



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Informational Report

Beneficiaries Who Receive Paper
Checks

A-02-16-23114 | September 2016

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: September 21, 2016

Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: Beneficiaries Who Receive Paper Checks (A-02-16-23114)

The attached final report presents the results of the Office of Audit's review. The Office of Audit reviewed whether the Social Security Administration could effectively use data on Title II beneficiaries who receive paper checks to identify ineligible beneficiaries.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, at 410-965-9700.


Gale Stallworth Stone

Attachment

Beneficiaries Who Receive Paper Checks

A-02-16-23114



September 2016

Office of Audit Report Summary

Background

As of March 1, 2013, the Department of the Treasury was requiring that all beneficiaries receive their Social Security benefits by electronic funds transfer (EFT) unless they met an exemption to this requirement.

Almost 2 years after the requirement was implemented, we identified over 845,000 Old-Age, Survivors and Disability Insurance beneficiaries who continued receiving benefits by paper check.

We reviewed a sample of beneficiaries to determine whether these data could help the Social Security Administration (SSA) identify ineligible beneficiaries. We also wanted to determine why the beneficiaries had not converted to EFT to receive their benefits. Specifically, we selected 60 beneficiaries who were 70-years-old or older and had a mailing address within 100 miles of an Office of Audit location. We contacted and attempted to visit the 60 beneficiaries to confirm whether they were still eligible for benefits and to discuss the reasons they did not convert to EFT to receive their benefits.

Summary

We determined 56 of the 60 beneficiaries in our sample were still eligible for benefits. We were not able to locate four beneficiaries, and SSA subsequently suspended their benefit payments in May or June 2016. However, we did not locate a death record or obtain any other information that would question their eligibility. Given the lack of definitive information, we could not conclude the four beneficiaries were ineligible for benefits. As of September 2016, SSA resumed paying two of the beneficiaries after they contacted the Agency. Although we could not confirm the status of the remaining two beneficiaries, we concluded that data on beneficiaries receiving paper checks would not effectively help SSA identify ineligible beneficiaries.

Of the beneficiaries we visited, 41 told us why they did not convert to EFT. Their reasons included that they did not think direct deposit was as convenient as paper checks, were not aware of the EFT requirements, or had not had a chance to convert to EFT.

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ABBREVIATIONS

EFT	Electronic Funds Transfer
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
SSA	Social Security Administration
Treasury	Department of the Treasury

BACKGROUND

As of March 1, 2013, the Department of the Treasury (Treasury) was requiring that all beneficiaries receive their Social Security benefits by electronic funds transfer (EFT) either through direct deposit or the Direct Express® debit card.¹ Treasury automatically waived this requirement for beneficiaries

- born before May 1, 1921 who were receiving payments by paper check on March 1, 2013² or
- not eligible for, or with suspended or cancelled, Direct Express® prepaid debit card accounts.³

Treasury may grant requested exemptions for beneficiaries

- with mental impairments to handling their benefits electronically who are not assisted by representative payees⁴ or
- living in remote geographic locations that do not have the infrastructure necessary to receive payments electronically.⁵

Almost 2 years after the requirement to use EFT was implemented, we identified over 845,000 Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries from the Master Beneficiary Record who continued receiving benefits by paper check. Many of these beneficiaries did not appear to meet one of the EFT exemptions.

We reviewed a sample of beneficiaries to determine whether these data could help the Social Security Administration (SSA) identify ineligible beneficiaries. We were also interested in why the beneficiaries had not converted to EFT to receive their benefits. From the 845,000 OASDI beneficiaries, we selected 60 who were 70-years-old or older and had a mailing address within

¹ The original mandate for the use of electronic funds transfer (EFT) for Federal payments became effective January 2, 1999, pursuant to the *Debt Collection Improvement Act of 1996*, Pub. L. No. 104–134, § 31001, 110 Stat. 1321–358 (1996). On December 22, 2010, Treasury amended its regulations to require that all individuals who filed for benefits on or after May 1, 2011 use EFT except those who received Federal payments by check before May 1, 2011 or filed a claim for Federal payment before May 1, 2011 and requested payment by check at the time they filed the claim. In such cases, the individuals were able to continue receiving payments by check through February 28, 2013, but were required to convert to EFT after February 28, 2013, unless they were exempt from doing so by Treasury. 31 C.F.R. §§ 208.3, 208.4(a)(1)(i) and (ii); SSA, POMS, GN 02402.001A and B.2 (August 22, 2012).

² 31 C.F.R. § 208.4(a)(1)(iii); SSA, POMS, GN 02402.001 B.1 (August 22, 2012).

