



September 2024

SOCIAL SECURITY ADMINISTRATION

Actions Needed to Help Ensure Success of Electronic Verification Service

GAO Highlights

Highlights of [GAO-24-106770](#), a report to congressional requesters

Why GAO Did This Study

Synthetic identity fraud is a growing concern among financial institutions, which reported \$182 million in related suspicious activity in 2021. The Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 directed SSA to combat such fraud by developing a database to electronically verify identifying information. However, questions have been raised about the service's financial viability and use by industry participants.

GAO was asked to examine, among other objectives, the extent to which SSA has (1) followed guidance and best practices for cost estimation for its Electronic Consent Based Social Security Number Verification service, (2) designed user fees to promote cost recovery for the service, and (3) taken steps to expand use and benefit of the service.

GAO reviewed relevant laws, guidance, and agency documentation and data and interviewed SSA officials responsible for the service. GAO also interviewed 16 industry participants selected to reflect a mix of entities and uses of the service.

What GAO Recommends

GAO is making seven recommendations to SSA, including that it implements appropriate controls over IT investments, updates cost estimation guidance, develops strategies to expand use of the service, and establishes related performance measures and goals. SSA concurred with all seven recommendations and stated that it will evaluate its policies and processes to determine how to address them.

View [GAO-24-106770](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov.

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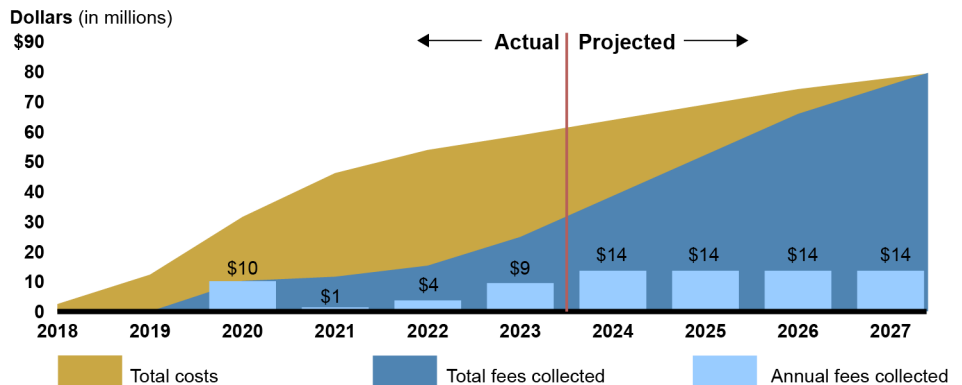
Actions Needed to Help Ensure Success of Electronic Verification Service

What GAO Found

The Social Security Administration (SSA) launched the Electronic Consent Based Social Security Number Verification service in June 2020. The service seeks to reduce synthetic identity fraud, which combines fictitious and real information to fabricate an identity. The service allows authorized entities—generally financial institutions and their service providers—to verify an individual's name, Social Security number, and date of birth electronically. SSA spent about \$62 million from fiscal year (FY) 2018 through FY 2023, based on SSA data. However, SSA did not follow agency guidance for planning IT investments when estimating costs for the service. Moreover, its guidance on cost estimation did not consistently incorporate GAO best practices, such as documenting the estimation process. By establishing appropriate controls to ensure that all significant IT investments follow agency guidance and updating guidance to incorporate additional best practices, SSA could improve cost estimation for future projects.

SSA is required to fully recover the service's costs and collected about \$25 million in user fees (40 percent of \$62 million total costs) as of the end of FY 2023. SSA has not met its projections for fee collections due to lower-than-expected industry participation. SSA will need to collect about \$14 million annually to meet its goal to recover all costs by the end of FY 2027, based on GAO's analysis (see figure). But it is unclear if SSA can meet its goal without increasing users or fees. Subscription data through December 2023 demonstrate that the service has not significantly increased users since enrollment opened in FY 2022, and fee collections decreased after SSA increased fees in July 2023.

About \$14 Million in User Fees Is Needed Annually to Meet Cost Recovery Goal for the Electronic Consent Based Social Security Number Verification Service



Source: GAO analysis of Social Security Administration data. | GAO-24-106770

SSA officials told GAO they did not plan to take significant steps to increase use of the service. Industry participants GAO interviewed cited several factors limiting their use, such as difficult-to-interpret verification results. SSA also had not established performance measures and goals for the service's use and benefit. SSA could better ensure the service achieves its intended purpose of reducing synthetic identity fraud by developing strategies and assessing tradeoffs for expanding its use and establishing related performance measures and goals.

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Abbreviations

CBSV	Consent Based Social Security Number Verification Service
FY	fiscal year
eCBSV	Electronic Consent Based Social Security Number Verification Service
IT	information technology
OMB	Office of Management and Budget
SSA	Social Security Administration
SSN	Social Security number
WBS	work breakdown structure

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September 10, 2024

Congressional Requesters

Synthetic identify fraud, which involves combining fictitious and real information to create new identities and commit fraud, is a growing concern among financial institutions, according to the Federal Reserve Bank of Boston.¹ According to the Department of the Treasury’s Financial Crimes Enforcement Network, financial institutions reported \$182 million in suspicious activity associated with synthetic identity fraud in 2021.² As the financial system has shifted to digital platforms, it has created new opportunities for synthetic identity fraud. In response, financial institutions have increasingly relied on electronic solutions to mitigate the growing incidence of synthetic identity fraud and comply with regulations.

In May 2018, Congress passed the Economic Growth, Regulatory Relief, and Consumer Protection Act. To combat synthetic identity fraud, the act directed the Social Security Administration (SSA) to modify or create a database allowing financial institutions and other permitted entities to electronically verify an individual’s Social Security number (SSN), date of birth, and name from SSA in real time.³ In June 2020, SSA launched the electronic Consent Based SSN Verification (eCBSV) service to meet these requirements.⁴ SSA charges users an annual fee to recover its development and operating costs, as required by the act. In July 2023, SSA increased user fees because of unrecovered costs and lower-than-expected participation.

However, some members of Congress and other stakeholders have raised questions about the level of industry participation in eCBSV, its financial viability, and its effectiveness in reducing synthetic identity fraud. In March 2024, SSA reported it had not recovered \$37 million of the \$62

¹Federal Reserve Bank of Boston, *Synthetic Identity Fraud in the U.S. Payment System: A Review of Causes and Contributing Factors* (Boston, MA: July 2019).

²U.S. Department of the Treasury, Financial Crimes Enforcement Network, *Financial Trends Analysis, Identity-Related Suspicious Activity: 2021 Threats and Trends* (Vienna, VA: Jan. 2024).

³Economic Growth, Regulatory Relief, and Consumer Protection Act, Pub. L. No. 115-174, § 215, 132 Stat. 1296, 1323 (2018) (codified at 42 U.S.C. § 405b).

⁴SSA refers to the electronic Consent Based SSN Verification service as “eCBSV” and “eCBSV service.” For the purposes of this report, we refer to the service as “eCBSV.”

million cost associated with developing and operating eCBSV through fiscal year (FY) 2023. Industry participants have also raised questions about the costs to develop eCBSV and the growing price to access the service.

You asked us to review SSA's efforts to implement and recover the cost of eCBSV. This report examines (1) how actual costs to develop and operate eCBSV compared to SSA's estimated costs and the extent to which its cost estimation process followed guidance and incorporated best practices, (2) the extent to which SSA's user-fee design has promoted cost recovery, (3) SSA's communication on user fees and the extent to which it followed guidance and leading practices, and (4) factors affecting industry participation and the extent to which SSA has expanded the use and benefit of eCBSV.

To address our first objective, we reviewed data on SSA's eCBSV obligations from FY 2018 through FY 2023 and eCBSV cost estimates from FY 2018 through FY 2024.⁵ We analyzed documentation on SSA's process for developing cost estimates and interviewed agency officials to determine their methodology. We reviewed SSA's internal guidance on cost estimation procedures for IT investments and compared it against best practices we have identified in our prior work for cost estimating.⁶ We also compared SSA's process for estimating eCBSV's cost against its guidance and procedures for cost estimating. In addition, we reviewed SSA's IT investment procedures and interviewed SSA officials to determine whether the procedures include appropriate controls to meet federal internal control standards for designing control activities.⁷

To address our second objective, we analyzed SSA's cost recovery models and interviewed agency officials. We compared SSA data on actual and projected costs and user-fee collections from FY 2018 through

⁵We assessed the reliability of SSA's cost data by reviewing technical documentation and interviewing agency officials. We found the data to be sufficiently reliable for describing development and operating costs for eCBSV. SSA officials noted in February 2024 that they identified and corrected an error in accounting for indirect costs, which will result in an additional \$3.5 million in indirect cost from FY 2018 through FY 2023.

⁶GAO, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Program Costs*, [GAO-20-195G](#) (Washington, D.C.: Mar. 12, 2020).

⁷GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

FY 2023 to determine the status of cost recovery.⁸ We also reviewed SSA data on users, transactions, and subscriptions to identify potential cost recovery risks.⁹

To address our third objective, we interviewed agency officials and reviewed agency analysis of user fees, *Federal Register* notices, agendas from meetings between SSA and industry participants, and annual financial reports. We compared SSA's communication on eCBSV user fees against SSA and Office of Management and Budget guidance on user fees, as well as leading practices for user fees highlighted in our prior work.¹⁰

To address our fourth objective, we interviewed a nongeneralizable sample of 16 industry participants. We used SSA data to help ensure these participants represented a mix of permitted entities based on their eCBSV enrollment status (direct user, indirect user, or potential user), entity type (financial institution, national credit reporting companies, or service provider) and transaction volume.¹¹ In addition, we interviewed SSA officials and reviewed agency documentation and annual performance reports to identify recent efforts and performance goals related to expanding the use of eCBSV, as well as any limitations. We compared these efforts against eCBSV's legislative purpose to reduce the prevalence of synthetic identity fraud, as well as best practices for

⁸We assessed the reliability of SSA's eCBSV user-fee data by reviewing technical documentation and interviewing agency officials. We found the data to be sufficiently reliable for describing eCBSV user-fee collections.

⁹We assessed the reliability of SSA data on eCBSV users, transactions, and subscriptions by interviewing agency officials and electronically testing the data for obvious errors. We determined that the data were sufficiently reliable for describing use of the eCBSV service.

¹⁰Social Security Administration, *Authorizing and Accounting for Reimbursable Work* (Baltimore, MD: Sept. 25, 2023); Office of Management and Budget, *Circular No. A-25 Revised* (Washington, D.C.: July 8, 1993); and GAO, *Federal User Fees: A Design Guide*, [GAO-08-386SP](#) (Washington, D.C.: May 29, 2008).

¹¹To select the sample, we used SSA data on eCBSV users, transactions, pilot applicants, and users of a similar SSA verification service. We assessed the reliability of SSA data on eCBSV users and transactions by interviewing agency officials and electronically testing the data for obvious errors. We determined that the data were sufficiently reliable for selecting interview participants. We also assessed the reliability of SSA data on eCBSV pilot applicants and users of a similar SSA verification service by interviewing agency officials and found them to be sufficiently reliable for selecting interview participants. See app. I for more information on our sample selection.

managing and assessing the results of federal efforts.¹² See appendix I for more information on our scope and methodology.

We conducted this performance audit from April 2023 to September 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

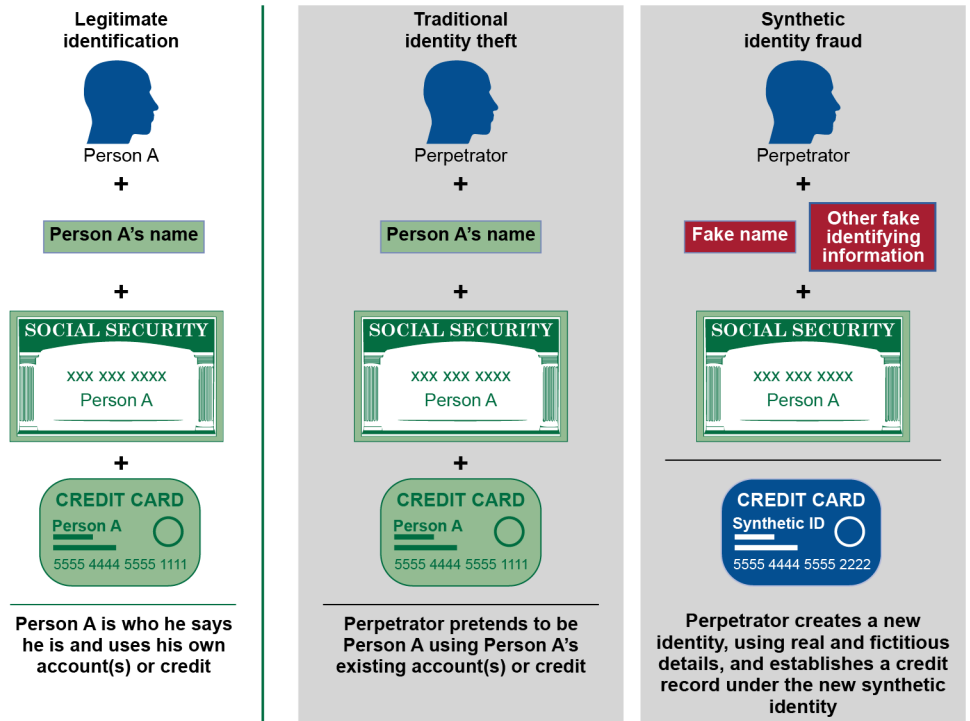
Background

Synthetic Identity Fraud

Synthetic identity fraud is a type of fraud that involves creating a fictional identity by combining real and fake personally identifiable information, such as an SSN, date of birth, and name. This fabricated identity is then used to defraud financial institutions, government agencies, individuals, or other entities. Unlike traditional identity fraud, which uses a real person's identity, synthetic identity fraud creates a new, fictional identity to commit fraud, such as applying for a credit account or other benefit (see fig. 1).

¹²42 U.S.C. § 405b(a) and GAO, *Evidence-Based Policymaking: Practices to Help Manage and Assess the Results of Federal Efforts*, [GAO-23-105460](#) (Washington, D.C.: July 12, 2023).

