



SOCIAL SECURITY

MEMORANDUM

Date: July 19, 2012

Refer To:

To: The Commissioner

From: Inspector General

Subject: Beneficiaries Who Had Not Cashed Their Social Security Checks Within 1 Year
(A-09-10-20133)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration took appropriate action when beneficiaries had not cashed their Social Security checks within 1 year.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

Patrick P. O'Carroll, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**BENEFICIARIES WHO HAD NOT
CASHED THEIR SOCIAL SECURITY
CHECKS WITHIN 1 YEAR**

July 2012

A-09-10-20133

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



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Subject: Beneficiaries Who Had Not Cashed Their Social Security Checks Within 1 Year
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OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) took appropriate action when beneficiaries had not cashed their Social Security checks within 1 year.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program under Title II of the *Social Security Act*. The OASDI program provides monthly benefits to retired and disabled workers, including their dependents and survivors.¹

Individuals receiving Social Security benefit checks issued after September 30, 1989 may cash them up to 1 year after their issue date.² After 1 year, the checks are non-negotiable, and banks should no longer accept them. If the Department of the Treasury's (Treasury) records show a beneficiary did not cash a check within 1 year of the issue date, it returns the funds, with identifying information, to SSA in the form of a limited payability credit in the 15th month after the check's issue date.³ Generally, when SSA receives a limited payability credit, its Return Check Action Program updates the beneficiary's payment record with the credit. In addition, according to its policy, SSA sends a letter to the beneficiary inquiring if the check was received and cashed (see Appendix B for sample letter).⁴ SSA reviews the records of beneficiaries who respond

¹ The *Social Security Act*, § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

² See SSA, POMS, GN 02401.901.B (October 8, 2009) citing the *Competitive Equality Banking Act of 1987*, Pub. L. No. 100-86, August 10, 1987.

³ SSA, POMS, GN 02401.901.B and .C (October 8, 2009).

⁴ SSA, POMS, GN 02406.180.B.1 (August 23, 2011).

to the letter, and if appropriate, reissues the check. If the beneficiary does not respond to the letter or indicates a cashed payment, no action is required.⁵

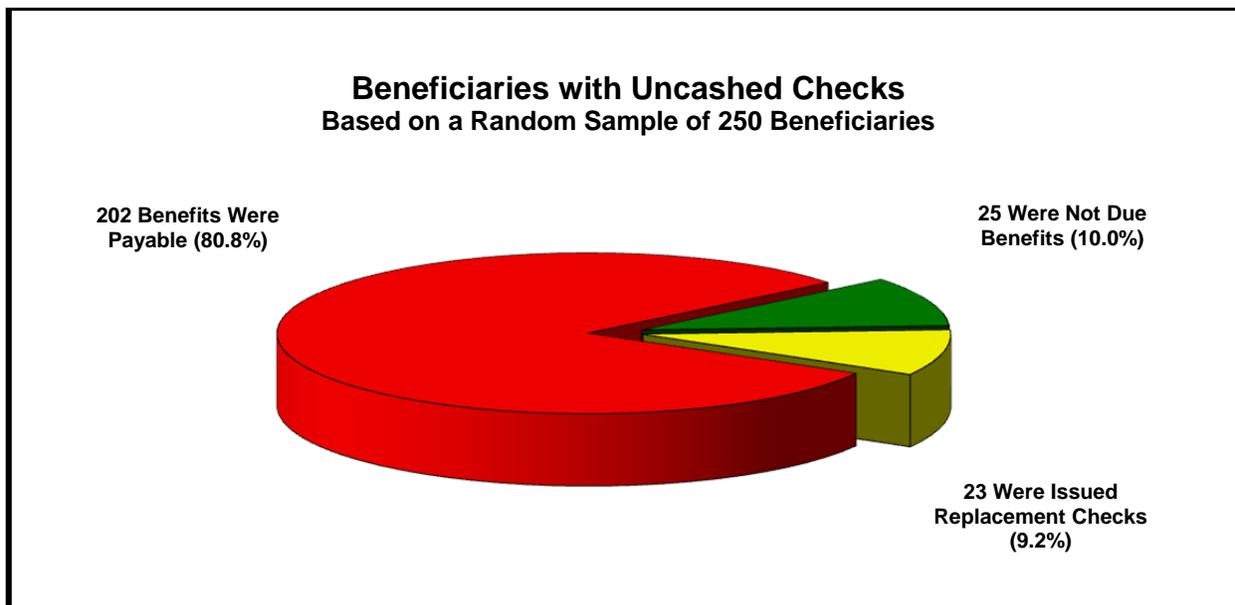
According to SSA's Master Beneficiary Record and Payment History Update System, as of April 2010, 174,477 beneficiaries in current pay status had uncashed benefit checks totaling \$179 million. In addition, SSA's records showed it had taken no action to reissue these payments to the beneficiaries. From this population, we reviewed a random sample of 250 beneficiaries.

