

Audit Report

Follow-up: Beneficiaries Who Had
Not Cashed Their Checks Within
1 Year



MEMORANDUM

Date: December 23, 2019 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Follow-up: Beneficiaries Who Had Not Cashed Their Checks Within 1 Year (A-09-18-50562)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration took appropriate action when Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients had not cashed their checks within 1 year.

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.

A handwritten signature in black ink that reads "Gail S. Ennis".

Gail S. Ennis

Attachment

Follow-up: Beneficiaries Who Had Not Cashed Their Checks Within 1 Year

A-09-18-50562



December 2019

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) took appropriate action when Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries and Supplemental Security Income (SSI) recipients had not cashed their checks within 1 year.

Background

OASDI beneficiaries and SSI recipients who receive checks may cash those checks up to 1 year after their issue date. After 1 year, the checks become non-negotiable. When Department of the Treasury records show a beneficiary or recipient has not cashed a check within 1 year, 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.

In two prior audits, we found SSA needed to ensure it took appropriate action to reissue payments to eligible OASDI and SSI recipients who had not cashed their checks. We estimated approximately \$164.4 million in uncashed checks was payable to 184,000 beneficiaries and recipients.

For our current review, we identified 85,761 OASDI beneficiaries in current pay who had \$140 million in uncashed checks and 40,444 SSI recipients who had \$39.5 million in uncashed checks.

Findings

We continue to find that SSA needs to reissue payments to eligible OASDI beneficiaries and SSI recipients who have not cashed their checks. Based on our random samples, we estimate approximately \$81.5 million in uncashed checks was payable to 77,185 OASDI beneficiaries. In addition, we estimate SSA did not resolve and reissue approximately \$15.8 million in uncashed checks payable to 27,502 SSI recipients. This included 1,254 beneficiaries and 423 recipients who each had more than 12 uncashed checks. These individuals had not cashed checks totaling approximately \$30.7 million in OASDI benefits and \$5.7 million in SSI payments.

When SSA resolves cases involving uncashed checks, it needs to determine whether (1) beneficiaries and recipients may be deceased, (2) their age or disability could indicate they are incapable of managing their benefits, and/or (3) representative payees are meeting the beneficiaries' needs. In particular, SSA should document its rationale and, if appropriate, revise guidelines for determining when SSA employees must follow up to resolve why OASDI beneficiaries had not cashed their checks.

Finally, SSA did not resolve and, if appropriate, reissue payments for 78 percent of the beneficiaries and recipients identified in our two prior audits.

Recommendations

We made four recommendations for SSA to take appropriate action to reissue payments to eligible OASDI beneficiaries and SSI recipients who have not cashed their checks. SSA agreed with our recommendations.

TABLE OF CONTENTS

Objective.....	1
Background.....	1
Results of Review	2
OASDI Beneficiaries Had Not Cashed Their Checks	4
SSI Recipients Had Not Cashed Their Checks	4
SSA Did Not Resolve Uncashed Checks.....	5
SSA Did Not Issue Checks to Beneficiaries Who Responded to Letters	6
Representative Payees Not Meeting Their Responsibilities	6
SSA Did Not Send Letters to OASDI Beneficiaries.....	6
SSA Did Not Contact SSI Recipients	7
Beneficiaries and Recipients Who Had More Than 12 Uncashed Checks.....	7
Policy Differences Between OASDI and SSI Programs.....	9
SSA Actions Taken in Response to Prior Audits.....	9
Conclusions.....	11
Recommendations.....	11
Agency Comments.....	11
Appendix A – Scope and Methodology	A-1
Appendix B – Sampling Methodology and Results	B-1
Appendix C – Agency Comments.....	C-1

ABBREVIATIONS

C.F.R.	Code of Federal Regulations
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
Treasury	Department of the Treasury
U.S.C.	United States Code

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) took appropriate action when Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries and Supplemental Security Income (SSI) recipients had not cashed their checks within 1 year.

BACKGROUND

The OASDI program provides monthly benefits to retired and disabled workers, including their dependents and survivors. The SSI program provides payments to financially needy individuals who are aged, blind, or disabled.¹

OASDI beneficiaries and SSI recipients who receive checks may cash those checks up to 1 year after their issue date.² After 1 year, the checks become non-negotiable, and banks should no longer accept them. When Department of the Treasury (Treasury) records show a beneficiary or recipient has not cashed 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, it updates the payment record with the credit; informs the beneficiary or recipient of the uncashed check; and, if appropriate, reissues the check.⁴

For OASDI beneficiaries, SSA sends a letter to the beneficiary or representative payee inquiring whether the beneficiary received and cashed the check. SSA reviews the records of beneficiaries who respond to the letter and, if appropriate, reissues the check. If the beneficiary or representative payee does not respond to the letter, no further action is required.⁵ For SSI recipients, SSA generates an alert requiring that a field office employee contact the recipient or representative payee to determine why he/she did not cash the check and, if appropriate, reissue

¹ *Social Security Act*, 42 U.S.C. §§ 401, 1381 (govinfo.gov 2017); 20 C.F.R. §§ 416.101, 416.110 (govinfo.gov 2018).