Figure 1: Synthetic Identity Fraud Compared to Traditional Identity Fraud



Source: GAO (icons). | GAO-24-106770

The frequency and impact of synthetic identity fraud has increased in recent years, according to the Federal Reserve Bank of Boston.¹³ The digital transformation of financial systems has created new opportunities to commit synthetic identity fraud. In addition, the growing number of data breaches compromising personally identifiable information has further enabled the creation of synthetic identities, according to the Financial Crimes Enforcement Network.¹⁴ The agency reported in January 2024 that financial institutions submitted about 3,000 suspicious activity reports for synthetic identities that amounted to \$182 million of potential fraud in 2021. However, this figure likely underestimates the true cost of synthetic

¹³Federal Reserve Bank of Boston, *Synthetic Identity Fraud in the U.S. Payment System: A Review of Causes and Contributing Factors*.

¹⁴Treasury, *Financial Trends Analysis*.

identity fraud as many cases may go undetected and be reported as a credit loss rather than fraud.¹⁵

Synthetic identities may be difficult for financial institutions to detect and can go unnoticed for years. For example, fraudsters may create a synthetic identity to open a credit card, make on-time payments to build a positive credit history, and gradually increase their credit limit. They may then accumulate large amounts of debt they never intend to repay. When the fraudster stops making payments, it is difficult for the financial institution to track them down, as they used a fictitious identity.

Identity Verification

Financial institutions are generally required to verify the identities of their customers when opening new accounts.¹⁶ For example, regulations intended to counter money laundering and terrorism financing require banks to verify the identity of any person seeking to open an account.¹⁷ To meet these verification requirements, certain financial institutions must collect a customer's name, date of birth, address, and identification number (generally an SSN). Financial institutions may use a variety of methods and sources to meet these requirements, including third-party data for certain transactions.

SSNs have become a common tool used by private businesses and government agencies to identify individuals and assess their legitimacy. SSA issues SSNs to all U.S. citizens and other eligible individuals to track their earnings and connect them with agency benefits, such as Social Security retirement benefits. The use of SSNs by federal agencies to identify individuals and determine their eligibility for benefits has grown since SSNs were introduced in 1935. Because SSNs are unique, their

¹⁵Estimates for losses from synthetic identity fraud have grown. In 2019, the Federal Reserve Bank of Boston reported that losses from synthetic identity fraud amounted to \$6 billion in 2016. In 2022 the Bank cited a study indicating that losses from synthetic identity fraud were estimated to be \$20 billion in 2020. Federal Reserve Bank of Boston, *Synthetic Identity Fraud in the U.S. Payment System* (Boston, MA: July 2019) and *A Victimless Crime? Hardly* (Boston, MA: Aug. 23, 2022).

¹⁶The Currency and Foreign Transactions Reporting Act of 1970, its amendments, and the other statutes relating to the subject matter of that Act, have come to be referred to as the Bank Secrecy Act. The term "financial institution" is defined broadly in the Bank Secrecy Act to include a wide array of entities. See 31 U.S.C. § 5312(a)(2), (c)(1); see also 31 C.F.R. § 1010.100(t) (defining "financial institution" for purposes of the regulations implementing the Bank Secrecy Act).

¹⁷31 C.F.R. § 1020.220(a)(2)(i).

use by financial institutions to verify customers' identifying information has also grown.

Electronic Consent Based Social Security Number Verification Service

In 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act required SSA to modify its verification services to allow financial institutions to verify whether an individual's SSN, date of birth, and name matches SSA's records after obtaining the individual's consent electronically.¹⁸ The act required the service to provide real-time, computer-based matching results and be scalable to accommodate reasonably anticipated transaction volumes with commercially reasonable connection times and availability.

To comply with these requirements, in 2019, SSA's Office of Data Exchange and International Agreements began developing a new verification service, known as eCBSV. SSA began accepting applications for a pilot limited to 10 users in July 2019 and launched the service to pilot participants in June 2020. In February 2022, SSA opened enrollment of eCBSV to all permitted entities, which the authorizing legislation defined as financial institutions, service providers, subsidiaries, affiliates, agents, subcontractors, or assignees of a financial institution.¹⁹

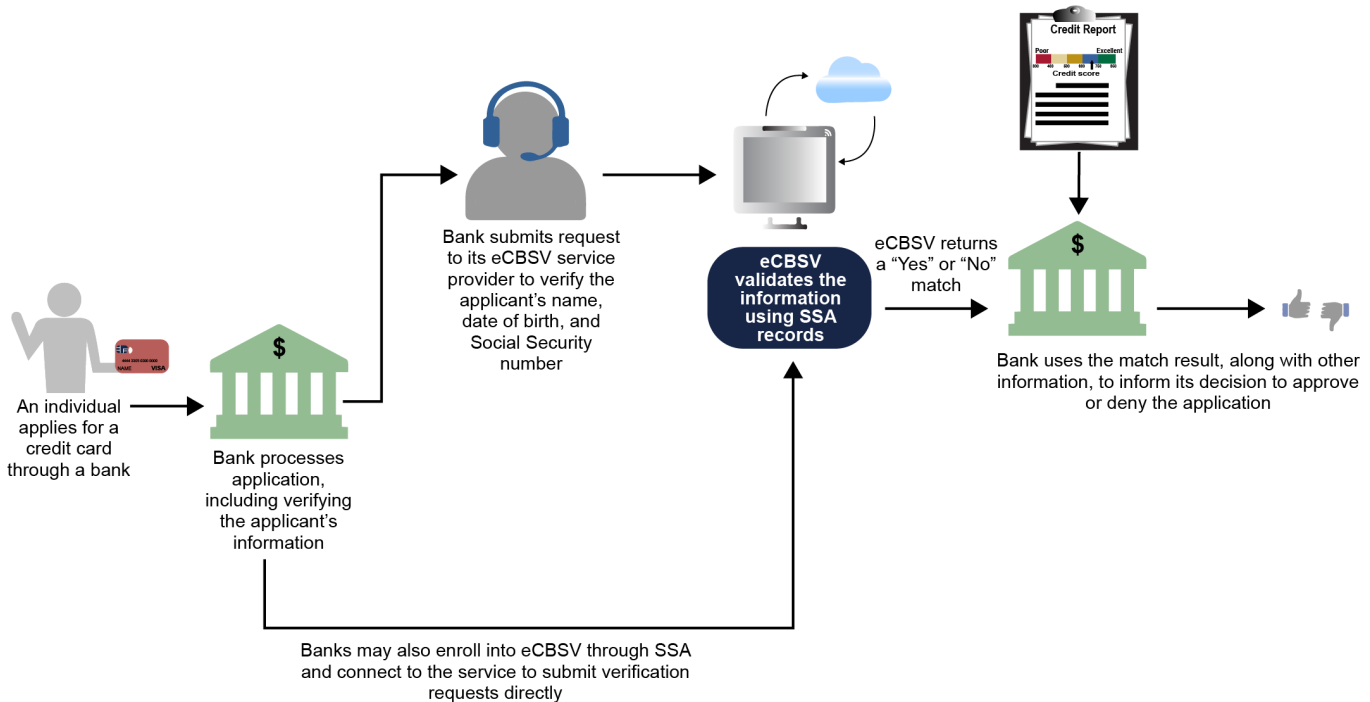
eCBSV is a computer connection system that allows computer systems operated by permitted entities to send verification requests to SSA's computer systems and receive real-time matching results. Permitted entities must obtain an individual's written consent, which may be obtained electronically, and use the service for the authorized purposes to verify whether the combination of SSN, date of birth, and name matches SSA records. The results provide a single "Yes" or "No" indicating whether all the data elements match. The results also indicate if the individual is deceased for each requested SSN.

¹⁸Since 2002, SSA has also administered the Consent Based Social Security Verification Service (CBSV), a document-based verification service that requires the SSN holder's physical signature for consent and verification. Unlike eCBSV, SSA does not allow CBSV users to submit electronic signatures for consent.

¹⁹For the purposes of eCBSV, financial institution is defined as any institution the business of which is engaging in financial activities as described in section 4(k) of the Bank Holding Company Act of 1956 (codified at 12 U.S.C. § 1843(k)). 15 U.S.C. § 6809(3)(A). Activities that are financial in nature include any activity that the Board of Governors of the Federal Reserve System has determined as of the date of enactment of the Gramm-Leach-Bliley Act to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. 12 U.S.C. § 1843(k)(4)(F).

Financial institutions can access eCBSV directly by paying a fee to SSA or through a third-party service provider that directly pays SSA for access to the service. For example, a financial institution that issues credit cards may use a service provider that pays for access to eCBSV to check if the identifying information of an applicant matches SSA's records. The financial institution could then use the results in conjunction with other information to accept or decline the application (see fig. 2).

Figure 2: Example of Social Security Number Verification through the Electronic Consent Based Social Security Number Verification Service (eCBSV)



Source: GAO analysis of Social Security Administration (SSA) documentation; GAO (icons). | GAO-24-106770

The Economic Growth, Regulatory Relief, and Consumer Protection Act requires SSA to fully recover its costs to develop and operate eCBSV from participating entities.²⁰ In addition, the act did not allow the agency to begin developing the verification system until it determined that it had collected at least 50 percent of the program's startup costs.²¹ The act provides the SSA Commissioner with authority to set and periodically

²⁰42 U.S.C. § 405b(h)(1)(A).

²¹42 U.S.C. § 405b(h)(2).

adjust user fees to ensure collections are sufficient to fully offset the cost of administering the service.²²

SSA Cost Estimation Has Not Consistently Followed Best Practices or Agency Guidance

SSA Reported Cost of \$62 Million for eCBSV from FY 2018 through FY 2023 and Exceeded Initial Estimates

Costs to develop and operate eCBSV since FY 2018 have exceeded initial estimates, which SSA officials attributed to technical challenges, expansion of use, and unforeseen expenses. SSA data show it incurred about \$62 million in costs to develop and operate eCBSV from FY 2018 through FY 2023.²³ To develop and implement the service, SSA built three new systems using internal resources and external contract support for IT development:

- **Enterprise Authentication and Authorization of Entities and Affiliates** is an online registration and authentication service that provides registration, authentication, and authorization of financial institutions and other permitted entities. Entities provide company information and, upon successful registration, are authorized to proceed with connecting to the eCBSV's enrollment and verification systems.
- **eCBSV Customer Connection** is an automated workflow tool to manage the enrollment, payments, and accounts of permitted entities. Entities use the system to sign a statement certifying that they are a permitted entity and enroll directly into eCBSV with minimal or no interaction with agency personnel.²⁴

²²42 U.S.C. § 405b(h)(1)(B).

²³Costs reflect SSA's obligations from FY 2018 through FY 2023. An obligation is a definite commitment that creates a legal liability of the government for the payment of goods and services.

²⁴When enrolling into eCBSV, entities provide a permitted entity certification through eCBSV's customer connection portal. We did not assess entities' self-certifications as part of our review. See app. I for more information on our scope and methodology.

- **eCBSV Verification Service** is a cloud-based, scalable data exchange system to support verification services specifically for eCBSV.

The development of these systems, along with tools for entity support, testing, and product troubleshooting, cost about \$30.8 million, or 50 percent of the service’s total costs through FY 2023, based on data SSA provided.²⁵ Development costs for these systems were highest from FY 2020 through FY 2021 as SSA implemented the program’s pilot phase. Payroll for SSA personnel who work on eCBSV cost \$12 million, or about 19 percent of total costs through FY 2023, according to the data (see table 1).

Table 1: Costs Incurred for Electronic Consent Based Social Security Number Verification Service (eCBSV), Fiscal Years 2018–2023 (\$ in millions)

	2018	2019	2020	2021	2022	2023	Total
Data exchange system ^a	\$2.5	\$3.7	\$5.7	\$5	\$2.4	\$1	\$20.2
Payroll	-	\$2.2	\$4.1	\$2.8	\$2.1	\$0.7	\$12
Authentication and enrollment systems ^b	-	\$3.1	\$4.2	\$3.3	\$0.09	-	\$10.6
Network	-	-	\$2.2	\$0.5	\$0.4	\$0.4	\$3.6
Subscription and licenses	-	-	\$0.9	\$1.5	\$0.8	\$0.7	\$3.8
Indirect costs ^c	-	\$0.7	\$0.8	\$0.7	\$0.4	\$0.2	\$2.8
Additional indirect costs	-	-	-	-	-	-	\$3.5^d
Network usage	-	-	\$0.3	\$0.5	\$0.6	\$0.6	\$2
Hardware	-	-	\$0.9	\$0.2	\$0.1	\$0.2	\$1.5
Audit contracts	-	-	-	\$0.04	\$0.7	\$1	\$1.8
Total^e	\$2.5	\$9.7	\$19.1	\$14.5	\$7.7	\$4.8	\$62

Source: GAO analysis of Social Security Administration (SSA) data. | GAO-24-106770

Note: Costs reflect SSA’s obligations from FY 2018 through FY 2023. An obligation is a definite commitment that creates a legal liability of the government for the payment of goods and services.

^aCosts for the data exchange system are for the development and operation of eCBSV’s verification service.

^bCosts for the authentication system include those for the development and operation of two systems: Enterprise Authentication and Authorization of Entities and Affiliates and Customer Connection.

^cIndirect costs include expenses for SSA personnel and related costs incurred by all agency components separate from those who work directly on developing and operating eCBSV or working with permitted entities.