RESULTS OF REVIEW

SSA needed to ensure it took appropriate action to reissue payments to eligible beneficiaries who had not cashed their Social Security checks. Our review of a random sample of 250 beneficiaries found that uncashed checks totaling \$191,565 were payable to 202 beneficiaries. We also found that SSA properly reissued the payments to 23 beneficiaries, and the remaining 25 beneficiaries were not eligible for the payments. Projecting our sample results to the population, we estimate that \$133.7 million in uncashed benefit checks was payable to 140,977 beneficiaries.

We are 90-percent confident the number of eligible beneficiaries who had uncashed checks ranged from 133,021 to 147,965, and the amount of benefits payable ranged from \$101.4 to \$165.9 million (see Appendix D).

Our sample results are summarized below.

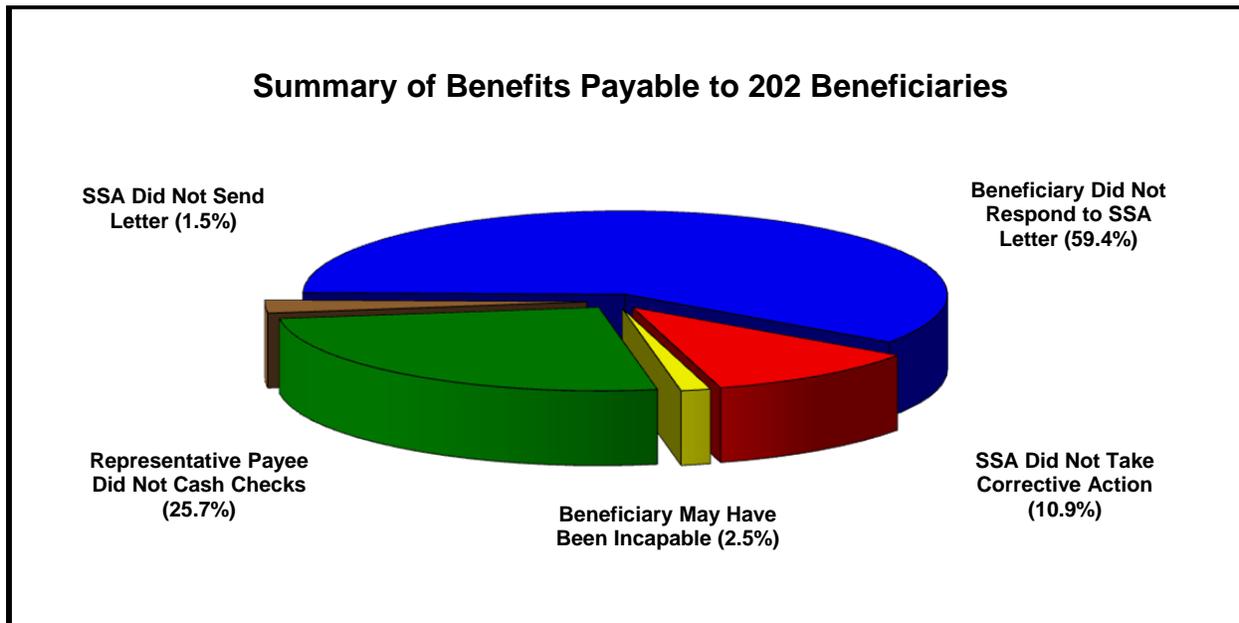


⁵ Id.