² In March 2013, Treasury began requiring that most OASDI beneficiaries and SSI recipients receive electronic payment in lieu of paper checks. As of August 2019, 99.1 and 96.1 percent of OASDI beneficiaries and SSI recipients, respectively, had direct deposit. Paper checks may be issued for individuals who were born before May 1, 1921; payments that are not eligible for deposit to a Direct Express prepaid debit card; and individuals whose prepaid debit card has been suspended or cancelled. 31 C.F.R. §§ 208.3, 208.4 (govinfo.gov 2018).

³ SSA, *POMS*, GN 02401.901, B and C (June 5, 2014).

⁴ SSA, *POMS*, GN 02401.904, B (May 14, 2019).

⁵ SSA, *POMS*, GN 02406.180, B.1 (May 28, 2014).

the check. In addition, SSA establishes a 60-day diary⁶ to remind employees to follow up on and resolve any outstanding SSI checks.⁷

In a 2012 audit, we found SSA needed to ensure it took appropriate action to reissue payments to eligible OASDI beneficiaries who had not cashed their checks. We estimated \$133.7 million in uncashed checks was payable to 140,977 beneficiaries.⁸ In a 2014 audit, we found SSA needed to ensure it took appropriate action to reissue payments to SSI recipients who had not cashed their checks and establish overpayments for some recipients with uncashed checks. We estimated SSA did not resolve and reissue \$30.7 million in uncashed checks payable to 43,161 recipients and should have removed \$11.1 million in overpayments for uncashed checks to 21,581 recipients.⁹

For our current review, we identified 85,761 OASDI beneficiaries in current pay who had \$140 million in uncashed checks and 40,444 SSI recipients who had \$39.5 million in uncashed checks. According to SSA's records, it had not taken action to reissue these payments. This represents two new populations since our prior audits. From these populations, we selected 2 random samples of 50 OASDI beneficiaries and 50 SSI recipients for review (see Appendix A).

RESULTS OF REVIEW

We continue to find that SSA needs to reissue payments to eligible OASDI beneficiaries and SSI recipients who have not cashed their checks. Based on our random samples, we estimate approximately \$81.5 million in uncashed checks was payable to 77,185 OASDI beneficiaries and \$15.8 million in uncashed checks was payable to 27,502 SSI recipients (see Appendix B). This includes 1,254 beneficiaries and 423 recipients who each had more than 12 uncashed checks. These individuals had not cashed approximately \$30.7 million in OASDI benefits and \$5.7 million in SSI payments.

⁶ The diary ensures individual records are maintained and accurate. Diaries are established as a result of an SSA employee input or systems run. They indicate further action on a case is required.

⁷ SSA, POMS, GN 02401.901, B and C (June 5, 2014) and GN 02401.904, B (May 14, 2019).

⁸ SSA, OIG, *Beneficiaries Who Had Not Cashed Their Social Security Checks Within 1 Year*, A-09-10-20133, pp. 2 and 8 (July 2012).

⁹ SSA, OIG, *Supplemental Security Income Recipients Who Had Not Cashed Their Checks Within 1 Year* A-09-13-23023, pp. 2 and 5 (April 2014).

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

- SSA did not take corrective actions when OASDI beneficiaries or representative payees responded to its letters,
- representative payees may not have been meeting their responsibilities to the individuals in their care,
- SSA did not send required letters to inform OASDI beneficiaries or their representative payees when they had not cashed a check,
- SSA did not contact SSI recipients or their representative payees when they had not cashed a check,
- the SSI Diary Control program¹⁰ did not always track uncashed checks, and
- SSA policy differences for uncashed checks may have contributed to disparate results between SSI recipients and OASDI beneficiaries.

When resolving cases involving uncashed checks, SSA needs to determine whether (1) beneficiaries and recipients may be deceased, (2) their age or disability could indicate they are incapable of managing their benefits, and/or (3) representative payees are meeting the beneficiaries' needs. In particular, SSA should document its rationale and, if appropriate, revise guidelines for determining when SSA employees must follow up to resolve why OASDI beneficiaries had not cashed their checks.