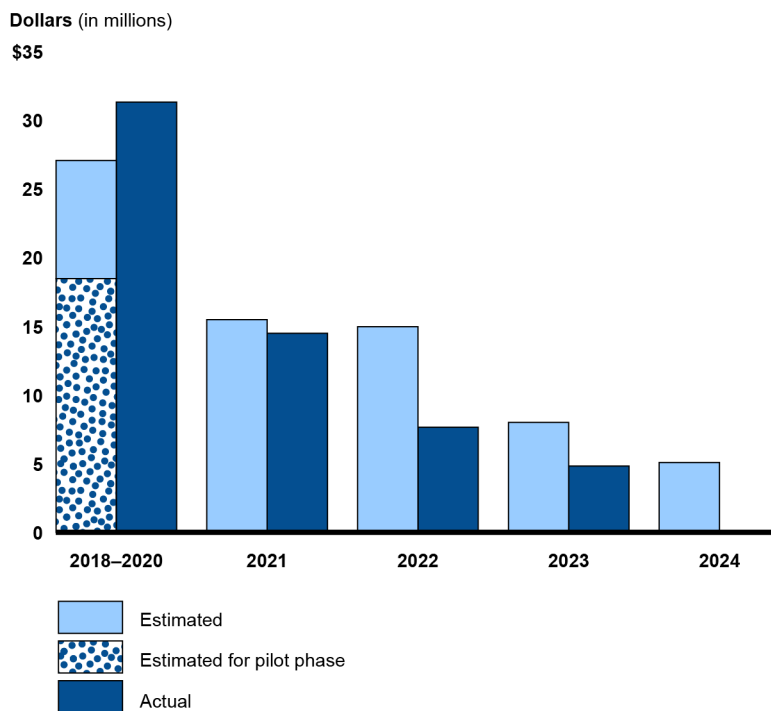
²⁵We categorized development costs as those incurred from FY 2018 through FY 2021 (prior to eCBSV’s open enrollment) and operating costs as those incurred from FY 2022 through FY 2023 (after open enrollment). SSA did not provide data categorized by development and operating costs.

^dData SSA provided to us in January 2024 included a total of \$2.8 million in indirect costs for FY 2018 through FY 2023. In February 2024, SSA officials told us they discovered an error in the calculations for indirect costs, which identified an additional \$3.5 million from FY 2018 through FY 2023. SSA did not provide an annual distribution of the additional indirect costs.

^eTotals do not equal the sum of the underlying values we report because of rounding.

According to agency estimates and cost data we reviewed, SSA underestimated startup costs for eCBSV and overestimated remaining costs for development and operation in more recent years. SSA initially estimated costs for eCBSV at about \$27 million. This included \$18.5 million to develop the service for the launch of its pilot phase in June 2020 and \$8.6 million in remaining costs through FY 2020. However, actual costs for developing the pilot and first year of operation from FY 2018 through FY 2020 totaled about \$31.3 million—a \$4.3 million underestimation, based on SSA data we reviewed. From FY 2021 through FY 2023, SSA developed annual cost estimates that overestimated actual costs by between \$1 million and \$7 million annually (see fig. 3).

Figure 3: Actual and Estimated Costs for the Electronic Consent Based Social Security Number Verification Service, Fiscal Years 2018–2024 (\$ in millions).



Source: GAO analysis of Social Security Administration (SSA) data. | GAO-24-106770

Note: We grouped actual costs for fiscal year (FY) 2018 through FY 2020 (\$31.3 million) because SSA's cost estimate to implement the service's pilot (\$18.5 million) combined those years. Actual costs for FY 2024 were not available at the time of our reporting. Costs reflect SSA's obligations from FY 2018 through FY 2023 as of January 29, 2024. An obligation is a definite commitment that creates a legal liability of the government for the payment of goods and services.

According to agency officials, costs to develop and implement eCBSV were higher than initial estimates for several reasons:

- **Unexpected delays and complexity.** Most of the cost increases during development were the result of delays in developing authentication and enrollment systems for the Enterprise Authentication and Authorization of Entities and Affiliates system. SSA encountered unexpected delays and complexity implementing the technical requirements for authenticating permitted entities, according to SSA officials. SSA also experienced delays in onboarding permitted entities, which took several months and increased costs. Participation by these entities was needed to gather data and feedback before expanding the service for wider use, according to officials.
- **Expansion of use.** SSA experienced cost increases expanding the service to allow enrolled entities to act as service providers, according to officials. In June 2021, SSA opened eCBSV enrollment to entities beyond those that participated in the pilot phase. During this expanded rollout, SSA allowed enrolled entities to offer services for verification requests to other permitted entities not directly enrolled in eCBSV through SSA. Officials noted that scaling the service to allow for more entities resulted in increased costs.
- **Unaccounted expenses.** SSA did not initially account for the contract to conduct audits of enrolled entities.²⁶ Additionally, SSA did not account for the creation of a help desk to provide entities with technical support for using eCBSV. SSA officials told us they created the help desk in response to entities' requests for technical assistance after the initial estimate was developed.

Based on data we reviewed, overestimates were generally due to contractor costs and payroll for internal personnel who worked on developing and operating eCBSV. However, we could not pinpoint specific explanations for overestimates in recent years because SSA's documentation did not include sufficient detail. We discuss challenges

²⁶The Economic Growth, Regulatory Relief, and Consumer Protection Act allows SSA to conduct audits to ensure proper use by permitted entities of the database and deter fraud and misuse by permitted entities of the database. Economic Growth, Regulatory Relief, and Consumer Protection Act, Pub. L. No. 115-174, § 215, 132 Stat. 1296, 1324 (2018) (codified at 42 U.S.C. § 405b(g)).

with SSA's cost estimating process and documentation in more detail later in this report.

Agency Guidance on Estimating Costs for IT Investments Did Not Fully Incorporate Many Best Practices

SSA's guidance on developing cost estimates for IT investments and reimbursable agreements did not fully incorporate key steps and best practices for developing reliable estimates.²⁷ SSA officials told us there are two sets of policies and procedures for developing cost estimates that informed their cost estimation process for eCBSV: the Information Technology Investment Process and the Administrative Instructions Manual System.²⁸ These documents include guidance for managing various aspects of IT investments and reimbursable services, including policies and procedures for cost estimation. We assessed this guidance against our *Cost Estimating and Assessment Guide*.²⁹

GAO's *Cost Estimating and Assessment Guide* identifies a 12-step process for agencies to ensure that their cost estimating guidance, policies, and directives fully reflect industry and government standards for high-quality cost estimating (see fig. 4).³⁰ When these steps are incorporated into an agency's cost estimating guidance, projections should result in reliable and valid cost estimates that management can use to make informed investment decisions. A reliable cost estimate is critical to the success of any IT investment, such as eCBSV.

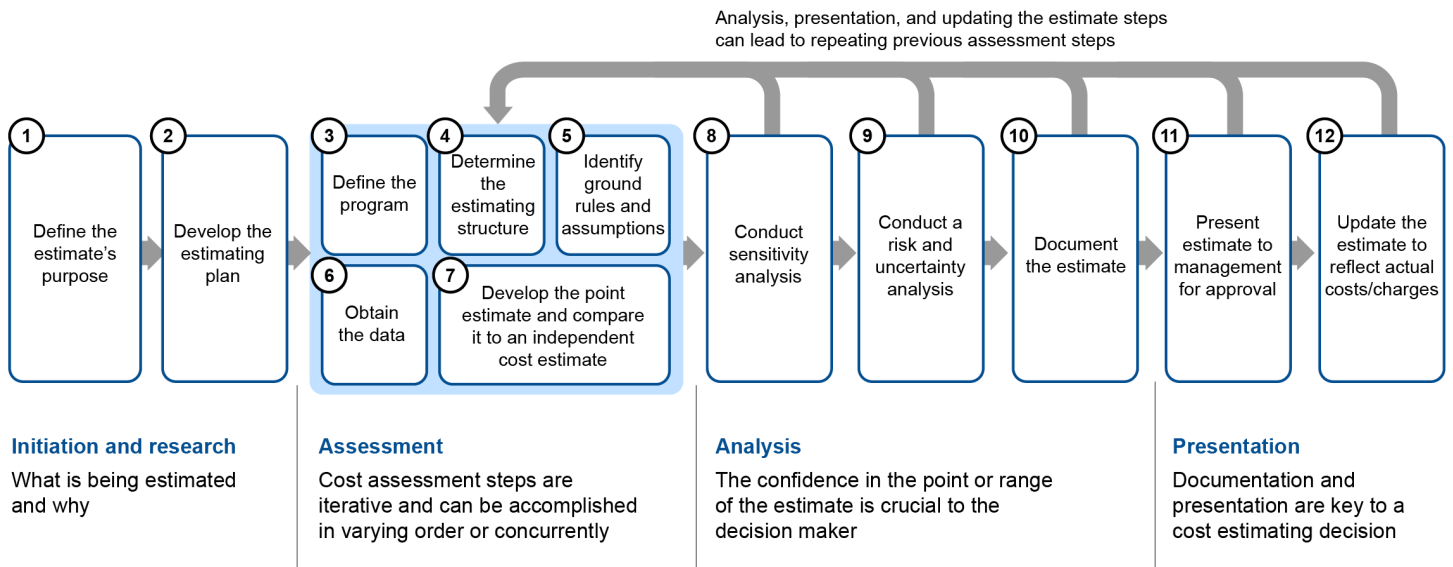
²⁷A reimbursable agreement is a contract between SSA and another entity that sets the terms and conditions under which SSA agrees to provide services for which it will be reimbursed for its full cost, as estimated by SSA.

²⁸Social Security Administration, *Information Technology Investment Process Plan Guide* (Baltimore, MD: Nov. 29, 2022) and *Administrative Instructions Manual System*, FMM 05.02 (Baltimore, MD: Sept. 25, 2023).

²⁹[GAO-20-195G](#).

³⁰See app. II for further information on the 12 steps for developing a reliable cost estimate and our assessment of SSA's guidance.













Figure 4: GAO’s 12 Steps for Developing a Reliable Cost Estimate



Source: GAO. | GAO-24-106770

SSA’s cost estimation guidance did not fully incorporate all 12 steps of a reliable cost estimating process. Specifically, we determined the guidance fully met one of the 12, substantially met one of the 12, partially met three of the 12, and minimally met seven of the 12 steps of a reliable cost estimating process (see fig. 5).

Figure 5: Summary of GAO’s Assessment of SSA’s Cost Estimation Guidance

Steps	Assessment of SSA guidance
1. Define the estimate’s purpose	Substantially met 
2. Develop the estimating plan	Minimally met 
3. Define the program	Met 
4. Determine the estimating structure	Partially met 
5. Identify ground rules and assumptions	Minimally met 
6. Obtain the data	Minimally met 
7. Develop the point estimate	Partially met 
8. Conduct a sensitivity analysis	Minimally met 
9. Conduct a risk and uncertainty analysis	Minimally met 
10. Document the estimate	Minimally met 
11. Present the estimate to management for approval	Minimally met 
12. Update the estimate to reflect actual costs and changes	Partially met 

Source: GAO analysis of Social Security Administration (SSA) documentation. | GAO-24-106770

For example, SSA’s guidance met the step for defining the program (step 3) with detailed documentation for the program’s description, technical feasibility, and a high-level implementation roadmap. In comparison, the guidance partially met the step for developing the point estimate (step 7), which includes developing the cost model and spreading costs in the years they are expected to occur based on the program’s schedule. SSA’s guidance includes an estimate calculator with a template for creating the point estimate but does not include information on the methodologies and underlying data required.

Additionally, SSA’s guidance minimally met the step for conducting a sensitivity analysis (step 8), which is used to identify a range of possible costs based on varying major assumptions and parameters. Performing a sensitivity analysis enables agencies to highlight useful information for elements that are cost-sensitive and perform further research to understand potential cost impacts. While SSA guidance requires the provision of data that could be used to develop a sensitivity analysis, it does not specifically require staff to do so.

As we highlighted in our prior work, management needs reliable estimates to make informed decisions on IT investments. For example, including specific requirements for documenting the estimate can make the process more transparent, helping management understand risks and tradeoffs. It can also improve oversight of agency spending. In the case of eCBSV, incomplete documentation on cost estimates hindered the ability to compare actual and estimated costs in detail. By incorporating all 12 steps and best practices we have identified in our prior work into its cost estimation guidance, SSA could better ensure the reliability and validity of cost estimates for future IT investments.

SSA Did Not Follow Agency Guidance When Estimating Costs for eCBSV

SSA did not follow key aspects of IT investment guidance when estimating costs for eCBSV. SSA requires all IT investments that use systems or contractor resources to go through the Information Technology Investment Process to develop a proposal for funding approval.³¹ Under that process, teams are to document the investment's risks and complete an estimating calculator and cost-benefit analysis. According to the guidance, IT investment proposals also are to be signed-off by an executive sponsor and approved by the agency's Information Technology Investment Review Board.³²

SSA did not develop an IT investment proposal specifically for eCBSV. In 2018, SSA completed an IT investment proposal for modernizing its agencywide data exchange process, known as the Enterprise Data Exchange Network. According to SSA officials, this proposal was separate from eCBSV but would help implement its requirements. However, the Enterprise Data Exchange Network did not provide support for the implementation of eCBSV because it was not built and its funding was shifted to eCBSV, according to officials. Our review of the proposal found that it did not include all the technical requirements needed to implement eCBSV, such as the customer authentication and enrollment system.

In August 2019, SSA developed cost estimates for the eCBSV pilot phase, which covered FY 2019 and FY 2020. SSA officials said they

³¹Social Security Administration, *Information Technology Investment Process Plan Guide*. SSA officials also provided us with the Administrative Instructions Manual System guidance, which is required for annual reimbursable agreements with other entities and not for multi-year projects, such as eCBSV.

³²SSA's Information Technology Investment Review Board is responsible for assessing, supporting, and making decisions for all IT investments, including those that originate from legislative mandates, such as eCBSV.

estimated administrative costs by requesting development and implementation estimates from relevant SSA offices and incorporating salary amounts. In addition, officials told us they estimated systems and operations expenses by soliciting information from relevant SSA offices each fiscal year. Officials calculated expenses based on overhead costs, systems and hardware projections, and costs for contractor support. Although SSA provided some documentation on its methodology for developing payroll estimates, the agency did not create detailed documentation we could review on the methodology for the entire cost estimate, such as for systems and contractor costs.³³

SSA officials responsible for eCBSV said they did not believe they were required to follow the Information Technology Investment Process. SSA officials stated that eCBSV did not qualify as an investment that would be subject to the Information Technology Investment Process, but they did not provide further detail or documentation to explain why it did not qualify. However, based on SSA guidance that we reviewed, IT investments that involve systems and contractor resources must receive approval through the proposal process. In addition, the guidance did not provide exemptions from the proposal process.