We found that benefits were payable and uncashed checks were not reissued to eligible beneficiaries because

- SSA did not take corrective actions when beneficiaries or representative payees responded to SSA's letters;
- representative payees may not be meeting their responsibilities to beneficiaries in their care;
- beneficiaries may have been incapable of managing their benefits when SSA issued the checks;
- SSA did not send required letters to inform beneficiaries they had not cashed a check; and
- SSA policy differences for uncashed benefit checks may have contributed to disparate results between OASDI beneficiaries and Supplemental Security Income (SSI) recipients.

The following chart summarizes the benefits payable to the 202 beneficiaries.



SSA Actions When Beneficiaries or Representative Payees Responded to Letters

For 22 of the beneficiaries in our sample, the beneficiary or representative payee responded to SSA's letter and indicated they had not cashed the checks. This included 17 that required SSA to review their records and reissue the payment and 5 that required SSA to contact them for additional information.

SSA did not issue replacement checks to 17 beneficiaries or representative payees. These individuals responded to SSA's letter indicating their checks had not been cashed. However, SSA did not take appropriate action to reissue \$10,361 in benefit payments to these individuals. For example, in August 2010, SSA sent a representative payee a letter informing them the beneficiary's May 2009 check for \$1,380 may not have been cashed. In September 2010, the representative payee responded to the letter confirming the check had not been cashed. However, SSA did not take action to reissue the payment.

SSA did not contact five beneficiaries or representative payees who had responded to SSA's letters. These individuals returned the letters to SSA but did not sign them or indicated they were unsure if they had cashed the checks. When this occurs, SSA policy requires that an SSA employee contact the beneficiary or representative payee to resolve the discrepancy or return the letter to the beneficiary for signature.⁶ We found no evidence that SSA contacted these individuals, as required. As a result, SSA did not reissue \$2,765 in uncashed checks to the affected beneficiaries.

Representative Payees Not Meeting Their Responsibilities

A representative payee is an individual or organization appointed by SSA to receive Social Security benefits for beneficiaries who cannot manage or direct the management of their finances.⁷ The representative payees' responsibilities are to use benefits for the beneficiary's current needs and in their best interests.⁸ We found the representative payees for 52 beneficiaries did not cash \$30,900 in checks for their beneficiaries. Since the representative payees did not cash these checks, they may not have been meeting the beneficiaries' needs.

For example, a representative payee did not cash two checks, totaling \$1,726, issued in September 2008. In December 2009, SSA sent a letter notifying the representative payee the beneficiary's checks may not have been cashed. However, the representative payee did not respond to the letter.

Beneficiaries Incapable of Managing Their Benefits

We found that five beneficiaries were aged or disabled when SSA issued \$4,245 in checks they did not cash. SSA subsequently appointed representative payees to manage the benefits for these beneficiaries. These beneficiaries may have been incapable of managing their benefits when SSA issued the checks.

For example, SSA issued two checks in February and July 2009 to a 91-year-old beneficiary. In February 2010, SSA appointed a representative payee for the

⁶ SSA, POMS, GN 02401.905.D (January 17, 2008).

⁷ *Social Security Act* §§ 205(j) and 1631(a)(2)(A)(ii), 42 U.S.C. §§ 405(j) and 1383(a)(2)(A)(ii).

⁸ SSA, POMS, GN 00605.001.B.1 (November 7, 2008).

beneficiary. We contacted the representative payee and beneficiary's daughter in January 2012. We learned the beneficiary had developed dementia in 2009 and was no longer able to manage his benefits.

SSA Letters to Inform Beneficiaries of Uncashed Checks

SSA did not send letters to three beneficiaries in our sample. We found no evidence that SSA mailed the notices to the beneficiaries. As a result, these beneficiaries were unaware their checks had not been cashed. Had SSA notified the beneficiaries, they could have requested replacement checks for \$3,649 in benefits.

If the beneficiary's record reflects an uncashed payment within the past 12 months, SSA mails an automated letter to ask the beneficiary whether he/she cashed the check⁹ unless benefits had been suspended pending the selection of a representative payee or for address reasons, or if the beneficiary is deceased. Of the three beneficiaries in our sample, two were in current pay status when SSA received the limited payability credit and one had been suspended for address reasons. SSA's Online Retrieval System (ORS) should retain a copy of all letters sent to beneficiaries. We reviewed ORS and found no evidence that SSA had sent letters to the two beneficiaries in current pay status.