Table 1: Summary of OASDI Beneficiaries and SSI Recipients Reviewed

Description	OASDI		SSI		Total	
	Number	Percent	Number	Percent	Number	Percent
Representative Payee May Not Be Meeting Beneficiary's Needs	11	22%	14	28%	25	25%
May Be Incapable Because of Age (Over Age 80) or Disability	5	10%	4	8%	9	9%
Six or More Uncashed Checks	1	2%	0	0%	1	1%
Subtotal	17	34%	18	36%	35	35%
Sample Size	50	100%	50	100%	100	100%

Finally, SSA did not resolve and, if appropriate, reissue payments for 78 percent of the beneficiaries and recipients identified in our 2012 and 2014 audits.

¹⁰ SSA created the SSI Diary Control program to track recipients in current pay with pending diaries. SSA employees must take further action to resolve the diaries and update the recipients' records.

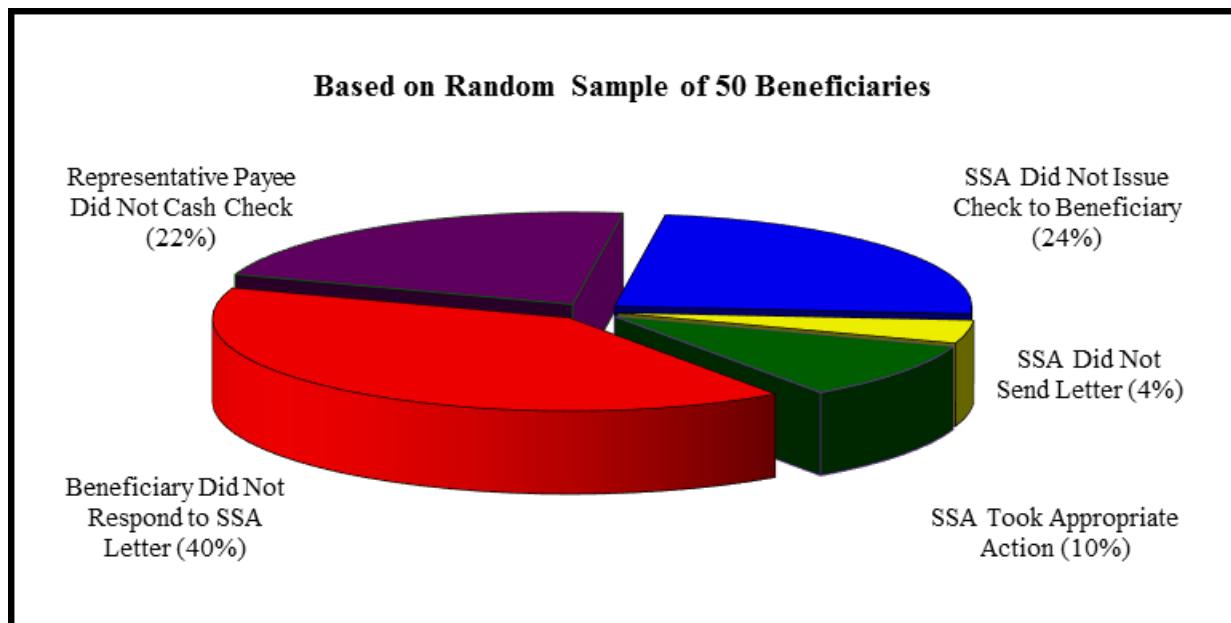
OASDI Beneficiaries Had Not Cashed Their Checks

Of the 50 OASDI beneficiaries in our sample, SSA did not resolve uncashed checks totaling \$47,543 that were payable to 45.¹¹ Specifically,

- 20 beneficiaries did not respond to SSA's letter,
- 11 representative payees had not cashed the checks,
- SSA did not issue checks to 12 beneficiaries who responded to the letter, and
- SSA did not send letters to 2 beneficiaries.

SSA took appropriate action to resolve the uncashed checks for the remaining five beneficiaries. Figure 1 summarizes the results of our review.