³ 31 C.F.R. §§ 208.4(a)(1)(iv) and (v); SSA, POMS, GN 02402.001 B.1 (August 22, 2012).

⁴ 31 C.F.R. § 208.4(a)(1)(vi); SSA, POMS, GN 02402.001 B.3 (August 22, 2012).

⁵ 31 C.F.R. § 208.4(a)(1)(vii); SSA, POMS, GN 02402.001 B.3 (August 22, 2012). The use of the term “geographic location” only applies to areas within the United States. Foreign beneficiaries who refused EFT were not required to apply for an exemption to EFT. SSA, POMS, GN 02402.001 B.3, second note (August 22, 2012).

100 miles of an Office of Audit location. We excluded beneficiaries from our sample whose records provided some evidence they were more likely to be eligible for benefits, such as those who had earnings in Calendar Year 2014 or had recent contact with SSA.

In addition, SSA staff asked us to review some cases with Post Office Box addresses. We selected 10 of the 60 beneficiaries in our sample specifically because they used a Post Office Box as their mailing address, and a third-party database did not have a current residential address for them, showed the Post Office Box they used belonged to someone else, or showed the Post Office Box and the current residential address were in different States. See Appendix A for our scope and methodology.

We contacted and attempted to visit the 60 beneficiaries to confirm whether they were still eligible for benefits and to discuss the reasons they did not convert to EFT to receive their benefits.

ELIGIBILITY OF BENEFICIARIES RECEIVING PAPER CHECKS

We determined that data on OASDI beneficiaries who still received paper checks would not effectively help SSA identify ineligible beneficiaries. We were able to determine 56 of the 60 beneficiaries we sampled were alive and eligible for their benefits.⁶

We could not locate four beneficiaries, but we also could not locate a death record for them or obtain any other information that would question their eligibility. Given the lack of definitive information, we could not conclude they were ineligible for benefits.

We referred these cases to SSA, which subsequently suspended their benefit payments in May or June 2016. See Table 1 for more information on these four beneficiaries.

⁶ We visited 50 of the 56 beneficiaries to confirm they were alive. SSA confirmed another two beneficiaries were alive when they visited an SSA office. For another two cases, we spoke to United States Postal Service postmasters who confirmed the beneficiaries were alive. For one case, we spoke to the superintendent of the building where the beneficiary lived who confirmed the beneficiary was alive. For the last case, we did not visit the beneficiary because he died after we had selected him. He was eligible for his benefits at the time we selected him for review.

Table 1: Beneficiaries We Could Not Locate

	Type of Mailing Address on Record	Status	Date Benefits Suspended
1	Residential	After we could not locate the beneficiary, we referred the case to SSA, and it suspended the beneficiary's benefits because her whereabouts were not known. (The beneficiary subsequently contacted SSA and her benefits were reinstated on September 7, 2016.)	June 28, 2016
2	Post Office Box	After we could not locate the beneficiary, we referred the case to SSA, and it suspended the beneficiary's benefits because he was not at the residential address SSA had in its records.	May 25, 2016
3	Post Office Box	After we could not locate the beneficiary, we referred the case to SSA, and it suspended the beneficiary's benefits because her whereabouts were not known.	June 03, 2016
4	Post Office Box	After we could not locate the beneficiary, we referred the case to SSA, and it suspended the beneficiary's benefits because he was not at the residential address SSA had in its records. (The beneficiary subsequently contacted SSA and his benefits were reinstated on September 12, 2016.)	June 18, 2016

As of September 2016, SSA resumed paying two of the beneficiaries after they contacted the Agency. The remaining two beneficiaries can start receiving their benefits again once they contact SSA to confirm their continued eligibility.

REASONS FOR RECEIVING PAPER CHECKS

Of the beneficiaries we visited, 41 told us why they did not convert to EFT (see Table 2). Some of the beneficiaries provided multiple answers.