For example, SSA did not send a letter to a beneficiary for five uncashed checks because his benefits had been suspended for address reasons. The beneficiary had uncashed checks totaling \$3,149 that were issued between February and October 2007. In January 2012, we contacted the beneficiary and learned he was away from home when SSA issued the checks. The beneficiary stated he did not receive any notices from SSA and had neither received nor cashed the checks.

SSA Policies and Procedures for Uncashed Benefit Checks

Of the 250 beneficiaries in our sample, 120 did not respond to SSA's letters. Our review of the 120 beneficiaries found they were all eligible for the uncashed checks. In addition, 100 of these beneficiaries had only 1 uncashed check from January 2000 to January 2009. Consequently, there was no apparent reason these beneficiaries did not respond to SSA's letters. However, we believe SSA's policy differences for uncashed benefit checks between OASDI beneficiaries and SSI recipients may have contributed to a lower response rate for OASDI beneficiaries.

When an OASDI beneficiary or representative payee does not cash a check after 1 year, SSA mails an automated letter that states a particular check(s) may not have been cashed (see Appendix B for sample letter). If the beneficiary or representative payee responds to the letter, an SSA employee must review the beneficiary's record to determine whether the check is still payable. If the beneficiary or representative payee indicates they did not cash the check and signs the letter, SSA will reissue the

⁹ SSA, POMS, GN 02406.180.B.1 (August 23, 2011).

payment, if appropriate. If the beneficiary or representative payee does not respond to the letter, SSA policy directs employees to take no further action.¹⁰

Conversely, under the SSI program,¹¹ when a recipient or representative payee does not cash a check after 1 year, SSA policy requires that a field office employee contact the recipient or representative payee to determine why he or she did not cash the check and take necessary action to reissue the check.¹² SSA policy states it does not send a notice because SSI is a needs-based program, and direct contact is required whenever an SSI recipient does not cash a check after 1 year.¹³

For many OASDI beneficiaries, Social Security is their major source of income. According to SSA statistics, Social Security benefits comprise at least 90 percent of total income for one-third of beneficiaries over age 65. Social Security is the major source of income (that is, between 50 and 100 percent of total income) for two-thirds of beneficiaries over age 65.¹⁴

We found that personal contact with beneficiaries provided valuable information to resolve why beneficiaries had not cashed their checks. For example, in January 2012, we contacted a disabled beneficiary who had 10 uncashed checks, totaling \$24,684, issued between May 2005 and November 2006, and learned he had not cashed the checks because of his illness. The beneficiary stated he received benefits via direct deposit because he had been bedridden for 5 years. The beneficiary also stated he had a large amount of unopened mail at home, including checks and letters, but was too ill to review it. In February 2012, we referred this case to SSA for appropriate action. In April 2012, SSA reissued payments to the beneficiary.

Since 2000, SSA reissued approximately 45 percent of uncashed SSI checks or used them to reduce an existing overpayment. However, for OASDI, SSA only reissued 20 percent of uncashed checks or used them to reduce an existing overpayment.

¹⁰ Id.

¹¹ *Social Security Act*, § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

¹² SSA, POMS, GN 02401.904.B (August 27, 2009).

¹³ SSA, POMS, GN 02401.905.A (January 17, 2008).

¹⁴ SSA, *Income of the Population 55 or Older, 2010*, Table 5.A5.

BENEFICIARIES WHO HAD MORE THAN 12 UNCASHED CHECKS

We identified 176,517 beneficiaries with uncashed checks that SSA had not reissued. About 91 percent of these beneficiaries had only one or two uncashed checks. From the population of 176,517 beneficiaries, we identified 2,040 beneficiaries who had more than 12 uncashed checks. Given the high number of uncashed checks, we are concerned these beneficiaries could be deceased or their whereabouts may be unknown. As depicted in the chart below, these beneficiaries had not cashed \$42.3 million in benefit payments. On average, each beneficiary had 27 uncashed checks totaling \$20,715.¹⁵ The checks were outstanding, on average, for 6.5 years.¹⁶