Figure 1: OASDI Beneficiaries Who Had Not Cashed Their Checks



SSI Recipients Had Not Cashed Their Checks

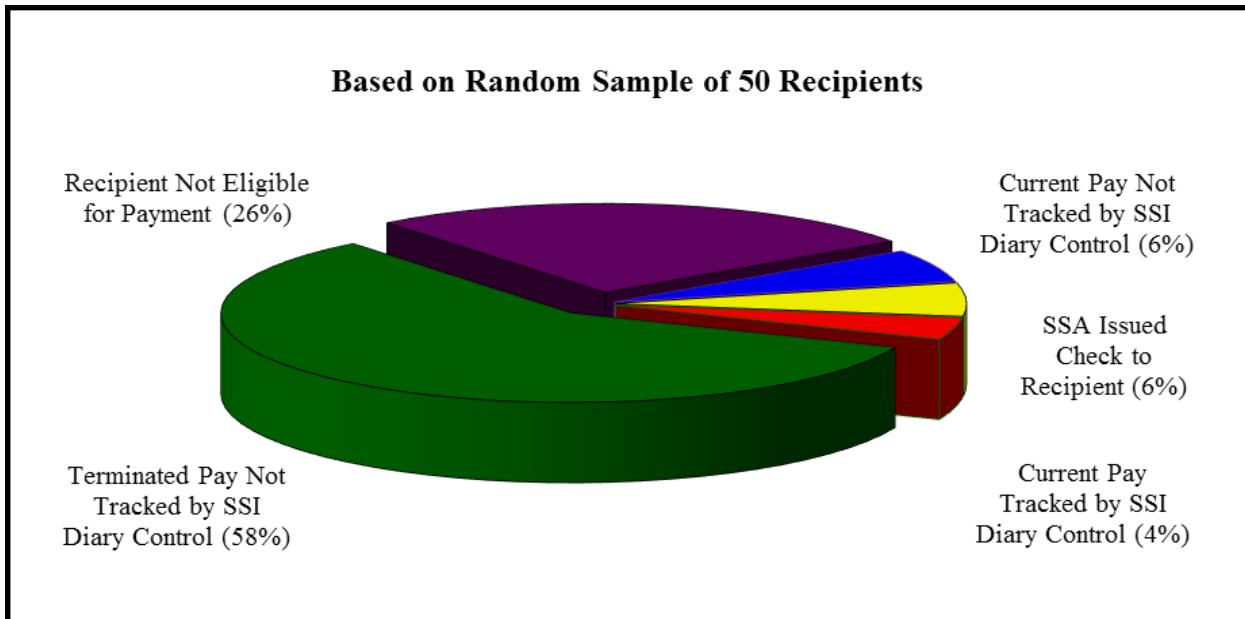
Of the 50 SSI recipients in our sample, SSA did not resolve and reissue uncashed checks totaling \$19,490 that were payable to 34.¹² SSA should have removed \$1,647 in overpayments for two recipients' uncashed checks. We found no evidence SSA employees attempted to contact the 34 recipients or their representative payees. Of these, the SSI Diary Control program

¹¹ In September 2018, we referred the 50 OASDI beneficiaries to SSA for review. SSA reviewed 10 beneficiaries and generally agreed with our conclusions. As of June 2019, SSA had not taken action on these cases.

¹² In September 2018, we referred the 50 SSI recipients to SSA for review. SSA reviewed 20 recipients and generally agreed with our conclusions. As of June 2019, SSA had not taken action on these cases.

tracked the uncashed checks for 2 recipients in current pay but did not track the uncashed checks for 32 recipients—29 in terminated status and 3 in current pay. For the remaining 16 recipients, SSA properly reissued payments to 3 and determined that 13 were not eligible for payments. Figure 2 summarizes the results of our review.

Figure 2: SSI Recipients Who Had Not Cashed Their Checks



SSA Did Not Resolve Uncashed Checks

When Treasury records show a beneficiary has not cashed a check within 1 year of its issue date, Treasury 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.¹³ Generally, when SSA receives a limited payability credit, it updates the payment record with the credit; is required to inform the beneficiary or recipient of the uncashed check; and, if appropriate, reissues the check.¹⁴

SSA sends OASDI beneficiaries a letter inquiring whether the beneficiary or representative payee received and cashed the check. SSA reviews the records of beneficiaries who respond to the letter and, if appropriate, reissues the check. If the beneficiary or representative payee does not respond to the letter, no further action is required.¹⁵ SSA generates an alert requiring that a field office employee contact SSI recipients or their representative payees to determine why they did not cash the check and, if appropriate, reissues the check. In addition, SSA establishes a

¹³ SSA, *POMS*, GN 02401.901, A (June 5, 2014).

¹⁴ SSA, *POMS*, GN 02401.904, B (May 14, 2019) and GN 02401.901, B (June 5, 2014).

¹⁵ SSA, *POMS*, GN 02406.180, B.1 (May 28, 2014).

60-day diary to remind employees to follow up on and resolve outstanding SSI checks.¹⁶ However, SSA does not control or require a similar followup for OASDI checks.

SSA Did Not Issue Checks to Beneficiaries Who Responded to Letters

SSA did not issue replacement checks to 10 OASDI beneficiaries even though they responded to SSA's letter and indicated they had not cashed the checks. SSA did not take appropriate action to reissue \$12,920 in benefits to these individuals. For example, in August 2015, SSA sent a letter informing a beneficiary that her June 2014 check for \$5,152 may not have been cashed. The beneficiary confirmed the check had not been cashed. However, SSA did not issue a replacement check, as required by SSA policy. SSA should improve controls to ensure its employees issue replacement checks to eligible beneficiaries and recipients who have not cashed their checks.