Table 2: Reasons for Not Converting to EFT

Reasons for Not Using a Form of EFT (Some beneficiaries provided more than one reason)	Number of Beneficiaries
I do not think direct deposit is as convenient as paper checks.	20
I was not aware of the EFT requirements.	17
I do not feel there is a need for me to switch or I just have not had a chance to do so.	12
I do not have a bank account.	7
I do not think direct deposit is a secure way to receive my benefits.	4
I am not comfortable with SSA having my bank information.	2
I have not applied for a waiver with Treasury, but I believe I meet an exemption to the EFT requirements.	1
I tried but was not successful in switching to EFT.	1
I am leery of information placed into computers.	1

SUMMARY

We determined 56 of the 60 beneficiaries in our sample were still eligible for benefits. The majority of these beneficiaries preferred paper checks or were not aware of the EFT requirements and therefore did not convert to EFT to receive their benefits. We were not able to locate four beneficiaries. While the whereabouts of the four beneficiaries was unknown, we did not locate a death record for them or obtain any other information that would question their eligibility. Given the lack of definitive information, we could not conclude they were ineligible for benefits. SSA suspended their benefits, which the beneficiaries can begin receiving again once they contact SSA to confirm their continued eligibility. As of September 2016, SSA resumed paying two of the beneficiaries after they contacted the Agency. If the remaining two beneficiaries continue to fail to contact SSA, and SSA suspects fraud, the Agency should refer these cases to the Office of Investigations.

Although we were not able to confirm the status of the remaining two beneficiaries, we concluded that data on beneficiaries receiving paper checks would not effectively help SSA identify ineligible beneficiaries.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed the applicable sections of the Code of Federal Regulations, Public Laws, and the Social Security Administration’s Program Operations Manual System.
- Obtained a data extract of 845,501 Old-Age, Survivors and Disability Insurance beneficiaries who received paper checks as of February 2015 from the Social Security Administration’s (SSA) Master Beneficiary Record. From this larger population, we identified 81,183 beneficiaries 70-years-old or older¹ who had a mailing address within 100 miles of an Office of Audit location. We also determined that 6,006 of the 81,183 beneficiaries used a Post Office Box to receive their benefit checks.
- Selected a sample of 50 beneficiaries for face-to-face interviews.
- Selected an additional 10 beneficiaries who used a Post Office Box to receive their benefit checks for face-to-face interviews.
- Reviewed queries from SSA’s Master Beneficiary, Supplemental Security, and Customer Service Records as well as its Master Earnings File for the cases we selected.
- Reviewed queries from the Department of the Treasury’s Check Information System for the cases we selected.
- Reviewed queries from Lexis Nexis Accurint, a third-party database, for the cases we selected.
- Reviewed the list of individuals granted waivers by the Department of the Treasury that SSA provided.

We determined the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We performed this audit in New York, New York, between November 2015 and September 2016. The entity reviewed was the Office of the Deputy Commissioner for Operations.

We conducted this performance audit 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 objective.

¹ We identified beneficiaries born 1945 or earlier because they would be at least 70-years-old when we interviewed them. We wanted to focus on older beneficiaries with a higher mortality rate because we believed they would more likely be deceased and, therefore, ineligible for benefits.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

We obtained a data extract of 845,501 Old-Age, Survivors and Disability Insurance beneficiaries from the Social Security Administration’s (SSA) Master Beneficiary Record who were receiving paper checks as of February 2015. From this group, we identified a population of 81,183 beneficiaries 70-years-old or older who had a mailing address within 100 miles of an Office of Audit office. From this population, we selected a sample of 60 beneficiaries to visit.

To identify our first 50 sampled beneficiaries, we randomly selected 95 beneficiaries from the population of 81,183 beneficiaries and excluded beneficiaries from our sample because of the following reasons.

- Beneficiaries who switched to using Electronic Funds Transfer (EFT) to receive their benefits after the date we identified the population (20 cases).
- Beneficiaries whose benefits were terminated or suspended (10 cases).
- Beneficiaries who contacted SSA in Calendar Year 2015 (7 cases).
- Beneficiaries who had earnings in Calendar Year 2014 (7 cases).
- Beneficiaries who met the Department of the Treasury’s waiver requirements (1 case).¹

At our entrance conference with SSA for this project, the Agency asked us to include beneficiaries who used a Post Office Box as their mailing address in our sample. We selected an additional 10 beneficiaries for our sample specifically because they used a Post Office Box as their mailing address. From the 81,183 beneficiaries in our population, we identified 6,006 beneficiaries who used a post office box to receive their paper checks. We randomly selected 100 beneficiaries from this group and identified 16 individuals who did not have a known current residential address, used a Post Office Box that may not belong to him/her, or used a Post Office Box that was in a different State from his/her current State of residence. We selected 10 beneficiaries to visit after excluding 6 beneficiaries for the following reasons.

- Beneficiaries who switched to a form of EFT to receive their benefits after the date we identified the population (two cases).
- Beneficiaries who had their benefits terminated or suspended (two cases).
- Beneficiaries who met the Department of the Treasury’s waiver requirements to EFT (two cases).²

¹ 31 C.F.R. § 208.4(a)(1).

² Id.

MISSION

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