SSA officials also told us they did not follow the Information Technology Investment Process for eCBSV, including its cost estimation guidance, because they had an immediate need to implement eCBSV to comply with requirements in its authorizing legislation.³⁴ SSA officials said they began developing eCBSV under limited time constraints, which did not allow them to develop an investment proposal for funding approval.

We have highlighted in past work that cost estimates are integral to determining and communicating a realistic view of likely cost and schedule outcomes that can be used to plan the work necessary to develop, produce, operate, and maintain a program. Additionally, *Standards for Internal Control in the Federal Government* states that management should design control activities to achieve objectives and respond to risks.³⁵ By not following the Information Technology

³³Officials also told us that initial payroll estimates were informed by basic cost estimation concepts in the Administrative Instructions Manual System guidance but did not follow this guidance for the full estimate.

³⁴The authorizing legislation for eCBSV did not include a requirement related to the timing of its development and implementation.

³⁵[GAO-14-704G](#).

Investment Process, eCBSV was developed without robust cost estimation documentation. Further, the ability to assess its process for estimating development costs is limited. Without appropriate controls to ensure that all significant IT investments follow the Information Technology Investment Process, SSA investments in the future may not receive appropriate cost estimation.³⁶

SSA Has Not Recovered a Majority of Costs and May Face Further Challenges

About \$37 Million in Costs Remains Unrecovered through FY 2023 Despite Fee Increases

SSA has not recovered a majority of its development and operating costs for eCBSV, despite significantly increasing user fees after the service began open enrollment. Through FY 2023, the agency had collected \$24.7 million in user fees—\$37.3 million less than total costs from FY 2018 through FY 2023 (\$62 million), based on SSA data. SSA has revised its cost recovery period and goal multiple times to account for its increasing unreimbursed costs that stem from lower-than-expected industry participation.

Increased Annual User Fees

SSA charges eCBSV's direct users a fee based on the volume of their verification requests to recover program costs. According to SSA officials and analysis we reviewed, SSA determines fee collection requirements by first setting a recovery period and fiscal-year goal for fully recovering startup costs. SSA then projects ongoing costs, generally based on operating expenses. Based on these two factors, it determines the total fee collections needed each fiscal year for the service to recoup startup and ongoing costs by the end of the recovery period. SSA then projects the number of direct users and analyzes transaction patterns to develop the fee-tier schedule and pricing that is designed to meet the total fee collection needs.

³⁶In September 2022, the SSA Office of Inspector General reviewed SSA's guidance and concluded that SSA should ensure that all agency IT investments follow the Information Technology Investment Process to develop a proposal for funding approval. Social Security Administration Office of the Inspector General, *The Social Security Administration's Information Technology Investment Process*, A-14-18-50437 (Baltimore, MD: Sept. 2022).

SSA officials told us they have adopted the approach of recovering all program costs by the end of a fixed period for two reasons. First, they want to manage the risk that costs will not fully be recovered before the funds are cancelled.³⁷ Second, they do not consider eCBSV to be part of the agency's mission and want to limit the use of agency funds for non-mission work.³⁸

SSA first published a one-time fee-tier schedule in June 2019 that was intended to collect half of eCBSV's estimated startup costs (\$9.2 million of the estimated \$18.4 million), as required by law.³⁹ SSA applied this fee-tier schedule to direct users in the pilot and collected \$10.1 million in FY 2020. SSA subsequently introduced an annual fee-tier schedule in December 2019 that was intended to recover the remaining development costs over the next 3 fiscal years (2021 through 2023).⁴⁰

SSA has increased the annual fee schedule and shifted the 3-year recovery period twice since December 2019 because it has not met its

³⁷SSA chose to temporarily obligate its annual appropriations for the development and operation of eCBSV. SSA officials told us the agency has authority to temporarily obligate its annual appropriations to carryout eCBSV. See 42 U.S.C. 405b(h)(1). Agencies are required by law to close such fixed-year appropriation accounts at the end of the fifth fiscal year after the last fiscal year of availability. Funds that remain in a closed account are cancelled and must be returned to Treasury. See 31 U.S.C. § 1552. eCBSV's authorizing legislation provided SSA with authority to use appropriations designated for IT modernization to carry out the development of eCBSV. See 42 U.S.C. 405b(h)(3). According to agency officials, SSA received a total of \$415 million in funding for IT modernization from 2018 through 2021 that can be used without the fiscal year limitation that applies to its annual appropriations. See Pub. L. No. 115-141, 132 Stat. 761; Pub. L. No. 115-245, 132 Stat. 3115; Pub. L. No. 116-94, 133 Stat. 2604; Pub. L. No. 116-260 134 Stat. 1619. Cost recovery for such funds would not have been bound by the account expiration and closing time frames that apply to fixed-year appropriations. SSA officials told us they did not use IT modernization appropriations to develop eCBSV because the service was designed as a long-term program and required a more dependable funding source.

³⁸SSA officials told us they define mission-related work based on The Social Security Act of 1935 and the agency's annual appropriations. The Social Security Act of 1935 authorized several social welfare programs, such as Federal Old-Age, Survivors, and Disability Insurance Benefits. SSA's annual appropriation makes funds available to administer these programs. According to the officials, eCBSV is not a mission-related program because it is not one of these programs, and because eCBSV's authorizing legislation requires it to be fully funded by its users.

³⁹84 Fed. Reg. 26,712 (June 7, 2019), and 42 U.S.C. § 405b(h).

⁴⁰SSA initially set a 3-year recovery period with the goal of fully recovering costs by the end of FY 2023. 84 Fed. Reg. 66,704 (Dec. 5, 2019). In March 2024, SSA revised its cost recovery period to 4 years with a goal to fully recover costs by the end of FY 2027. 89 Fed. Reg. 18,471 (Mar. 13, 2024).

cost recovery goals.⁴¹ The fee-tier schedule range increased from \$400–\$860,000 to \$7,000–\$8.25 million from December 2019 to July 2023.⁴² In March 2024, SSA announced it would maintain its fee-tier schedule for FY 2024 and shift its cost recovery period and goal for a third time, to FY 2024 through FY 2027.⁴³ SSA also reported total costs of \$62 million through FY 2023 and revised its projections to 20 direct users and 52 million verification requests (see table 2).

Table 2: User-Fee Notices for the Electronic Consent Based Social Security Number Verification Service, 2019–2024.

Date effective	Annual fee range ^a	Total cumulative cost reported (millions)	Cost recovery period and goal	Projected direct users	Projected verifications (millions)
December 2019	\$400–\$860,000	\$45	3 years (2021–2023)	123	1,100
April 2022	\$400–\$7,500,000	\$50	3 years (2022–2024)	45	280
July 2023	\$7,000–\$8,250,000	\$53	3 years (2023–2025)	20	65
March 2024	\$7,000–\$8,250,000	\$62	4 years (2024–2027)	20	52

Source: GAO analysis of *Federal Register* notices. | GAO-24-106770

^aThe range of annual fees is based on a direct user’s estimated volume of verification requests.

To increase fee collections, SSA has modified the fee-tier schedule to generally increase the price per verification request. As shown in table 3, a direct user that subscribed to make 7,000 verifications would have experienced a 131 percent increase in fees from 2019 to 2023 (\$3,030 to \$7,000). In comparison, a direct user that subscribed to make 7 million verifications would have experienced a 1,527 percent increase (\$276,500 to \$4,500,000).

Table 3: Change in the Annual Fee for Various Transaction Scenarios on the Electronic Consent Based Social Security Number Verification Service, 2019–2023

Annual transactions	December 2019		July 2023		Percentage change, 2019–2023
	Fee	Fee per transaction	Fee	Fee per transaction	
700	\$400	\$0.57	\$7,000	\$10.00	1,650%
7,000	\$3,030	\$0.43	\$7,000	\$1.00	131%

⁴¹87 Fed. Reg. 2,475 (Jan. 14, 2022) and 88 Fed. Reg. 29,959 (May 9, 2023).

⁴²The range is based on a direct user’s estimated volume of verification requests.

⁴³In April 2024, SSA increased the limit on the highest fee tier from 75 million to 200 million transactions based on feedback from direct users. 89 Fed. Reg. 27,473 (Apr. 17, 2024).

Annual transactions	December 2019		July 2023		Percentage change, 2019–2023
	Fee	Fee per transaction	Fee	Fee per transaction	
70,000	\$14,300	\$0.20	\$130,000	\$1.86	809%
700,000	\$276,500	\$0.40	\$630,000	\$0.90	128%
7,000,000	\$276,500	\$0.04	\$4,500,000	\$0.64	1,527%
70,000,000	\$860,000	\$0.01	\$8,250,000	\$0.12	859%

Source: GAO analysis of *Federal Register* notices. | GAO-24-106770

Challenges Estimating Fee Collections

Fee collections have not met SSA’s projections because the number of direct users has been lower than expected. As discussed, SSA calculates user fees based on its projection of the number of direct users, which the agency previously based on applications received during eCBSV’s pilot phase. However, as shown in table 2, SSA has lowered its projections of the number of direct users and verifications several times to reflect actual use. In November 2020, SSA projected that eCBSV would have 123 direct users that made 1.1 billion transactions in FY 2021. In comparison, through FY 2023, the service had 25 direct users that made 76.8 million transactions annually.

Because of these initial misestimations, SSA’s cost recovery model was not calibrated to accurately determine total fee collection requirements or effectively structure user-fee tiers and pricing to enable SSA to fully recover eCBSV’s costs in its first few years. Consequently, unreimbursed costs grew and totaled about \$37.3 million through FY 2023.

SSA officials told us they could not explain why participation in eCBSV has not met their initial projections based on industry applications. According to SSA data we analyzed, most entities (77 percent) that applied for the pilot phase had not enrolled to use eCBSV in FY 2023.⁴⁴ In May 2021, SSA conducted a risk analysis as part of its annual user-fee review. The analysis found that increasing user fees could have led financial institutions to opt for indirect access to the service instead of paying a fee directly to SSA.

Indeed, SSA data we reviewed indicate that financial institutions have largely chosen indirect access to eCBSV through service providers. Nineteen of the 22 direct users that started or renewed an eCBSV subscription in FY 2023 were service providers or national credit reporting

⁴⁴About 12 percent of the 124 pilot applicants used the service directly and 11 percent used it indirectly through a service provider.

companies that provide fraud protection services to financial institutions.⁴⁵ Based on our analysis of SSA's data, these direct users submitted transactions on behalf of about 946 financial institutions (indirect users) in FY 2023. In addition, we found that about 87 percent of the 76.8 million transactions in FY 2023 were submitted on behalf of indirect users.

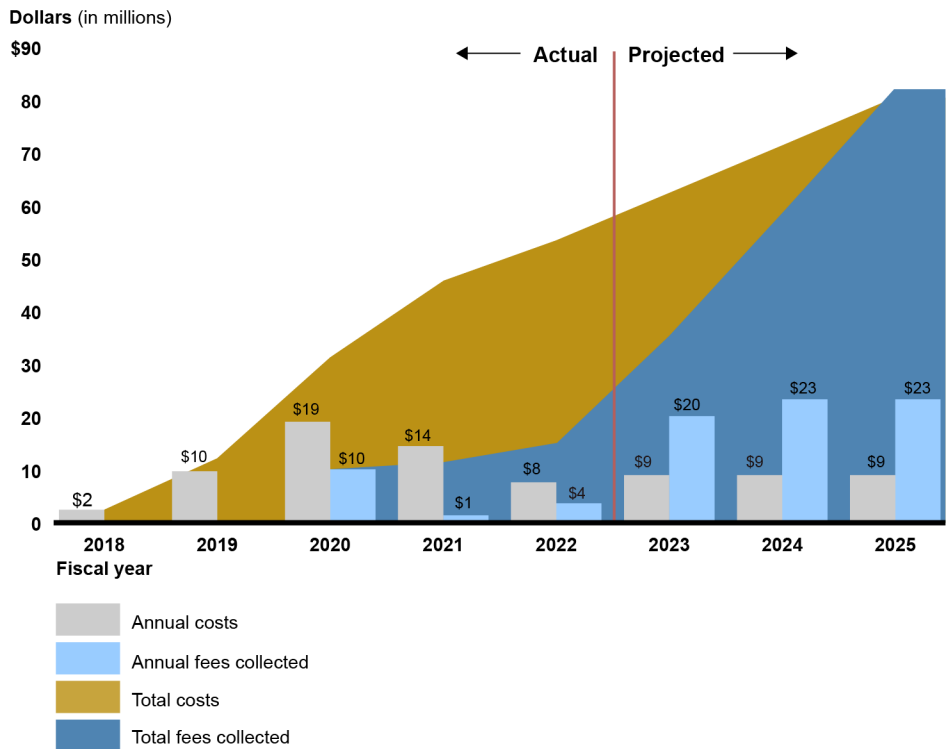
The July 2023 user-fee increase has promoted quicker cost recovery, but collections have continued to fall short of SSA's projections. In FY 2023, the agency collected \$9.5 million through eCBSV user fees. That amount was an increase from the \$3.7 million collected in FY 2022. But it was \$10.7 million less than the \$20.2 million projected in the cost recovery model used to develop the fee increase, based on agency data we reviewed. According to SSA officials, user-fee collections in FY 2023 were less than projected due to a delay of several months in publishing a notice about the fee increase in the *Federal Register*. The delay allowed some direct users to renew their subscriptions at a lower price than SSA projected.

SSA May Experience Challenges Meeting Its Cost Recovery Goal

SSA will experience challenges meeting its cost recovery goal without an increase in fee collections or users in the coming years. SSA recently revised its cost recovery goal because of its shortfall in fee collections. SSA's prior cost recovery model, used to design the July 2023 fee increase, required the agency to collect \$23.3 million annually in FY 2024 and FY 2025—compared to the \$9.5 million it collected in FY 2023. The model was designed to fully recover all costs by the end of FY 2025 (see fig. 6).

⁴⁵The remaining three direct users were financial institutions.