Representative Payees Not Meeting Their Responsibilities

A representative payee is responsible for using benefits for the beneficiary's current needs and in their best interests.¹⁷ We found representative payees had not cashed checks totaling \$7,351 for 11 OASDI beneficiaries and \$6,741 for 14 SSI recipients. Since the representative payees did not cash these checks, they may not have been meeting the needs of the beneficiaries in their care. For example, a representative payee did not cash a beneficiary's March 2014 check for \$425. In May 2015, SSA sent a letter notifying the representative payee the beneficiary's check may not have been cashed. However, the representative payee did not respond and therefore may not be suitable or meeting the needs of the beneficiary.

SSA Did Not Send Letters to OASDI Beneficiaries

SSA did not send letters to two OASDI beneficiaries whose checks had not been cashed. As a result, these beneficiaries may have been unaware their checks had not been cashed. Had SSA notified the beneficiaries, they could have requested replacement checks for \$899. For example, a beneficiary did not cash his January 2010 check for \$250. In April 2011, SSA received a limited payability credit for the uncashed check but did not send the beneficiary a letter, as required by SSA policy.

¹⁶ SSA, POMS, GN 02401.901, B and C (June 5, 2014) and GN 02401.904, B (May 14, 2019).

¹⁷ SSA, POMS, GN 00602.001, A (March 5, 2002).

SSA Did Not Contact SSI Recipients

SSA did not contact 34 SSI recipients to determine why they had not cashed their checks. We found no evidence that SSA employees attempted to contact the 34 recipients or their representative payees. As a result, these recipients may have been unaware their checks had not been cashed. Had SSA contacted the recipients, they could have requested replacement checks for \$19,490 in payments. Of the 34 recipients, the SSI Diary Control program tracked the uncashed checks for 2 in current pay but did not track the uncashed checks for 29 in terminated status and 3 in current pay.

SSA created the SSI Diary Control program to track recipients in current pay whose diaries are pending. SSA employees must take further action to resolve the diaries and update the Supplemental Security Record (SSR).¹⁸ When SSA generates an alert for an uncashed check, a field office employee should contact the recipient and reissue the payment, if appropriate; clear the diary; and record on the SSR how they resolved the uncashed check.¹⁹ However, the SSI Diary Control program does not track recipients who have uncashed checks on terminated payment records.²⁰ These individuals must file a new application to re-establish their SSI eligibility. When this occurs, SSA creates a new SSR for the recipient.

We found that 29 of the recipients with pending diaries on their SSRs were not in the SSI Diary Control program because the uncashed checks were on terminated SSRs. In addition, SSA employees improperly cleared the diaries for three recipients in current pay without resolving the uncashed checks. Without the diary control to track these uncashed checks, SSA employees did not take action to resolve and, if appropriate, reissue \$18,549 in payments to the 32 recipients. SSA should revise the SSI Diary Control program to track recipients who have uncashed checks on terminated SSRs.

Beneficiaries and Recipients Who Had More Than 12 Uncashed Checks

We identified 85,761 OASDI beneficiaries who had 157,949 uncashed checks that SSA had not reissued. We found that 81,537 (95.1 percent) of these beneficiaries had between 1 and 4 uncashed checks. Of the 85,761 beneficiaries, 1,254 had more than 12 uncashed checks totaling \$30.7 million. On average, each beneficiary had 29 uncashed checks totaling \$24,472.²¹ Table 2 summarizes the results of our review.

¹⁸ The SSR contains information on individuals applying for SSI payments. SSA uses the information from the application and other sources to determine eligibility for, and administer, the SSI program.

¹⁹ SSA, POMS, GN 02401.904, B (May 14, 2019).

²⁰ SSA terminates SSRs when recipients no longer meet SSI eligibility requirements and have been ineligible to receive payments for longer than 12 months.

²¹ The mean was 29 uncashed checks totaling \$24,472. The median was 21 uncashed checks totaling \$17,358.

Table 2: OASDI Beneficiaries Who Had More Than 12 Uncashed Checks

Number of Uncashed Checks	Number of Beneficiaries	Total Checks Outstanding	Total Benefits
Between 13 and 24	727	12,587	\$10,890,639
Between 25 and 36	214	6,450	\$5,412,278
Between 37 and 48	128	5,339	\$4,633,035
Between 49 and 60	62	3,287	\$3,134,515
Between 61 and 72	54	3,530	\$3,021,530
Between 73 and 84	69	5,077	\$3,595,690
Total	1,254	36,270	\$30,687,687

We also identified 40,444 SSI recipients who had 66,146 uncashed checks that SSA had not reissued. We found 38,873 (96.1 percent) of these recipients had between 1 and 4 uncashed checks. Of the 40,444 recipients, 423 had more than 12 uncashed checks totaling approximately \$5.7 million. On average, each recipient had 26 uncashed checks totaling \$13,439.²² Table 3 summarizes the results of our review.