Number of Uncashed Checks	Number of Beneficiaries	Total Checks Outstanding	Total Benefits
Between 13 and 24	1,295	21,970	\$17,344,602
Between 25 and 36	376	10,998	\$8,534,889
Between 37 and 48	161	6,653	\$4,917,961
Between 49 and 60	76	4,069	\$3,106,501
Between 61 and 72	33	2,183	\$1,995,894
Between 73 and 84	42	3,267	\$2,475,697
85 or more	57	5,691	\$3,883,150
Total	2,040	54,831	\$42,258,694

At the beginning of our audit, we identified a beneficiary who had 89 months of uncashed checks, totaling \$17,700 that SSA issued from July 2002 through February 2010. SSA had mailed 87 automated letters to the beneficiary's address of record. There was no evidence that the post office returned the letters as undeliverable, and SSA took no further actions despite the number of uncashed checks.

In May 2011, we referred this case to SSA for review. SSA made personal contact with the beneficiary's daughter at the beneficiary's address and determined the beneficiary had left the United States and died in September 2002. However, SSA did not know of the beneficiary's change of address and death. Because of its personal contact, SSA obtained a death certificate and took corrective action to terminate her benefits.

¹⁵ The mean was 27 checks and \$20,715 in benefits. The median was 20 checks and \$14,770 in benefits.

¹⁶ The mean was 6.5 years. The median was 6 years.

We subsequently selected a random sample of 100 beneficiaries who had more than 12 uncashed checks. This included 93 beneficiaries to whom SSA had not issued replacement checks. In September 2011, we provided the 93 beneficiaries' names to SSA for appropriate action. As of April 2012, SSA had repaid or stated it would reissue benefits totaling \$495,205 to 29 beneficiaries. In addition, SSA suspended benefits to eight beneficiaries pending the selection of a representative payee or for address reasons, and terminated benefits for death for six beneficiaries. SSA also initiated action to resolve the uncashed checks for the remaining 50 beneficiaries.

CONCLUSION AND RECOMMENDATIONS

SSA needed to ensure it took appropriate action to reissue payments to eligible beneficiaries who had not cashed their Social Security checks. Based on our random sample of 250 beneficiaries, 202 (81 percent) were eligible for payment. As a result, we estimate that \$133.7 million in uncashed checks was payable to 140,977 beneficiaries.

This occurred because (1) SSA did not take corrective actions when beneficiaries or representative payees responded to SSA's letters, (2) representative payees may not have been meeting their responsibilities to beneficiaries in their care, (3) beneficiaries may not have been capable of managing their benefits when SSA issued the checks, (4) SSA did not send required letters to inform beneficiaries they had not cashed a check, and (5) SSA policy differences for uncashed benefit checks may have contributed to disparate results between OASDI beneficiaries and SSI recipients.

In December 2010, Treasury published a new rule requiring that all Social Security beneficiaries switch from paper checks to electronic payment (that is, direct deposit or Direct Express debit card) by March 2013.¹⁷ Although almost all beneficiaries will receive electronic payments beginning in March 2013, some will continue receiving paper checks because Treasury regulations allow for exemptions to the electronic payment requirement (for example, any beneficiary born before May 1921 may continue to receive paper checks). As of February 2011, about 6.4 million OASDI beneficiaries received payments by paper check. Of these, about 198,000 (3.1 percent) were born before May 1921, and therefore, are not required to switch to electronic payment by March 2013. In addition, Treasury will continue returning funds to SSA until May 2014 for all checks issued before March 2013 that beneficiaries did not cash within 1 year of the issue date.

¹⁷ SSA, POMS, GN 02402.001 (April 29, 2011).

We recommend that SSA:

1. Take corrective action, as appropriate, to resolve and reissue payments to the 202 beneficiaries identified by our audit. Based on the results of the corrective action for the 202 beneficiaries, develop a cost-effective method to reissue payments to the estimated population of 140,977 beneficiaries who had not cashed their Social Security checks.
2. Remind employees to contact beneficiaries who respond to SSA's letter but do not provide complete information and issue replacement checks to eligible beneficiaries, as required.
3. Determine whether it should revise its method of contact when beneficiaries do not cash a check, particularly in those instances when representative payees have not cashed a check or when beneficiaries have not cashed several checks.