Figure 6: Cost Recovery Model for the Electronic Consent Based Social Security Number Verification Service, July 2023



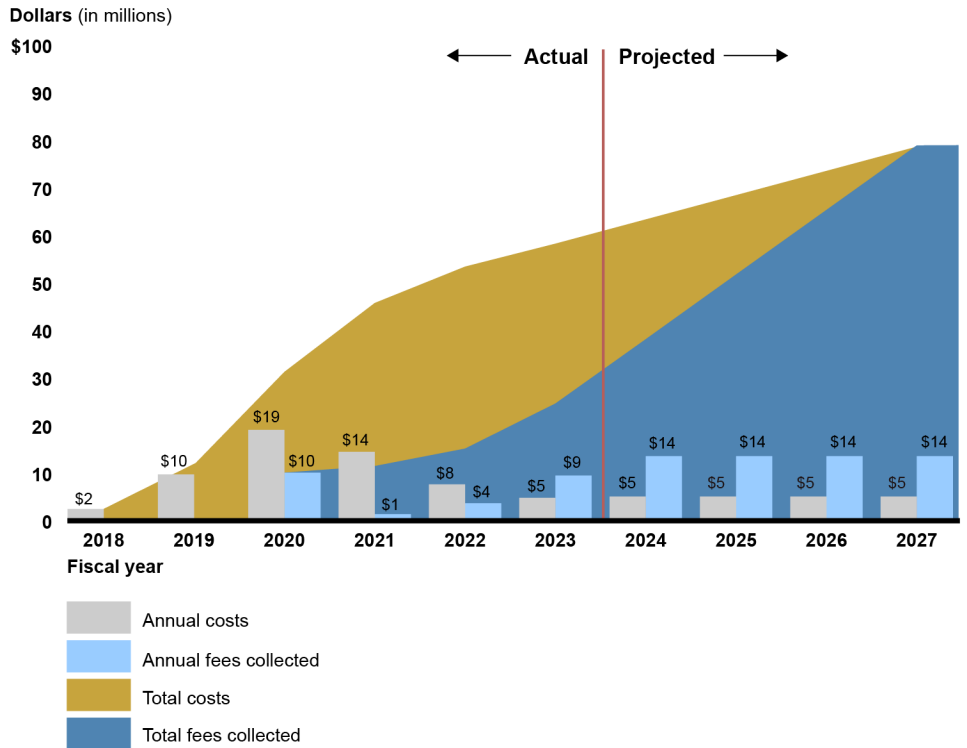
Source: GAO analysis of Social Security Administration data. | GAO-24-106770

SSA revised its cost recovery goal in March 2024 to fully recover all costs by the end of FY 2027. By extending its cost recovery goal, SSA has provided more time to fully recover all costs and lowered the annual fee collections needed to meet the goal. As shown in figure 7, the agency could meet its cost recovery goal if it collects about \$13.6 million annually from FY 2024 through FY 2027 (a 43 percent increase from the \$9.5 million collected in FY 2023), based on our analysis of SSA data.⁴⁶ According to SSA officials, they plan to lower user fees after they meet

⁴⁶Our analysis in this section is based on SSA's annual cost and fee collection data, which reflect a total cost of \$58.3 million and unreimbursed costs of \$33.6 million through FY 2023. In March 2024, SSA reported total costs of \$62 million and unrecovered costs of \$37 million through FY 2023. 89 Fed. Reg. 18,471, 18,474 (Mar. 13, 2024). SSA notified us in February 2024 that it identified an additional \$3.5 million in indirect costs that were not included in the annual data it provided. Our analysis assumes ongoing costs for operation and maintenance of \$5.1 million starting in FY 2024 based on SSA's projections.

their cost recovery goal because they would only need to recover annual operating expenses going forward.

Figure 7: Revised Cost Recovery Model for Electronic Consent Based Social Security Number Verification Service, March 2024



Source: GAO analysis of Social Security Administration data. | GAO-24-106770

However, it is unclear whether SSA will be able to meet its revised revenue needs, based on SSA data we reviewed. As discussed, SSA needs to increase annual fee collections to meet its current cost recovery goal. However, based on SSA subscription data we reviewed through December 2023, the number of eCBSV direct users has not increased significantly since the service opened enrollment in FY 2022. In addition, fee collections decreased from the year prior by about \$471,000 after SSA increased subscription fees in July 2023.

- Three direct users that were to renew their subscriptions cancelled them. To secure a lower price, one of these direct users cancelled its subscription and began a new subscription under a separate legal entity prior to the fee increase.

-
- Three other direct users renewed their subscriptions at lower transaction limits, which lowered their user fees.
 - Among the remaining three direct users we reviewed that were to renew their subscriptions after the July 2023 fee increase, two remained at the same transaction limit and one increased its limit.⁴⁷ This resulted in an increase in user fees for these users.

In addition, in February 2024, SSA notified us of an error it identified in how indirect costs to operate eCBSV are calculated that will increase cost recovery requirements. According to agency officials, the error has been resolved but resulted in an additional \$3.5 million from FY 2018 through FY 2023. It also increased indirect costs in FY 2024 and beyond that SSA will need to recover. These additional costs were not accounted for in the analysis SSA performed to develop the July 2023 fee increase. Officials told us the recently identified costs should not significantly affect the agency's ability to meet its FY 2027 recovery goal. They said they plan to evaluate in FY 2025 whether eCBSV is on track to meet its cost recovery goal based on FY 2024 fee collections.

SSA Has Not Reported Key eCBSV Fee Information or Adequately Sought Stakeholder Input

Annual Financial and Performance Reports Have Not Included Required Information on eCBSV User Fees

The Chief Financial Officers Act of 1990 requires agencies to review user fees every 2 years and make recommendations on revising them to reflect costs incurred to provide related services.⁴⁸ The Office of Management and Budget's (OMB) guidance to federal agencies on user fees and SSA's financial management policy implement these requirements. Both the guidance and the policy state that the results of

⁴⁷One permitted entity started a new subscription during this period at the lowest fee level (\$7,000).

⁴⁸Chief Financial Officers Act of 1990, Pub. L. No. 101-576, § 205(a), 104 Stat. 2838, 28424 (codified at 31 U.S.C. § 902(a)(8)).

user-fee reviews and proposed changes should be included in the agency's annual financial report.⁴⁹

SSA reviews eCBSV user fees each year to determine whether they should be adjusted, according to agency officials. We reviewed analysis SSA conducted to adjust user fees in FY 2022 and FY 2023. These analyses evaluated how annual fee collections needed to change to ensure full cost recovery by the end of certain fiscal years given recent and projected costs.

However, SSA has not reported on these reviews in its annual reports. SSA includes a section in its annual financial report that describes its agencywide biennial review of user fees. The agency financial report for FY 2023—the most recent at the time of our review—discussed user-fee collections and updates for some agency programs and services. But the report did not discuss eCBSV fee collections or proposed changes.

SSA officials told us they did not include this information in their annual reports because they believed they were not required to do so. The officials told us they focus on a different set of OMB guidance, which covers financial reporting.⁵⁰ That guidance allows agencies to publish user-fee review results in either annual financial reports or performance and accountability reports.⁵¹ SSA officials told us they focus on significant user fees in their annual financial report, such as the Supplemental Security Income user fee, as well as standard fees. SSA officials said they plan to evaluate including eCBSV user fees in future biennial user-fee reviews. In May 2024, OMB updated the financial reporting guidance to clarify that the results of required biennial user fee reviews should be included in the agency financial reports or the performance and accountability reports.⁵²

⁴⁹Office of Management and Budget, *Circular No. A-25 Revised*; and Social Security Administration, *Authorizing and Accounting for Reimbursable Work, Financial Management Manual 05.02*.

⁵⁰Office of Management and Budget, *Circular A-136, Financial Reporting Requirements* (Washington, D.C.: May 30, 2024).

⁵¹SSA does not publish a separate performance and accountability report. Its agency financial report was formerly known as a performance and accountability report.

⁵²The revised guidance states that chief financial officers are required to review on a biennial basis fees, royalties, rents, and other charges imposed by the agency for services and things of value it provides and to make recommendations on revising those charges.

By including in annual financial reports detailed information on its reviews of eCBSV user fees and proposed changes, SSA would help ensure compliance with statutory requirements and OMB guidance. Such reporting would also promote transparency in setting user fees, an issue discussed later in this report.

Notices of User-Fee Changes Have Not Included Detailed Information

SSA has not provided detailed explanations for its eCBSV fee increases in *Federal Register* notices. Our prior work on federal user fees has shown that transparent reporting enhances congressional and stakeholder oversight. This includes clearly outlining the methods used to determine fees, as well as providing an accounting of costs, fee collections, and the assumptions used to project future costs and fee collections.⁵³

SSA published notices in the *Federal Register* regarding significant fee increases in April 2022 and July 2023.⁵⁴ While the notices included some explanatory information, they generally lacked detailed explanations for the fee changes. For example, notice of the July 2023 fee increase included the number of users, total cost, amount of unreimbursed costs, and cost recovery period. In addition, the notices included a general statement that fees were based on forecasted systems and operational expenses, agency oversight, overhead, and audit contract costs.

However, the notices did not consistently include other information necessary for stakeholders to understand how the fees were set. This information includes projected future costs, fee collections, and assumptions used to project them. For example, the notices did not describe why the user fees were set to fully recover all costs within 3 years or what projected costs would be during that period. SSA officials told us the notices did not include this information because it was deemed beyond the scope of what is appropriate to include in a notice. According to the officials, *Federal Register* notices are intended to summarize or announce the most salient information about an issue. In addition, because SSA has authority to set and adjust eCBSV's user fees outside

⁵³[GAO-08-386SP](#).

⁵⁴87 Fed. Reg. 2,475 (Jan. 14, 2022) and 88 Fed. Reg. 29,959 (May 9, 2023).

of the regulatory process, it is not required to publish notices about fee changes in the *Federal Register* or include specific information in them.⁵⁵

As discussed later, representatives from seven of the 16 industry participants we interviewed said the user fees were unpredictable, and several expressed a desire for additional notice and information on fee changes. Representatives of one industry participant expressed confusion about what costs their user fees were funding, questioning why the service's cost was high relative to similar privately developed services. Representatives of another industry participant sought more information about SSA's cost recovery timeline, suggesting SSA was attempting to recover its costs too quickly.

We have previously reported on the importance of transparent processes for reviewing and updating user fees.⁵⁶ By providing detailed explanations of changes to eCBSV user fees, such as key model assumptions and projected future costs and fee collections, SSA would enhance trust and confidence that fee levels are set fairly and transparently. SSA could provide this information as part of future *Federal Register* notices or in other public notices.

Stakeholders Do Not Have an Opportunity to Provide Input on User-Fee Changes

SSA does not have a process for obtaining stakeholder input on updates to eCBSV user fees before their implementation. Our past work has highlighted the importance of communicating with stakeholders when designing user fees, including sharing information and analysis and soliciting input.⁵⁷

SSA has established various communication channels with stakeholders. According to agency officials and meeting agendas we reviewed, SSA has met periodically with direct users and an industry group to provide information on eCBSV and collect feedback. Meeting agendas indicate the agency met with direct users eight times in FY 2023 and included time to respond to questions. SSA officials also told us they notified the industry group by email in advance of the April 2022 and July 2023 fee increases. They said they consider comment letters the industry group

⁵⁵42 U.S.C. § 405b(h)(1)(B). For fees set through the regulatory process, agencies must publish general notices for proposed rulemaking in the *Federal Register*, include key information, and provide an opportunity for interested parties to comment. See 5 U.S.C. § 553(b), and (c).

⁵⁶[GAO-08-386SP](#).

⁵⁷[GAO-08-386SP](#).

sent in response when evaluating the fee changes. In addition, officials noted that SSA operates a support desk and maintains an email address that can be used to provide feedback on costs and fees.

However, SSA has not developed a process to solicit input from stakeholders on changes to eCBSV's fees prior to their implementation. The most recent eCBSV fee increase was published in a May 2023 *Federal Register* notice without the option for public comment.⁵⁸ It went into effect about 2 months later.

SSA officials told us they did not take steps to solicit feedback on the fee increase prior to its publication. Based on agendas and meeting notes we reviewed, SSA discussed the fee increase with direct permitted entities after the increase was published in the *Federal Register* in May 2023 and before it went into effect in July 2023. However, attendees did not ask questions or provide feedback. According to representatives of one industry participant, these meetings have limitations for providing meaningful feedback because they include competitors, so specific business or technical issues cannot be discussed.

SSA officials told us it was not necessary to seek public comment on the fee increase because they did not intend to alter the fee schedule based on public comment. In addition, SSA officials told us they have not solicited input on the user fees more recently because prior industry feedback was unreliable, which led to overestimations in the use of eCBSV and inaccurate and insufficient user fees.

We have previously reported that agencies that do not communicate effectively with stakeholders miss opportunities for meaningful feedback that could affect the outcome of changes in fees and program implementation.⁵⁹ By establishing a process for soliciting input on proposed changes to eCBSV's user fees, SSA could receive useful feedback, foster greater understanding and acceptance, and garner support from eCBSV users and other stakeholders. SSA could solicit such input through various mechanisms, such as advisory committees,

⁵⁸In March 2024, SSA published a notice in the *Federal Register* detailing several information collection efforts and announcing that it would maintain its current fee schedule for eCBSV in FY 2024. SSA solicited comments on the notice but clarified that it was soliciting comments only on the information collection efforts. 89 Fed. Reg. 18,471 (Mar. 13, 2024).

⁵⁹[GAO-08-386SP](#).

public comment periods, or leveraging existing communication channels.⁶⁰

SSA Has Taken Few Steps to Expand Use of eCBSV and Does Not Have Related Performance Measures and Goals

Industry Participants Identified User Fees, Matching Results, and Consent Requirements as Limiting Use of eCBSV

Several factors have limited the industry's use of eCBSV, according to industry participants we interviewed.⁶¹ Industry participants generally told us that eCBSV is a valuable resource because it is an authoritative source for validating identifying information. However, they also identified three key challenges that have limited eCBSV's enrollment and transactions: (1) relatively high and increasing user fees, (2) nonmatching results that can be challenging to interpret, and (3) consent requirements that are a disincentive for wider adoption.