Table 3: SSI Recipients Who Had More Than 12 Uncashed Checks

Number of Uncashed Checks	Number of Recipients	Total Checks Outstanding	Total Payments
Between 13 and 24	269	4,549	\$2,289,900
Between 25 and 36	78	2,296	\$1,121,445
Between 37 and 48	32	1,348	\$720,258
Between 49 and 60	24	1,301	\$755,758
Between 61 and 72	11	721	\$380,748
Between 73 and 84	9	664	\$416,646
Total	423	10,879	\$5,684,755

Given the high number of uncashed checks, we are concerned these beneficiaries and recipients are deceased or their whereabouts may be unknown. We found 887 (70.7 percent) of the 1,254 OASDI beneficiaries were age 70 or older and had 27,691 uncashed checks totaling \$24.1 million. Of these, 149 beneficiaries were age 90 or older and had 4,622 uncashed checks totaling \$3.9 million. In addition, we found that 170 (40.2 percent) of the 423 SSI recipients were age 70 or older and had 4,958 uncashed checks totaling \$2.6 million. Of these, 43 recipients were age 90 or older and had 1,446 uncashed checks totaling \$843,558.

²² The mean was 26 uncashed checks totaling \$13,439. The median was 19 uncashed checks totaling \$10,784.

Policy Differences Between OASDI and SSI Programs

Of the 50 OASDI beneficiaries in our sample, SSA sent letters to 48 beneficiaries or their representative payees. Of these, 28 beneficiaries did not respond to the letter. According to SSA's records, all 28 beneficiaries were eligible for the benefits. However, SSA employees took no further action to resolve and, if appropriate, reissue \$28,938 in benefits to the 28 beneficiaries. Unlike the SSI program, SSA policy does not require that employees initiate direct contact with OASDI beneficiaries to resolve why they had not cashed their checks.

When an OASDI beneficiary or representative payee does not cash a check after 1 year, SSA sends a letter inquiring whether the beneficiary received and cashed the check. SSA reviews the records of beneficiaries who respond to the letter and, if appropriate, reissues the check. If the beneficiary does not respond to the letter, SSA policy directs employees to take no further action.²³ Conversely, when an SSI recipient or representative payee does not cash a check after 1 year, SSA requires that a field office employee contact the recipient to determine why he/she did not cash the check and, if appropriate, reissue the check.²⁴ SSA policy states it does not send a letter because SSI is a needs-based program, and direct contact is required when a recipient does not cash a check after 1 year.²⁵

Social Security is the major source of income for many OASDI beneficiaries. 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 61 percent of beneficiaries over age 65.²⁶ Therefore SSA, should document its rationale and, if appropriate, revise guidelines for determining when SSA employees must follow up to resolve why OASDI beneficiaries had not cashed their checks.

SSA Actions Taken in Response to Prior Audits

In a 2012 audit, we found that SSA needed to ensure it took appropriate action to reissue payments to eligible OASDI beneficiaries who had not cashed their checks. We estimated that \$133.7 million in uncashed checks was payable to 140,977 beneficiaries.²⁷ In a 2014 audit, we found SSA needed to ensure it took appropriate action to reissue payments to SSI recipients who had not cashed their checks and establish overpayments for some recipients who had uncashed checks. We estimated SSA did not resolve and reissue \$30.7 million in uncashed checks payable

²³ SSA, *POMS*, GN 02406.180, B.1 (May 28, 2014).

²⁴ SSA, *POMS*, GN 02401.904, B (May 14, 2019).

²⁵ SSA, *POMS*, GN 02401.905, A.2 (April 18, 2014).

²⁶ SSA, Office of Retirement and Disability Programs, *Income of the Population 55 or Older, 2014*, No. 13-11871, p. 149 (April 2016).

²⁷ SSA, OIG, *Beneficiaries Who Had Not Cashed Their Social Security Checks Within 1 Year*, A-09-10-20133, pp. 2 and 8 (July 2012).

to 43,161 recipients and should have removed \$11.1 million in overpayments for uncashed checks to 21,581 recipients.²⁸ Our reports included recommendations for corrective action.