AGENCY COMMENTS

SSA agreed with Recommendation 2 but did not agree with Recommendations 1 and 3.

SSA stated it disagreed with Recommendation 1 because it already takes corrective action to resolve and reissue payments when beneficiaries or representative payees respond to SSA's automated letters. SSA further stated it properly followed its current policy for 98 percent of the 250 sample cases that we reviewed. Finally, SSA stated that reviewing all of the estimated population of 140,977 beneficiaries was prohibitive and would divert scarce resources from other priority workloads.

SSA stated it disagreed with Recommendation 3 because its current policy clearly outlines its process to contact beneficiaries. SSA also stated that a policy change would result in an increased operational workload and require the commitment of resources that are not available. Finally, SSA stated it does not believe revising its method of contact is cost-effective.

The Agency's comments are included in Appendix E.

OIG RESPONSE

Given that we found 81 percent (202 out of 250) of the beneficiaries in our sample were eligible for payments, we believe that a change in SSA's current policy may be warranted. However, before making any policy changes or reviewing the entire population of 140,977 beneficiaries, we recommended that SSA *first* resolve and reissue payments, if appropriate, to the 202 beneficiaries identified by our audit. Upon completion of this review, SSA would have better information to determine whether it is cost-effective to review all or part of the larger population of beneficiaries who may be eligible for reissuance of their benefits. It should also provide SSA with information to determine whether policy revisions would be appropriate. Regardless, we believe SSA

should take additional steps when representative payees do not cash beneficiaries' checks or when beneficiaries do not cash several checks. The intent of our recommendations is not to increase workloads for SSA but to ensure all beneficiaries are paid the benefits they are entitled to receive and to reduce the vulnerability of issuing payments to beneficiaries who may be deceased.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", written in a cursive style.

Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Sample Beneficiary Letter

APPENDIX C – Scope and Methodology

APPENDIX D – Sampling Methodology and Results

APPENDIX E – Agency Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

Acronyms

MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
ORS	Online Retrieval System
PHUS	Payment History Update System
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
Treasury	Department of the Treasury
U.S.C.	United States Code

Sample Beneficiary Letter

Social Security Administration Retirement, Survivors and Disability Insurance Important Information

**SSA Regional Office
Name and Address
Date
Claim Number**

Beneficiary Name and Address

We are conducting a review of payments issued to beneficiaries. The purpose of this review is to make sure that checks are cashed within the time allowed by law. You were selected for this review. Our records show that you may not have cashed the check(s) listed below.

What You Should Do

Please look at your records to see if you have cashed them. Draw a circle around the one(s) not cashed.

Amount	Dates
\$1,762.00	November 8, 2006

Did you circle any of the checks listed above? If so, please sign and date this letter, and return it to us in the enclosed envelope. If you cashed every check listed above, you do not need to do anything.

If You Have Any Questions

We invite you to visit our website at www.socialsecurity.gov on the Internet to find general information about Social Security. If you have any specific questions, you may call us toll-free at 1-800-772-1213, or call your local Social Security office at 1-520-321-1167. We can answer most questions over the phone. If you are deaf or hard of hearing, you may call our TTY number, 1-800-325-0778. You can also write or visit any Social Security office. The office that serves your area is located at:

Social Security Field Office Name and Address

If you do call or visit an office, please have this letter with you. It will help us answer your questions. Also, if you plan to visit an office, you may call ahead to make an appointment. This will help us serve you more quickly when you arrive at the office.

I did not cash the check(s) circled on this letter.

Signature _____ Date _____

Scope and Methodology

From the Social Security Administration's (SSA) Master Beneficiary Record (MBR) and Payment History Update System (PHUS), we obtained a data extract of 174,477 beneficiaries in current pay status who had 12 or fewer uncashed checks over \$50 issued between January 2000 and January 2009 that SSA had not reissued as of April 2010.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, Federal regulations, and SSA's Program Operations Manual System;
- interviewed SSA personnel from the San Francisco Regional Office and Offices of Payment and Recovery Policy and Public Service and Operations and Support;
- reviewed queries from SSA's MBR, PHUS, Online Retrieval System, Representative Payee System, and Claims File Records Management System for each sample item; and
- obtained and reviewed electronic folders, including the Department of the Treasury Check Information System, when necessary, to determine actions taken by SSA.