High and Increasing User Fees

All but one of the 16 industry participants we interviewed discussed challenges related to user fees that have limited their participation in eCBSV:

- **Pricing structure does not incentivize more transactions.** Ten of the 16 industry participants said the pricing structure does not incentivize increased transaction volumes or new users. As discussed, eCBSV users pay a different price based on their transaction volume, and they must estimate their annual transaction volume and pay the associated fee up front. Users that exceed the limit must purchase a higher tier to continue using the service.

⁶⁰SSA has authority to set and adjust eCBSV's fees outside the regulatory process and is not required to engage in rulemaking or solicit public comments through the *Federal Register* on fee changes. 42 U.S.C. § 405b(h)(1)(B). We are not concluding that future changes to eCBSV's fees require the promulgation of a rule under the Administrative Procedure Act.

⁶¹We interviewed a selection of industry participants to identify factors that have affected participation in eCBSV. We selected a nongeneralizable sample of 16 industry participants composed of six direct users, five indirect users, and five nonusers (pilot applicants that did not enroll or users of CBSV, a similar SSA verification service). For more information on our methodology, see app. I.

Representatives of several industry participants told us this approach encourages them to limit their use of the service. They noted the transaction ranges in the fee tiers are wide, and the cost per transaction can be prohibitive for users that only need a portion of the tier they purchased. Representatives of one industry participant said that, while the cost per transaction decreases as transactions increase, it is not sufficient to encourage greater use.

- **Relatively high user fees decrease use.** Eight of the 16 industry participants said the user fees for eCBSV were relatively high and have or will lead to fewer transactions. For example, representatives of one industry participant said they did not enroll in eCBSV because the added value did not outweigh the high cost. Another representative told us the price for eCBSV is high relative to the amount of information it provides. They said alternative products for validating identifying information, such as credit reports, are available at about half the price.⁶² Representatives from several industry participants stated that, as user fees have risen, they have reduced their use of eCBSV to control costs—primarily limiting their use of eCBSV to higher risk customers, products, or services.
- **Unpredictable user fees hinder business operations.** Seven of the 16 industry participants said it has been challenging to incorporate eCBSV into their business operations due to unpredictable and frequently changing user fees. Several noted that this unpredictability makes it difficult for service providers to set prices, complete contracts with financial institutions, and manage budgets.⁶³ Representatives of two industry participants noted that such unpredictability in pricing is atypical in the financial services industry.

Industry participants we interviewed noted that various options could address these challenges, including a flat user fee per transaction, advanced notice of user-fee increases, or multiyear subscription options. SSA officials told us they were not considering significant changes to

⁶²For example, consumer reporting companies maintain header data, which are personally identifiable information aggregated from other sources, such as information reported by utility providers or self-reported by consumers when applying for a job or credit application. Credit reporting companies offer identity verification solutions that allow financial institutions to check customer information against these records.

⁶³For example, SSA announced an increase in eCBSV user fees in the *Federal Register* in May 2023 that went into effect about 2 months later in July 2023. 88 Fed. Reg. 29,959 (May 9, 2023).

eCBSV user fees. As discussed, in March 2024, SSA announced that it was maintaining its user-fee schedule for FY 2024.⁶⁴

Nonmatching Results

Ten of the 16 industry participants we interviewed stated that eCBSV's matching results have limitations that hinder its use:

- **Binary matching results limit usefulness of “No” responses.** As discussed, eCBSV provides users with either a “Yes” or “No” that the SSN, date of birth, and name all match SSA records.⁶⁵ Ten of the 16 industry participants said this binary matching result limited eCBSV's usefulness. A “No” response could indicate fraud, but it could also be the result of a data entry error or an alternative name or alias that does not match SSA's records. Representatives of one industry participant reported limiting their use of eCBSV because false-negative matching results could lead to denial of service to legitimate customers.
- **Nontransparent matching process further limits usefulness.** Five of the 16 industry participants said that a lack of information on how SSA performs matches has limited the usefulness of the service. This lack of transparency makes it challenging for financial institutions to justify their customer approval decisions to oversight bodies, such as bank examiners and boards, they said.

Industry participants we interviewed noted several options to address these challenges. These included providing users with matching results for each data element, offering reason codes for “No” responses, including indicators for the strength of a match, and providing more documentation on the matching process.

However, SSA officials expressed concerns that providing more granularity in eCBSV's matching results and more detailed information on the matching process could have unintended consequences, including the following:

- **Facilitate synthetic identity fraud.** SSA officials said that revealing additional information on how SSA performs matches could allow fraudsters to exploit the “fuzzy logic” used for some data elements to

⁶⁴89 Fed. Reg. 18,471 (Mar. 13, 2024).

⁶⁵The service also returns a death indicator if SSA's records show that the SSN holder is deceased. According to SSA, eCBSV does not prove or confirm an individual's identity.

adjust for common typographical errors across data sources.⁶⁶ This could allow the fraudster to manipulate the system and obtain a positive SSN verification match, even if the information provided is inaccurate or incomplete.

- **Increase improper disclosure risks.** SSA officials said that disclosing more granular match responses could increase the risk of improperly disclosing identifying information because the agency does not collect the SSN holder's consent or independently confirm their identity before completing a verification request.
- **Introduce subjectivity into decision-making.** By receiving separate match results for each data element (e.g., SSN, date of birth), financial institutions may develop their own policies for accepting customers, leading to inconsistent decisions across institutions. For example, one institution might accept a customer with a mismatched birthdate, while another might reject them, even if the mismatch is due to data entry error.⁶⁷
- **Require time and resources.** SSA officials said that providing more detailed matching results would necessitate updates to their consent requirements, which would require additional time and resources to implement. It would involve reaching consensus with OMB and industry stakeholders on the new consent language, amending the user agreement, obtaining newly signed agreements from users, updating the paper and electronic form SSA-89, and updating audit requirements.⁶⁸ It would also require financial institutions to update the consent language used in their business processes. SSA officials noted they would also need additional time and resources to ensure that participating entities have controls in place to ensure proper use and safeguarding of the granular information.
- **Lead to inconsistency across data exchanges.** SSA officials said that providing more detailed matching results for eCBSV could lead to inconsistencies across data exchanges, as they currently use the same matching logic and "Yes" or "No" results across more than

⁶⁶Fuzzy logic matching is the capability to search for derivatives of a word, related words, and misspelled words.

⁶⁷SSA's eCBSV user agreement states that the service does not authenticate the identity of the SSN holder or conclusively prove that the SSN holder is who they claim to be. It also prohibits permitted entities from advertising that eCBSV provides identity verification.

⁶⁸As compared to electronic consent, form SSA-89 is a paper-based form that SSN holders must complete to provide SSA with consent to a conduct a one-time SSN verification. The form is primarily used to authorize consent to a verification conducted through CBSV.

3,500 data exchanges. This could result in a significant increase in requests for similar detailed responses from other data exchange partners, which could be time consuming for SSA analysts.

SSA officials told us they were not planning to alter or provide information on their matching process. Instead, the agency has encouraged participating entities to improve the usefulness of matching results by advising applicants to verify that the information they supply on consent documents mirrors the information on their SSN cards or in their Social Security records.

Consent Requirements

Eight of the 16 industry participants we interviewed believed challenges implementing eCBSV's consent requirements have limited wider adoption of the service, noting the following:

- **Consent requirements can be difficult to integrate.** Seven of the 16 industry participants we interviewed stated the consent requirements discouraged greater use of eCBSV because they can be difficult to integrate into existing business processes and technologies. SSA requires permitted entities to obtain written consent from an SSN holder for each verification request using its SSA-89 form or its consent templates. These templates include specific language and must include the name of the financial institution, service provider, purpose, and time limit for conducting the verification.⁶⁹ Several industry participants stated it can be challenging to integrate these requirements into point-of-sale systems used by merchants to process credit card applications. One representative noted that completing the consent template can be challenging for some financial services, such as auto lending, where the financial institution requesting the verification is not typically known during the application process.
- **Consent requirements can negatively affect business.** Two industry participants said the consent requirements can have a negative effect on business, discouraging use of eCBSV. Financial institutions are hesitant to add requirements to the application process because it could deter customers from completing applications. One

⁶⁹The consent must include an electronic signature by the SSN holder consistent with the E-SIGN Act. Pub. L. No. 106-229, tit. I, § 106, 114 Stat. 464, 472 (codified at 15 U.S.C. § 7006). Examples of electronic signatures that are consistent with the E-SIGN Act include a typed name, a digital image of a handwritten signature, a shared secret (e.g., a PIN or password), a sound recording of a person's voice expressing consent, and clicking or checking an on-screen button (e.g., an "I Agree" button).

representative noted that interest in eCBSV among financial institutions declined after SSA established its consent requirements.

Three industry participants we interviewed said that providing more flexibility in the consent requirements could increase industry's use of eCBSV. Some of their representatives proposed options, such as allowing financial institutions to include the written consent language into existing credit application terms and conditions. SSA officials told us they considered industry comments during the service's development and made some adjustments. For example, SSA exempted permitted entities from including the SSN holder's name, SSN, and date of birth in the consent template. SSA also allowed permitted entities to refer to the purpose as "for this transaction" rather than specifying a particular purpose.

According to SSA officials, integrating the written consent requirement into a credit application's existing terms and conditions could prevent an SSN holder from providing informed consent for a verification.⁷⁰ To ensure informed consent, SSA's policy requires consent documentation to specify the information requested, followed by a legible signature and date from the SSN holder. According to the officials, informed consent is crucial for eCBSV verification because participation in the Social Security program is mandatory, and individuals cannot limit the information provided to or maintained by the agency. As a result, SSA officials said the agency has a policy of strict confidentiality of its records. Officials noted the agency developed its consent framework to balance the sensitivity of the information, individuals' expectations of confidentiality, and the interest in the disclosure.

SSA Has Taken Few Steps to Expand the Use of eCBSV and Does Not Have Related Performance Measures or Goals

SSA has taken few steps to expand the use and benefit of eCBSV and does not have related performance measures or goals. In 2023, SSA met with direct users eight times and with an industry group monthly to discuss the service and collect feedback. SSA also developed an agencywide communication plan in November 2023 that included plans to send an email to financial institutions to raise awareness of eCBSV. SSA officials told us in March 2024 they had not yet sent the email because they had not determined the correct audience, time frame, or content.

⁷⁰SSA officials noted that the agency's consent requirements for eCBSV are consistent with the Privacy Act of 1974, the Social Security Act of 1935, and SSA's privacy regulations. Pub. L. No. 93-579, 88 Stat. 1896,1897 (codified, as amended, at 5 U.S.C. § 522a), Pub. L. No. 74-271, 49 Stat. 620 (codified, as amended, at 42 U.S.C. § 1306), and 20 C.F.R. § 401.100.

SSA officials told us they were not considering any other changes to expand the use of eCBSV. For example, SSA officials said they are not considering expanding the list of entities that are permitted to use eCBSV, such as telecommunication providers, who could use the service to validate new customers' identities. The officials said they developed eCBSV to fulfill the requirements of the Economic Growth, Regulatory Relief, and Consumer Protection Act, which does not require SSA to grant access to non-permitted entities. Officials said that although SSA is authorized to provide SSN verifications with a number holder's written consent using eCBSV under several legal authorities, any decision to expand eligible users would require an analysis of improper disclosure risks. Officials told us that entities not currently authorized to use eCBSV may not be subject to the same privacy and security requirements.⁷¹

However, eCBSV's legislative purpose is to reduce the prevalence of synthetic identity fraud.⁷² Moreover, greater use of eCBSV would increase fee collections and improve the long-term financial viability of the service. By not developing strategies and assessing tradeoffs to expanding the use of the service, SSA is missing an opportunity to maximize eCBSV's benefit in addressing synthetic identity fraud.

Further, SSA does not have performance measures or goals related to the use of eCBSV. SSA previously set a goal for and reported the number of eCBSV users in annual performance reports, but it discontinued tracking it in FY 2022.⁷³ SSA officials told us the agency has not

⁷¹According to SSA officials, permitted entities are governed by authorities that include strict privacy and security requirements, such as the Gramm-Leach-Bliley Act, and must certify to SSA every 2 years attesting to their compliance with these requirements. Non-permitted entities are not subject to these requirements and may not be able to meet SSA's privacy and security requirements. Officials also said SSA lacks a business process to vet the ability of individual entities to meet its privacy and security requirements before disclosing an SSN verification. Because establishing such a process would be non-mission work, SSA has minimal ability to implement it, according to SSA officials. In addition, officials said they lack authority to impose penalties on entities that establish an eCBSV connection for malicious purposes then dissolve their company before an audit can detect the issue.

⁷²42 U.S.C. § 405b(a).

⁷³SSA's annual performance report previously included a performance target to implement eCBSV services for 10 pilot phase applicants in FY 2020 and for additional pilot phase applicants in FY 2021. Social Security Administration, *Annual Financial Report Fiscal Years 2021–2023* (Baltimore, MD: Apr. 1, 2022). SSA did not meet its FY 2020 target because only eight permitted entities implemented eCBSV. SSA met its FY 2021 target because it implemented eCBSV for 100 percent of the permitted entities that were ready to begin using the service.

continued to track performance measures for eCBSV because its main goal is not to expand eCBSV use but to recover the service's development costs.

We have previously reported that defining goals is a key practice for effectively managing and assessing the results of federal efforts.⁷⁴ This includes long-term outcomes, generally referred to as strategic goals, and near-term measurable results, generally referred to as performance goals. Goals guide the organization's activities, and allow decision-makers, staff, and stakeholders to assess performance by comparing planned and actual results. Performance measures that are clearly linked to the performance goals show the progress the agency is making toward achieving program goals. They also provide managers with crucial information to identify gaps and plan needed improvements.

Performance measures for eCBSV could include the number of direct users, the annual number of transactions, or annual change in the rate of synthetic identity fraud reported by financial institutions. By establishing performance measures and related goals, SSA would be better positioned to effectively manage eCBSV and assess its results and success.