In response to our 2012 and 2014 audits, SSA stated it took action to resolve and reissue payments for the sample cases we identified. SSA updated its policy instructions and issued reminders to its employees on processing alerts for uncashed checks.²⁹ However, SSA stated

- it did not review the remaining cases in our audit populations because it would divert resources from other priority workloads,
- it did not revise its method of contacting OASDI beneficiaries because such a revision was not cost-effective, and
- new regulations³⁰ requiring direct deposit of Federal payments should dramatically reduce the number of uncashed checks.

SSA stated it followed current policies for resolving uncashed checks for OASDI beneficiaries, and any changes would result in increased workloads and require additional resources. However, SSA should document its rationale and, if appropriate, revise guidelines for determining when SSA employees must follow up to resolve why OASDI beneficiaries or their representative payees had not cashed their checks. Such actions would help ensure all individuals are paid the benefits they are entitled to receive and reduce the vulnerability of issuing payments to beneficiaries and recipients who may be deceased.

To determine the status of the 174,477 OASDI beneficiaries with 242,384 uncashed checks from our 2012 audit, we selected a random sample of 30 beneficiaries for review. Of these, 24 beneficiaries still had uncashed checks totaling \$29,330 that had not been resolved as of June 2019. The remaining six beneficiaries had uncashed checks totaling \$3,860 that were resolved.

To determine the status of the 74,416 SSI recipients with 117,213 uncashed checks from our 2014 audit, we selected a random sample of 30 recipients for review. Of these, 23 recipients still had uncashed checks totaling \$13,378 that were not resolved as of June 2019. The remaining seven recipients had uncashed checks totaling \$4,579 that were resolved. Therefore, we concluded SSA had not resolved and, if appropriate, reissued uncashed checks for 47 (78 percent) of the 60 OASDI beneficiaries and SSI recipients from our prior audits.

²⁸ SSA, OIG, *Supplemental Security Income Recipients Who Had Not Cashed Their Checks Within 1 Year A-09-13-23023*, pp. 2 and 5 (April 2014).

²⁹ SSA, AM-13030 (April 26, 2013) and AM-14046 (August 4, 2014).

³⁰ 31 C.F.R. §§ 208.3, 208.4 (govinfo.gov 2018). In March 2013, Treasury began requiring that most OASDI beneficiaries and SSI recipients receive electronic payment in lieu of paper checks.

CONCLUSIONS

We continue to find that SSA needs to take action and/or reissue payments to eligible OASDI beneficiaries and SSI recipients who have not cashed their checks. We estimate approximately \$97.3 million in uncashed checks was payable to 105,000 OASDI beneficiaries and SSI recipients. Further, SSA did not resolve and, if appropriate, reissue payments for 78 percent of the beneficiaries and recipients identified in our 2012 and 2014 audits.

RECOMMENDATIONS

We recommend that SSA:

1. Resolve and reissue payments, if eligible, to the 45 OASDI beneficiaries and 34 SSI recipients identified by our audit.
2. Based on the results of recommendation 1, resolve and reissue payments, if eligible, to the estimated population of 77,140 beneficiaries and 27,468 recipients who had not cashed their checks.
3. Improve controls to ensure its employees issue replacement checks to eligible beneficiaries and recipients who have not cashed their checks. This should include revising the SSI Diary Control program to track recipients who have uncashed checks on terminated SSRs.
4. Document its rationale and, if appropriate, revise guidelines for determining when SSA employees must follow up to resolve why OASDI beneficiaries had not cashed their checks.

AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix C.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Beneficiaries Who Had Not Cashed Their Checks Within 1 Year (A-09-18-50562)

Appendix A – SCOPE AND METHODOLOGY

From the Social Security Administration's (SSA) Master Beneficiary Record¹ and Payment History Update System,² we obtained a data extract of 85,761 Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries in current pay who had 157,949 uncashed checks over \$50 issued from January 2010 to January 2017. From SSA's Supplemental Security Record (SSR), we obtained a data extract of 40,444 Supplemental Security Income (SSI) recipients in current pay and terminated status who had 66,146 uncashed checks over \$50 issued from January 2010 to January 2017. SSA had not taken action to resolve these payments. This represented two new populations since our prior audits. From these populations, we selected 2 random samples of 50 OASDI beneficiaries and 50 SSI recipients for review.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, the Code of Federal Regulations, and SSA's Program Operations Manual System;
- interviewed SSA personnel from the Offices of Operations, Systems, and Retirement and Disability Policy;
- reviewed queries from SSA's Master Beneficiary Record, Payment History Update System, SSR, Online Retrieval System, Paperless System, Modernized Supplemental Security Income Claim System, SSI Diary Control program, electronic Representative Payee System, and Claims File Records Management System;
- obtained and reviewed electronic folders, including the Department of the Treasury's Treasury Check Information System; and
- determined whether SSA took appropriate action to reissue payments when OASDI beneficiaries and SSI recipients had not cashed their checks within 1 year.