We determined the computer-processed data from the MBR and PHUS 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 objectives.

We performed audit work in Richmond, California, between July 2011 and April 2012. The entity audited was the Office of Operations under 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Sampling Methodology and Results

We obtained a data extract from the Social Security Administration’s (SSA) Master Beneficiary Record and Payment History Update System of 174,477 beneficiaries in current pay status who had 12 or fewer uncashed checks over \$50 that SSA had not reissued as of April 2010. We selected a random sample of 250 beneficiaries to determine whether SSA took appropriate action when beneficiaries had not cashed their Social Security checks within 1 year.

We found that SSA did not reissue \$191,565 in uncashed checks for 202 of the 250 beneficiaries in our sample. Projecting these results to our population of 174,477 beneficiaries, we estimate that \$133.7 million in uncashed checks are payable to 140,977 beneficiaries.

The following tables provide the details of our sample results and statistical projections.

Table D-1 – Population and Sample Size

Description	Number of Beneficiaries
Population Size	174,477
Sample Size	250

Table D-2 – Beneficiaries with Uncashed Checks That Were Not Resolved

Description	Number of Beneficiaries	Amount of Benefits Payable
Sample Results	202	\$191,565
Point Estimate	140,977	\$133,694,565
Projection - Lower Limit	133,021	\$101,439,368
Projection - Upper Limit	147,965	\$165,949,761

Note: All statistical projections are at the 90-percent confidence level.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: July 6, 2012 **Refer To:** SIJ-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Beneficiaries Who Had Not Cashed Their Social Security Checks Within 1 Year" (A-09-10-20133)—INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Amy Thompson at (410) 966-0569.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “BENEFICIARIES WHO HAD NOT CASHED THEIR SOCIAL SECURITY CHECKS WITHIN 1 YEAR” (A-09-10-20133)

Recommendation 1

Take corrective action, as appropriate, to resolve and reissue payments to the 202 beneficiaries identified by our audit. Based on the results of the corrective action for the 202 beneficiaries, develop a cost-effective method to reissue payments to the estimated population of 140,977 beneficiaries who had not cashed their Social Security checks.

Response

We disagree. We already take corrective action to resolve and reissue payment to beneficiaries who do not cash their check within one year. When an Old-Age, Survivors and Disability Insurance beneficiary or representative payee does not cash a check within one year, we mail an automated letter to the beneficiary or representative payee stating they may not have cashed a particular check(s). If the beneficiary or representative payee signs the letter and indicates they did not cash the check, we reissue payment, if appropriate. If the beneficiary or representative payee does not respond to the letter or indicates that they cashed the check, no further action is taken. In approximately 98 percent of the cases OIG reviewed, we followed our policy. For those cases OIG identified within its sample of 250 beneficiaries where we did not follow existing policy, we will take corrective action. However, the effort involved in reviewing all the cases projected in this audit (140,977) is prohibitive and would divert scarce resources from other priority workloads.

In addition, by March 2013, the Department of Treasury (Treasury) will require all beneficiaries to switch from paper checks to electronic payment, with few exceptions. The new regulation will dramatically reduce the number of non-negotiated checks.

Recommendation 2

Remind employees to contact beneficiaries who respond to SSA’s letter but do not provide complete information and issue replacement checks to eligible beneficiaries, as required.

Response

We agree.

Recommendation 3

Determine whether it should revise its method of contact when beneficiaries do not cash a check, particularly in those instances when representative payees have not cashed a check or when beneficiaries have not cashed several checks.

Response

We disagree. Our existing policy clearly outlines our process and provides instructions for contact when we receive a limited payability credit from Treasury. Changes to the current process would result in an increased operational workload and require the commitment of resources that are not available. In light of our current processes, we do not believe revising our method of contact is cost-effective.

OIG Contacts and Staff Acknowledgments

OIG Contacts

James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

Acknowledgments

In addition to those named above:

Vickie Choy, Senior Auditor

Wilfred Wong, Information Technology Specialist

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-09-10-20133.

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Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.