Conclusions

Synthetic identity fraud is a growing concern for financial institutions. Congress directed SSA to help reduce its prevalence by administering eCBSV, which helps financial institutions verify an individual's SSN and related information in real time. However, we found areas where SSA could improve the financial viability of the service and its potential effectiveness as a tool for reducing synthetic identity fraud:

- By updating its cost estimation guidance to more consistently include best practices identified by GAO, SSA could better ensure the reliability and validity of cost estimates for future IT investments and improve management's understanding of the cost estimation process, including risks and tradeoffs. Further, by implementing appropriate controls to ensure that all significant IT investments follow the Information Technology Investment Process, SSA could better ensure that these investments adhere to agency guidance for cost estimation.
- Publishing in annual financial reports detailed information on its reviews of eCBSV user fees and proposed changes would help ensure compliance with statutory requirements. In addition, SSA could

⁷⁴[GAO-23-105460](#).

foster trust that fees are set fairly and transparently by publicly disclosing more information on the fee-setting process, such as its cost recovery methodologies, assumptions, and projected costs and user-fee collections.

- Establishing a process for soliciting stakeholder input on proposed changes to eCBSV's user fees would help ensure users' views were considered and could help promote understanding and acceptance of future fee changes.
- By developing strategies and assessing tradeoffs to expanding the limited use of eCBSV, SSA could better achieve eCBSV's legislated purpose of reducing synthetic identify fraud. In addition, establishing performance measures and related goals for such use would help SSA more effectively manage the service and assess its results.

Recommendations for Executive Action

We are making the following seven recommendations to SSA:

The SSA Commissioner should ensure that the Associate Commissioner of IT Financial Management and Support updates guidance for developing cost estimates for IT investments to incorporate the best practices outlined in GAO's *Cost Estimating and Assessment Guide*. (Recommendation 1)

The SSA Commissioner should ensure that the Associate Commissioner of IT Financial Management and Support implements appropriate controls to ensure all significant IT investments follow the Information Technology Investment Process. (Recommendation 2)

The SSA Commissioner should ensure that the Associate Commissioner of Data Exchange, Policy Publications and International Negotiations publishes in SSA's annual financial reports detailed information on its reviews of eCBSV user fees and any proposed changes. (Recommendation 3)

The SSA Commissioner should ensure that the Associate Commissioner of the Office of Data Exchange, Policy Publications and International Negotiations includes in relevant *Federal Register* or other public notices a detailed explanation of any changes to eCBSV user fees, such as by describing cost recovery methodologies and assumptions, recent and projected costs, and user-fee collections. (Recommendation 4)

The SSA Commissioner should ensure that the Associate Commissioner of Data Exchange, Policy Publications and International Negotiations

develops a process for soliciting input from stakeholders on changes to eCBSV user fees prior to their implementation. (Recommendation 5)

The SSA Commissioner should ensure that the Associate Commissioner of Data Exchange, Policy Publications and International Negotiations develops strategies and assesses tradeoffs for expanding use of eCBSV. (Recommendation 6)

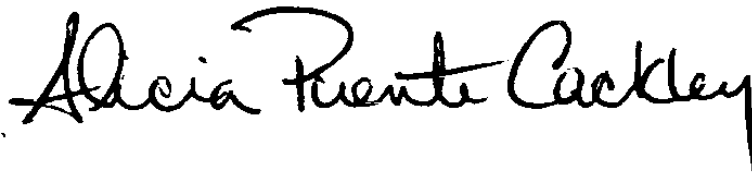
The SSA Commissioner should ensure that the Associate Commissioner of Data Exchange, Policy Publications and International Negotiations establishes performance measures and related goals for use of eCBSV. (Recommendation 7)

Agency Comments

We provided a draft of this report to SSA for review and comment. SSA concurred with all seven of our recommendations and stated that it will evaluate its policies and processes to determine how to address them. SSA's comments are reproduced in appendix III. SSA also provided technical comments, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the Commissioner of Social Security and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or cackleya@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.



Alicia Puente Cackley
Director, Financial Markets and Community Investment

List of Requesters

The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Tim Scott
United States Senate

The Honorable Jason Smith
Chairman
Committee on Ways and Means
House of Representatives

The Honorable Drew Ferguson
Chairman
Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

Appendix I: Objectives, Scope, and Methodology

This report examines (1) how actual costs to develop and operate the Electronic Consent Based Social Security Number Verification Service (eCBSV) compared to the Social Security Administration's (SSA) estimated costs and the extent to which SSA's cost estimation process followed guidance and best practices, (2) the extent to which SSA's user-fee design has promoted cost recovery, (3) SSA's communication on user fees and the extent to which it followed guidance and leading practices, and (4) factors affecting industry participation and the extent to which SSA has expanded the use and benefit of eCBSV.

Cost Estimation for eCBSV and Other Information Technology Investments

To address our first objective, we reviewed SSA data on actual costs to develop and operate eCBSV from fiscal year (FY) 2018 (program inception) through FY 2023 (the most recent data available).¹ We also reviewed data on cost estimates for eCBSV from FY 2018 through FY 2024. We grouped costs from FY 2018 through FY 2020 to align with SSA's cost estimate for implementing the pilot version of eCBSV, which combined those years. We compared SSA's estimated costs against actual costs to identify differences and interviewed SSA officials for clarifying information.

We assessed the reliability of SSA's cost data by reviewing technical documentation and interviewing agency officials. We found the data sufficiently reliable for describing development and operating costs for eCBSV. In February 2024, SSA officials notified us that they identified and corrected an error in accounting for indirect costs, which resulted in an additional \$3.5 million in indirect cost from FY 2018 through FY 2023.

We also compared SSA's guidance on cost estimation, including its *Information Technology Investment Process and the Administrative Instructions Manual System* guides, against best practices identified in GAO's *Cost Estimating and Assessment Guide*.² We assessed the extent

¹Our analysis of actual costs and fee collections is based on annual data SSA provided that reflect a total cost of \$58.3 million through FY 2023. SSA notified us in February 2024 that it identified an additional \$3.5 million in indirect costs that were not included in the annual data it provided for FY 2018 through FY 2023. We include these additional costs in total costs we reported, when possible.

²Social Security Administration, *Information Technology Investment Process Plan Guide* (Baltimore, MD: Nov. 29, 2022) and *Administrative Instructions Manual System: Authorizing and Accounting for Reimbursable Work, FMM 05.02* (Baltimore, MD: Sept. 25, 2023). GAO, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Program Costs*, [GAO-20-195G](#) (Washington, D.C.: Mar. 12, 2020). See app. II for more information on GAO's best practices for cost estimation.

to which SSA's guidance aligned with the best practices on a five-point scale:

- **Fully met.** SSA provided complete evidence that satisfies the elements of the step.
- **Substantially met.** SSA provided evidence that satisfies a large portion of the elements of the step.
- **Partially met.** SSA provided evidence that satisfies about half of the elements of the step.
- **Minimally met.** SSA provided evidence that satisfies a small portion of the elements of the step.
- **Not met.** SSA provided no evidence that satisfies any of the elements of the step.

We also provided SSA officials with draft versions of our detailed analyses of SSA's cost estimation guidance. This was done to verify that the information on which we based our findings was complete, accurate, and up to date. In addition, we analyzed documentation on SSA's methodology for developing cost estimates for eCBSV and interviewed SSA officials to determine how cost estimates were developed, including whether agency cost estimation guidance was applied when developing these estimates. We assessed SSA's application of cost estimation guidance against SSA's IT investment procedures. We also determined that the control activities component of internal controls was significant to this objective, along with the underlying principle that management should design control activities to achieve objectives and respond to risks.³ We assessed SSA's IT investment procedures and interviewed SSA officials to determine whether the procedures included appropriate controls.

Cost Recovery Efforts

To address our second objective, we determined and evaluated the status of SSA's cost recovery efforts. We reviewed SSA data on, and identified differences in, total costs and user-fee collections from FY 2018 through FY 2023. We assessed the reliability of SSA's eCBSV user-fee data by reviewing technical documentation and interviewing agency officials. We found the data sufficiently reliable for describing eCBSV user-fee collections. We also reviewed the most recent cost recovery models that SSA analyzed in 2022 and 2023 to determine how the agency projected fee collection requirements and determined user-fee

³GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

tiers. We compared the status of cost recovery against requirements in the Economic, Growth, Regulatory Relief, and Consumer Protection Act, guidance by the Office of Management and Budget, and GAO leading practices.⁴

We identified factors that have limited cost recovery by reviewing agency data on users and transactions by fiscal year and comparing them to the projections SSA used in its cost recovery models and *Federal Register* notices. We also compared SSA data on eCBSV pilot applicants to eCBSV users to determine the conversion of applicants to users. In addition, we reviewed how increases in user fees varied across users by comparing the percentage change in user fees from 2019 (when first issued) through 2023 (when last updated) for various transaction level scenarios. We identified cost recovery risks by reviewing SSA's cost recovery models, subscription data, risk analyses, and interviewing agency officials. We assessed the reliability of SSA data on eCBSV users and transactions by interviewing agency officials and electronically testing the data for obvious errors. We found the data sufficiently reliable for describing industry's use of eCBSV.

Communication with Stakeholders about User Fees

To address our third objective, we identified and reviewed federal guidance and best practices for designing user fees published by SSA, Office of Management and Budget, and in our prior work on the design of federal user fees.⁵ We categorized the guidance and best practices on communication into two areas: (1) periodic reviewing, adjusting, and reporting and (2) stakeholder engagement.

To assess SSA's efforts related to periodic reviewing, adjusting, and reporting on eCBSV user fees, we reviewed SSA's annual analysis of user fees, interviewed agency officials, and examined discussions of biennial user-fee reviews in annual financial reports. We also reviewed *Federal Register* notices of user-fee increases to determine whether SSA included substantive information on recent and projected costs and fee collections.

⁴See 42 U.S.C. § 405b(h)(1)(A); Office of Management and Budget, *Circular No. A-25 Revised* (Washington, D.C.: July 8, 1993); and GAO, *Federal User Fees: A Design Guide*, [GAO-08-386SP](#) (Washington, D.C.: May 29, 2008).

⁵Social Security Administration, *Authorizing and Accounting for Reimbursable Work* (Baltimore, MD: Sept. 25, 2023); Office of Management and Budget, *Circular No. A-25 Revised*; and [GAO-08-386SP](#).

To assess SSA's efforts related to stakeholder engagement, we reviewed agendas from meetings held between SSA and direct users and an industry group to determine whether SSA shared information and analysis with key stakeholders. We also reviewed *Federal Register* notices and interviewed agency officials to determine whether the agency had a process for soliciting and incorporating stakeholder input on user fees.

Efforts to Expand the Use and Benefit of eCBSV

To address our fourth objective, we conducted semi-structured interviews with a nongeneralizable sample of 16 industry participants on factors that have enhanced and limited the use of eCBSV.⁶ We used SSA data to identify and stratify industry participants as

- direct users (those with an active eCBSV subscription);
- indirect users (financial institutions that are registered to access eCBSV through a service provider); or
- potential users (applicants for the eCBSV pilot that have not enrolled and high-volume users of a similar SSA verification service known as the Consent Based Social Security Number Verification service, or CBSV).

We further categorized direct users by entity type (financial institution, service provider, or national credit reporting company) to capture potential variation in their use of eCBSV.

We selected six direct users in proportion to their representation in the population of direct users (one financial institution, four service providers, and one national credit reporting company). For indirect users, we selected five financial institutions that had the greatest number of transactions in FY 2022 (the most recent data available). For potential users, we selected the three applicants for the eCBSV pilot that estimated the greatest number of transactions in their application, and two users of CBSV with the greatest number of transactions in FY 2022 that were not already direct or indirect eCBSV users. We assessed the reliability of SSA's data on pilot applicants and CBSV users by interviewing agency officials and determined they were sufficiently reliable for selecting interview participants.

⁶We selected and interviewed Capital One Services, L.L.C.; Citibank, N.A.; CoreLogic, Inc.; Credit Interlink, Inc.; Discover Financial Services; Early Warning Services, L.L.C.; Experian Information Solutions, Inc; Informative Research; JP Morgan Chase Bank, N.A.; MicroBilt Corporation; Socure, Inc.; Synchrony Financial; Truioo; Wells Fargo Bank, N.A.; VISA USA; and Xactus.

We developed interview questions through background research, which included scoping interviews with industry participants, industry groups, and the Federal Reserve Bank of Boston. We used the interview questions to conduct semi-structured interviews with the 16 selected industry participants. We reviewed interview responses and categorized responses into common themes related to factors that have enhanced or limited participation.

We also analyzed SSA data on the use of eCBSV. We compared data from FY 2020 (when the program pilot launched) through FY 2023 on actual eCBSV users and transactions to agency and industry estimates to identify differences in the use of eCBSV. We reviewed the data to determine the proportion of users and transactions by entity type, as well as the proportion of pilot applicants that use eCBSV by access type.

In addition, we assessed SSA's efforts to expand the use and benefit of eCBSV by interviewing agency officials and reviewing documentation they identified on recent actions and limitations to increasing the use of eCBSV.⁷ We also reviewed SSA's annual performance plans and reports from FY 2019 through FY 2025 to identify performance measures and goals for eCBSV. We compared SSA's efforts against eCBSV's legislative purpose to reduce the prevalence of synthetic identity fraud and best practices we have identified for managing and assessing the results of federal efforts.⁸

We conducted this performance audit from April 2023 to September 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁷Interviews with SSA officials also focused on access to eCBSV and fraud risks related to improper access and disclosure of verification results. However, we did not assess SSA's efforts to manage these and other fraud risks because they were not within the scope of our audit.

⁸42 U.S.C. § 405b(a) and GAO, *Evidence-Based Policymaking: Practices to Help Manage and Assess the Results of Federal Efforts*, [GAO-23-105460](#) (Washington, D.C.: July 12, 2023).

Appendix II: GAO's Best Practices for Developing Cost Estimates and Assessment of Social Security Administration Guidance

GAO's Best Practices for Developing Cost Estimates

GAO's *Cost Estimating and Assessment Guide* presents best practices for developing and managing reliable cost estimates.¹ These best practices include a 12-step process based on government and industry standards that represent a consistent methodology that can be used across the federal government to develop, manage, and evaluate program cost estimates. The steps are also useful to auditors for determining the quality of an agency's process, guidance, and regulations for creating and maintaining high-quality estimates. The best practices and related process tasks, if implemented, can result in comprehensive, well-documented, accurate, and credible cost estimates. Table 4 lists the 12 steps and describes the associated best practices and process tasks that can be implemented to create and maintain reliable cost estimates.