We determined the computer-processed data from the Master Beneficiary Record, Payment History Update System, and SSR 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 conducted audit work in Richmond, California, and Baltimore, Maryland, between September 2018 and June 2019. The entities audited were the Offices of Operations and Systems under the Offices of the Deputy Commissioners for Operations and Systems.

¹ The Master Beneficiary Record contains all current and previously entitled OASDI beneficiaries. SSA establishes the record when it receives an initial claims action.

² The Payment History Update System contains historical records of all payment-related actions for OASDI beneficiaries.

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 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.

Appendix B – 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 85,761 Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries in current pay who had 157,949 uncashed checks over \$50 issued from January 2010 to January 2017. We also obtained a data extract from SSA’s Supplemental Security Record of 40,444 Supplemental Security Income (SSI) recipients in current pay and terminated status who had 66,146 uncashed checks over \$50 issued from January 2010 to January 2017. SSA had not taken action to resolve these payments. This represented two new populations since our prior audits. From these populations, we selected 2 random samples of 50 OASDI beneficiaries and 50 SSI recipients for review.

We found SSA did not reissue \$47,543 in uncashed checks for 45 of the 50 OASDI beneficiaries in our sample. Projecting these results to our population of 85,761 beneficiaries, we estimate approximately \$81.5 million in uncashed checks was payable to 77,185 beneficiaries. In addition, we found SSA did not resolve and reissue \$19,490 in uncashed checks for 34 of the 50 SSI recipients in our sample. Projecting these results to our population of 40,444 recipients, we estimate approximately \$15.8 million in uncashed checks was payable to 27,502 recipients.

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

Table B–1: Population and Sample Size

Description	Number of Beneficiaries
Population Size	85,761
Sample Size	50

Table B–2: Uncashed Checks Payable to OASDI Beneficiaries

Description	Total Beneficiaries	Total Benefits
Sample Results	45	\$47,543
Point Estimate	77,185	\$81,546,704
Projection – Lower Limit	68,712	\$56,477,395
Projection – Upper Limit	82,309	\$106,616,014

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

Table B–3: Population and Sample Size

Description	Number of Recipients
Population Size	40,444
Sample Size	50

Table B–4: Uncashed Checks Payable to SSI Recipients

Description	Total Recipients	Total Payments
Sample Results	34	\$19,490
Point Estimate	27,502	\$15,765,273
Projection – Lower Limit	22,465	\$11,026,130
Projection – Upper Limit	31,863	\$20,504,417

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: December 3, 2019

Refer To: S1J-3

To: Gail S. Ennis
Inspector General

A handwritten signature in blue ink that reads "Stephanie Hall".

From: Stephanie Hall
Chief of Staff

Subject: Office of the Inspector General Draft Report “Follow-Up: Beneficiaries Who Had Not Cashed Their Social Security Checks Within 1 Year” (A-09-18-50562) -- INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations. We will resolve the cases identified in the report and consider further automation to issue replacement payments to eligible individuals who have not cashed their checks. In addition, we will review and update our policy, where necessary, to provide clear instructions to technicians on resolving uncashed check alerts.

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.

MISSION

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

CONNECT WITH US

The OIG Website (<https://oig.ssa.gov/>) gives you access to a wealth of information about OIG. On our Website, you can report fraud as well as find the following.

- OIG news
- audit reports
- investigative summaries
- Semiannual Reports to Congress
- fraud advisories
- press releases
- congressional testimony
- an interactive blog, “[Beyond The Numbers](#)” where we welcome your comments

In addition, we provide these avenues of communication through our social media channels.



[Watch us on YouTube](#)



[Like us on Facebook](#)



[Follow us on Twitter](#)



[Subscribe to our RSS feeds or email updates](#)

OBTAIN COPIES OF AUDIT REPORTS

To obtain copies of our reports, visit our Website at <https://oig.ssa.gov/audits-and-investigations/audit-reports/all>. For notification of newly released reports, sign up for e-updates at <https://oig.ssa.gov/e-updates>.

REPORT FRAUD, WASTE, AND ABUSE

To report fraud, waste, and abuse, contact the Office of the Inspector General via

Website: <https://oig.ssa.gov/report-fraud-waste-or-abuse>

Mail: Social Security Fraud Hotline
P.O. Box 17785
Baltimore, Maryland 21235

FAX: 410-597-0118

Telephone: 1-800-269-0271 from 10:00 a.m. to 4:00 p.m. Eastern Standard Time

TTY: 1-866-501-2101 for the deaf or hard of hearing