance of services under this agreement and VBA's authority to reimburse IRS under this agreement shall not exceed the amounts specified in Forms 7600A and 7600B. An amended Form 7600A and 7600B will also be required if it becomes apparent that original cost estimates will be exceeded. Amendments must be signed by both agencies prior to start of any work.

Reimbursable Agreement, Forms, 7600A and 7600B, span one Federal fiscal year only (October 1 of one calendar year through September 30 of the following calendar year). New Forms 7600A and 7600B will be required for each fiscal year.

XII. Contingency Clause. This agreement is contingent on VBA meeting the Federal Safeguard Requirements and Disclosure Restrictions specified in Section VII and VIII. Matches with VBA under this agreement will be immediately discontinued, if at any time, IRS determines that VBA has failed to meet the Federal Safeguards requirements, Disclosure Restrictions, or any Privacy Act Requirements.

XIII. Persons to Contact

A. The IRS contacts are:

1. Project Coordinator

Klaudia K. Villegas, Reimbursable Program Analyst  
Internal Revenue Service  
Office of Governmental Liaison, Disclosure and Safeguards  
Office of Data Services  
Mail Stop 1020  
300 North Los Angeles Street  
Los Angeles, CA 90012-3308  
Telephone: (213) 576-4223  
Email: [Klaudia.K.Villegas@irs.gov](mailto:Klaudia.K.Villegas@irs.gov)

2. Safeguards and Recordkeeping Procedures

Gregory T. Ricketts, Associate Director  
Internal Revenue Service  
Office of Governmental Liaison, Disclosure and Safeguards  
Office of Safeguards  
5333 Getwell Road  
Memphis, TN 38118  
Telephone: (901) 546-3078  
Email: [Gregory.T.Ricketts@irs.gov](mailto:Gregory.T.Ricketts@irs.gov)

B. The VA/VBA contacts are:

1. System Security

Jessica L. Carriveau  
Department of Veterans Affairs (00/317)  
9500 Bay Pines Blvd  
St. Petersburg, FL 33708  
Office: (727) 319-5954, Cell: (727) 366-2699  
Fax: (727) 319-7785  
Email: [Jessica.Carriveau@va.gov](mailto:Jessica.Carriveau@va.gov)

2. Program Issues

David Klusman  
Department of Veterans Affairs (21PF)  
810 Vermont Avenue, NW  
Washington, DC 20420  
Telephone: (612) 713-7947  
Email: [David.Klusman@va.gov](mailto:David.Klusman@va.gov)

3. Technical Business Requirements and Testing Issues

Wakita Thompson  
Department of Veterans Affairs (21PF)  
810 Vermont Avenue, NW  
Washington, DC 20420  
Telephone: (202) 632-8863  
Email: [Wakita.Thompson@va.gov](mailto:Wakita.Thompson@va.gov)

**XIV. Authorized Signatures**

The signatories below warrant and represent that they have competent authority on behalf of their respective agencies to enter into the obligations set forth in this agreement.

**Department of Veterans Affairs  
Veterans Benefits Administration**

*David R. Molenaugh*

David R. Molenaugh   
Director  
Pension and Fiduciary Service

*8/4/15*

Date: \_\_\_\_\_

Buck, John

Digitally signed by Buck, John  
DN: dc=gov, dc=va, ou=Entities,  
ou=InternalStaff, cn=Buck, John  
Date: 2015.09.17 10:24:06 -0400

LaVerne H. Council  
Chair  
Data Integrity Board

Date: \_\_\_\_\_

The signatories below warrant and represent that they have the competent authority on behalf of their respective agencies to enter into the obligations set forth in this agreement.

## Internal Revenue Service

Edward T.  
Killen

Digitally signed by Edward T. Killen  
DN: c=US, o=U.S. Government,  
ou=Department of the Treasury, ou=Internal  
Revenue Service, ou=People,  
serialNumber=K18269, cn=Edward T. Killen  
Date: 2015.08.13 13:57:56 -04'00'

Edward T. Killen, Internal Revenue Service  
Director, Government Liaison,  
Disclosure and Safeguards

\_\_\_\_\_

Date

*Helen G Foster*

Digitally signed by  
Helen g. Foster  
Date: 2015.09.24  
11:36:30 -04'00'

Helen Goff Foster, Chairperson  
Treasury Data Integrity Board  
Deputy Assistant Secretary for Privacy,  
Transparency and Records

\_\_\_\_\_

Date

**COST BENEFIT ANALYSIS SUMMARY**  
Veterans Benefits Administration  
FY 2014

**COSTS**

- Salaries, fringe benefits and other personnel costs in administering the matching program	\$ 9,142,790
- Non-payroll Income Verification Match (IVM)	\$ 538,529
- Billing for Internal Revenue Service (IRS)*	\$ 110,826
<b>Total Costs</b>	<b>\$ 9,792,145</b>