Table 4: GAO's 12 Steps and Best Practices for Cost Estimation

Step	Best practice	Process tasks
1. Define the estimate's purpose	The cost estimate includes all life cycle costs.	<ul style="list-style-type: none"> Clearly define the estimate's purpose. Determine the estimate's overall scope. Determine the required level of detail for the estimate, which should be consistent with the level of detail available for the program.
2. Develop the estimating plan ^a	Not applicable	<ul style="list-style-type: none"> Ensure the cost estimating team's composition is commensurate with the assignment. That is, <ul style="list-style-type: none"> the team has the proper number and mix of resources; team members are from a centralized cost estimating organization; the team includes experienced and trained cost analysts; the team includes, or has direct access to, analysts experienced in the program's major areas; team members' responsibilities are clearly defined; and team members' experience, qualifications, certifications, and training are identified. Develop a written study plan that describes the cost estimating approach and includes a schedule to complete the cost estimate. Ensure the team has access to the necessary subject matter experts. Ensure the team has adequate time to develop a high-quality estimate, including the time needed to conduct site visits and collect data.

¹GAO, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Program Costs*, [GAO-20-195G](#) (Washington, D.C.: Mar. 12, 2020).

**Appendix II: GAO's Best Practices for
Developing Cost Estimates and Assessment of
Social Security Administration Guidance**

Step	Best practice	Process tasks
3. Define the program	The technical baseline description completely defines the program, reflects the current schedule, and is technically reasonable.	<ul style="list-style-type: none"> In a technical baseline document or group of documents, identify the program's purpose and its system and performance characteristics; all system configurations; any technology implications; the program acquisition schedule and acquisition strategy; the relationship to other existing systems, including predecessor or similar legacy systems; support (e.g., workforce, training) and risk items; system quantities for development, test, and production; and deployment and maintenance plans
4. Determine the estimating structure	The cost estimate work breakdown structure (WBS) is product-oriented, traceable to the statement of work, and at an appropriate level of detail to ensure that cost elements are neither omitted nor double-counted.	<ul style="list-style-type: none"> Define a WBS that is standardized and product-oriented. Ensure the cost estimate WBS matches the schedule and earned value management WBS, if applicable. Describe each WBS element in a WBS dictionary. Update the WBS as the program becomes better defined to reflect changes as they occur.
5. Identify ground rules and assumptions	The estimate documents all cost-influencing ground rules and assumptions.	<ul style="list-style-type: none"> Document all cost-influencing ground rules and assumptions. Document the rationale and historical data that support the ground rules and assumptions. Include input from the technical community when developing ground rules and assumptions. Document risks associated with assumptions and trace to specific WBS elements.
6. Obtain the data	The estimate is based on a historical record of cost estimating and actual experiences from other comparable programs.	<ul style="list-style-type: none"> Create a data collection plan with emphasis on collecting current and relevant technical, programmatic, cost, and risk data. Investigate possible data sources. Collect data and normalize them for cost accounting, inflation, and quantity adjustments. Analyze the data for cost drivers, trends, and outliers and compare results against rules of thumb and standard factors derived from historical data. Interview data sources and document all pertinent information, including an assessment of data reliability and accuracy. Store data for future estimates.
	The estimate is adjusted properly for inflation.	
7. Develop the point estimate	The cost model is developed by estimating each WBS element using the best methodology from the data collected.	<ul style="list-style-type: none"> Develop the cost model, estimating each WBS element, using the best methodology from the data collected and including all estimating assumptions. Express costs in constant year dollars. Time-phase the results by spreading costs in the years they are expected to occur, based on the program schedule.
	The estimate contains few, if any, minor mistakes.	

**Appendix II: GAO's Best Practices for
Developing Cost Estimates and Assessment of
Social Security Administration Guidance**

Step	Best practice	Process tasks
	Major cost elements are cross checked to see if results are similar.	<ul style="list-style-type: none"> • Sum the WBS elements to develop the overall point estimate. • Validate the estimate by looking for errors like double counting and omitted costs.
	An independent cost estimate is conducted by a group outside the acquiring organization to determine whether other estimating methods produce similar results.	<ul style="list-style-type: none"> • Compare estimate against the independent cost estimate and examine where and why there are differences. • Perform cross-checks on cost drivers to see if results are similar. • Update the model as more data become available or as changes occur and compare results against previous estimates.
8. Conduct sensitivity analysis	The cost estimate includes a sensitivity analysis that identifies a range of possible costs based on varying major assumptions and parameters.	<ul style="list-style-type: none"> • Identify assumptions and parameters, including key cost drivers, as factors for sensitivity testing. • Test the sensitivity of cost elements to changes in identified factors. • Document the results, including those factors that are most sensitive to change.
9. Conduct risk and uncertainty analysis	A risk and uncertainty analysis is conducted that quantifies the imperfectly understood risks and identifies the effects of changing key cost driver assumptions and factors.	<ul style="list-style-type: none"> • Conduct a risk and uncertainty analysis that includes the following steps: <ul style="list-style-type: none"> • Model probability distributions based on data availability, reliability, and variability. • Account for correlation between cost elements. • Use a Monte Carlo simulation model (or other modeling technique) to develop a distribution of total possible costs and an S-curve showing alternative cost estimate probabilities. • Identify the cumulative probability associated with the point estimate. • Identify contingency for achieving the desired confidence level. • Allocate the risk-adjusted cost estimate to WBS elements, if necessary. • Phase and convert the risk-adjusted estimate into budget year dollars. • Perform a risk and uncertainty analysis periodically as the cost estimate is updated to reflect progress and changes to risks.
10. Document the estimate	<p>The documentation shows the source data used, the reliability of the data, and the estimating methodology used to derive each element's cost.</p> <p>The documentation describes how the estimate was developed so that a cost analyst unfamiliar with the program could understand what was done and replicate it.</p>	<ul style="list-style-type: none"> • Document all steps performed to develop the estimate so that a cost analyst unfamiliar with the program can recreate it quickly and produce the same result. • Document the purpose of the estimate, the team that prepared it, and who approved the estimate and on what date. • Describe the program, its schedule, and the technical baseline used to create the estimate. • Present the program's time-phased life cycle cost. • Discuss all ground rules and assumptions.

**Appendix II: GAO's Best Practices for
Developing Cost Estimates and Assessment of
Social Security Administration Guidance**

Step	Best practice	Process tasks
	The documentation discusses the technical baseline description and the data in the technical baseline are consistent with the cost estimate.	<ul style="list-style-type: none"> • Include auditable and traceable data sources for each cost element and document how the source data were normalized. • Describe in detail the estimating methodology and rationale used to derive each WBS element's cost. • Describe the results of the risk, uncertainty, and sensitivity analyses and whether any contingency was identified. • Document how the estimate compares to the funding profile. • Track how the current estimate compares to previous estimates.
11. Present the estimate to management for approval	The documentation provides evidence that the cost estimate is reviewed and accepted by management.	<ul style="list-style-type: none"> • Present the documented life cycle cost estimate to management. Include in the presentation information on how the life cycle cost estimate was developed, including: <ul style="list-style-type: none"> • the estimate's purpose; • an explanation of the program's technical and program baseline; • estimating ground rules and assumptions; • a discussion of WBS elements, their costs, data and data sources; • sensitivity analysis, risk and uncertainty analysis, contingency, and the confidence level of the estimate; • changes from previous estimates; • comparison to an independent cost estimate; • a comparison of the life-cycle cost estimate to the funding profile; and • any concerns or challenges with the estimate. • Request acceptance of the estimate from management. • Act on and document feedback.
12. Update the estimate to reflect actual costs and changes	<p>The cost estimate is regularly updated to ensure it reflects program changes and actual costs.</p> <hr/> <p>Variances between planned and actual costs are documented, explained, and reviewed.</p>	<ul style="list-style-type: none"> • Update the estimate to reflect changes in technical or program assumptions and keep it current as the program passes through new phases or milestones. • Replace estimates with earned value management, estimate-at-complete, and independent estimates from the integrated earned value management system, if applicable. • Report progress on meeting cost and schedule estimates. <ul style="list-style-type: none"> • Perform a postmortem and document lessons learned for elements whose actual costs or schedules differ from the estimate. • Document changes to the program and how they affect the cost estimate.

Source: GAO-20-195G. | GAO-24-106770

^aStep 2 does not have an associated best practice because it does not result in a definitive attribute of the cost estimate. Instead, failing to fully implement step 2 is a cause of why best practices may not have been fully met.

Assessment of SSA Guidance

The Social Security Administration's (SSA) guidance on developing cost estimates for IT investments and reimbursable agreements did not fully incorporate the 12 steps and best practices we have identified for developing reliable estimates. SSA identified two internal guides for developing cost estimates: the Administrative Instructions Manual System and the Information Technology Investment Process. We assessed the extent to which this guidance aligns with the 12 steps and best practices in GAO's *Cost Estimating and Assessment Guide*. We determined that SSA's cost estimation guidance fully met one of the 12, substantially met one of the 12, partially met three of the 12, and minimally met seven of the 12 steps. Table 5 summarizes our assessment for each of the 12 steps.

Table 5: GAO's Assessment of SSA's Cost Estimation Guidance

Step	Score	Analysis
Define the estimate's purpose	Substantially met	SSA guidance includes documentation that addresses the purpose, scope, and level of detail of cost estimates. However, the guidance is unclear on what scope the estimates should cover.
Develop the estimating plan	Minimally met	SSA guidance includes a template with instructions that supports the construction of an estimate, but there is little discussion of a cost estimating plan in any of the documentation.
Define the program	Met	SSA guidance includes requirements for describing the program and a template with significant detail for doing so, which includes the program's description, technical feasibility, and high-level implementation roadmap.
Determine the estimating structure	Partially met	SSA guidance outlines a set of cost elements with descriptions to be used to develop an estimate. However, there is no requirement for individual projects to tailor those descriptions or expand if appropriate. The guidance also identifies high-level cost categories and includes an estimating template but does not include a framework for developing a schedule and cost plan that aligns with technical accomplishments and resources.
Identify ground rules and assumptions	Minimally met	SSA documentation provides limited guidance related to the identification of ground rules and assumptions. The guidance includes a template with a detailed technical description, which can be used to identify some estimating ground rules.
Obtain the data	Minimally met	SSA guidance includes mechanisms for capturing costs, but there is no discussion of the data to be used or of ensuring whether the data are appropriate and of high quality.

**Appendix II: GAO's Best Practices for
Developing Cost Estimates and Assessment of
Social Security Administration Guidance**

Step	Score	Analysis
Develop the point estimate	Partially met	SSA guidance includes an estimate calculator that provides a template for creating a point estimate. However, it does not discuss the methodologies and underlying data required, normalizing data, expressing costs in constant year dollars, or performing cross-checks.
Conduct sensitivity analysis	Minimally met	SSA documentation includes the requirement to provide data that could be used to support a sensitivity analysis. However, the guidance does not include specific steps for conducting a sensitivity analysis, including key inputs, parameters, and assumptions of cost estimates.
Conduct risk and uncertainty analysis	Minimally met	SSA guidance includes information on risks and uncertainty in the form of contingencies for any unforeseen costs that may be incurred beyond the estimated amounts. However, the guidance recommends basing risks on simple factors without collecting data. While the guidance includes the collection of data that could be used to support a cost and uncertainty analysis, there is no requirement to do so.
Document the estimate	Minimally met	SSA guidance includes minimal information related to documenting cost estimates. The guidance includes process documents with high-level information for estimate documentation and an estimate calculator that provides for some documentation.
Present the estimate to management for approval	Minimally met	SSA guidance for reimbursable agreements includes a requirement that such agreements “conform to the cost estimate” but does not include a requirement that the cost estimate itself be reviewed. The IT investment guidance includes a step for management review but does not provide detail as to what elements must be included in the package submitted to management.
Update the estimate to reflect actual costs and changes	Partially met	SSA guidance includes requirements for updating estimates. For example, the guidance for reimbursable agreements requires comparison with actual costs and updates to the estimate if actuals deviate from estimates. Neither the reimbursable agreement or IT investment guidance provide specific guidance related to documenting how program changes impact cost estimates or documenting lessons learned that can support future estimates.

Source: GAO analysis of Social Security Administration (SSA) documentation. | GAO-24-106770

Appendix III: Comments from the Social Security Administration



SOCIAL SECURITY
Office of the Commissioner

August 6, 2024

Alicia Puente Cackley
Director, Financial Markets and Community Investment
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Director Cackley,

Thank you for the opportunity to review the Draft Report, "SOCIAL SECURITY ADMINISTRATION: Actions Needed to Help Ensure Success of Electronic Verification Service" (GAO-24-106770). We agree with the recommendations. We will evaluate our processes and policies to determine where we can make the changes outlined in the recommendations.

We successfully met all the requirements of the Economic, Growth, Regulatory Relief, and Consumer Protection act (Banking Bill) of 2018 by providing a non-mission service that assists in detecting and preventing synthetic identity fraud. Our service is easily accessible for permitted entities in the financial industry, complies with industry standards, and can be expanded to accommodate additional permitted entities in the future. We engaged the financial industry throughout the development and rollout of this service, and we remain committed to continued communication to improve this service.

Please contact me at (410) 965-2611 if I can be of further assistance. Your staff may contact Hank Amato, Director of the Audit Liaison Staff, at (407) 765-9774.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dustin Brown".

Dustin Brown
Acting Chief of Staff

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Alicia Puente Cackley, (202) 512-8678 or CackleyA@gao.gov

Staff Acknowledgments

In addition to the contact named above, Stefanie Jonkman (Assistant Director), Brandon Kruse (Analyst in Charge), Alyssia Borsella, Heather Collins, Toni Gillich, Jeff Haywood, Garrett Hillyer, Jill Lacey, Jason Lee, William Laing, Alberto Lopez, Efrain Magallan, Nicole Mackowski, Kathleen Padulchick, Sabine Paul, and Seyda Wentworth made key contributions to this report.

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