**BENEFITS**

- Recovered overpayments and debts	\$ 5,557,351
- Cost avoidance – Amount of monthly benefits saved as a result of disqualification from the benefit program, reduction of benefits, or granting benefits at a lower rate using income reported by the IRS/SSA (upfront verification)	\$ 52,657,009
<b>Total Benefits</b>	<b>\$ 58,214,360</b>
<b>Net Benefit</b>	<b>\$ 48,422,215</b>

\*VA obtains and combines, where applicable, earned income from the Social Security Administration (SSA) CMA and unearned income from the IRS CMA. Therefore, the costs and benefits are a total of the two CMAs. The benefits of the match exceed the costs by 48 million. The savings make this match worthwhile.

**Cost-Benefit Analysis for Fiscal Year (FY) 2014**  
Federal Tax Information Match

**For**

Department of Veterans Affairs (VA)  
Veterans Benefits Administration (VBA)

**From**

Internal Revenue Service (IRS)  
and  
Social Security Administration (SSA)

**I. Objective**

The purpose of this matching program is to provide VA with federal tax information (FTI) to determine the eligibility, or continued eligibility, of income-dependent benefits and disability compensation at the 100 percent rate because of unemployability. VA obtains and combines, where applicable, earned income from the SSA computer matching agreement (CMA) and unearned income from the IRS CMA. Therefore, the cost benefit analysis covers both agreements.

**II. Program Level Matching**

VA will provide IRS with records in accordance with the current IRS Publication 3373, DIFSLA Handbook, that contain the Social Security Number (SSN) and name for each applicant, beneficiary, and of such individual's spouse (when applicable) for whom tax return information is being requested. VA will provide IRS with information annually concerning approximately 800,000 applicants for, or beneficiaries and spouses of such individuals thereof, VA compensation and pension benefits.

IRS will provide a response record for each individual identified by VA. If the SSN of the VA applicant, beneficiary, or such individual's spouse submitted to IRS fails to verify, IRS will return a response to VA indicating that the SSN did not verify. If the SSN of the VA applicant, beneficiary, or such individual's spouse submitted to IRS verifies, IRS will return a response to VA that includes payee account number, payee name and mailing address, payee Tax Identification Number (TIN), payer name and address, payer TIN, and income type and amount on the record subject.

**III. Percentage and Number of Potential Hits**

Prior to FY 2013, VA would send a file to IRS and SSA containing all VA beneficiaries of income-dependent benefits and disability compensation at the 100 percent rate because of unemployability. The last year VA sent a full file was in FY 2012 and it contained information on 746,098 beneficiaries. In response, VA received 52,784 records (7.07%) requiring action on the claim. The matches from FY 2012 are

Included in FY 2013 savings. VBA temporarily suspended this match to allow for development of an electronic post-award-audit (PAA) process to replace the paper process. VA is working with the Office of Information and Technology (OI&T) to finalize the necessary system requirements and anticipates implementing the PAA process in the FY2015.

VBA implemented upfront verification of income in FY 2013. Upfront verification allows VA to verify the income of pension applicants using historical tax information. In FY 2014, VA sent over 130,000 files for upfront verification to IRS and SSA and received over 1.9 million matches.

#### **IV. Dollar Value of Potential Loss Avoidance**

The amount of FY 2014 benefits saved as a result of disqualification from the benefit program or reduction of benefits is estimated at \$3.8 million dollars.

Additionally, the amount saved within FY 2014 as a result of using FTI provided by the IRS/SSA (upfront verification) to grant benefits at a lower monthly rate than what was reported by the applicant is estimated at \$48.8 million dollars.

#### **V. Description of Any "Non-Dollar" Factors Regarding the Match**

Under 26 U.S.C. § 6103(l)(7)(D)(viii) and 38 U.S.C. § 5317, VA has authority to obtain and use federal tax information to determine a claimant's or beneficiary's entitlement to the benefits listed in section 5317(c).

#### **VI. Costs For Conducting This Computer Matching Activity**

VBA estimates the FY 2014 costs for conducting this match is \$13.2 million based on salaries, fringe benefits, non-payroll, and reimbursement to IRS.

#### **VII. Total Cash Collected as a Result of the Computer Matching Activity**

In FY 2014, VBA recovered over \$5.5 million in overpayments and debts created due to this match.

#### **VIII. Conclusion**

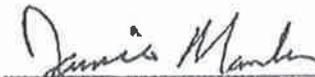
Based on the total costs of 13.2 million and total benefits of 58.2 million, VBA saved approximately \$45 million within FY 2014 by conducting this match. Therefore, VBA recommends continuance of this matching program.

Signatory Authority



David McLenachen, Director  
Pension and Fiduciary Service

Approve/Disapprove



Janie Manker  
Chief Financial Officer