

*Audit Report*

Payments Deposited into Bank  
Accounts After Beneficiaries Are  
Deceased

A-02-13-13052 / March 2015



# Office of the Inspector General

## SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

**Date:** March 11, 2015 **Refer To:**  
**To:** The Commissioner  
**From:** Inspector General  
**Subject:** Payments Deposited into Bank Accounts After Beneficiaries Are Deceased (A-02-13-13052)

The attached final report presents the results of our audit. Our objective was to determine the effectiveness of the Social Security Administration's procedures for recovering payments improperly deposited into Title II beneficiaries' bank accounts after their deaths. Specifically, we focused on payments the Agency issued between the date of death and the date payments were suspended or terminated.

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.

Beth S. O'Leary

Patrick P. O'Carroll, Jr.

## Attachment

# Payments Deposited into Bank Accounts After Beneficiaries Are Deceased

## A-02-13-13052



March 2015

Office of Audit Report Summary

### Objective

To determine the effectiveness of the Social Security Administration's (SSA) procedures for recovering payments improperly deposited into Title II beneficiaries' bank accounts after their deaths. Specifically, we focused on payments SSA issued between the date of death and the date payments were suspended or terminated.

### Background

When SSA determines a beneficiary has died, it terminates the beneficiary's benefit payments. SSA can suspend benefit payments when it cannot determine a beneficiary's whereabouts or status. When benefits are suspended instead of terminated, SSA cannot reclaim payments made after death through the reclamation process.

While suspending benefit payments stops their delivery to beneficiaries who may have died, SSA needs to conclude on the beneficiary's status to determine whether it released any payments after the beneficiary was ineligible for them.

We identified, from 1 segment of the Master Beneficiary Record, 1,280 Title II beneficiaries who received direct-deposited benefits that were suspended for 2 years or longer. Specifically, beneficiaries were suspended for death development, address development, whereabouts unknown, or a miscellaneous reason. From this population, we reviewed 59 beneficiaries.

### Findings

SSA did not effectively recover direct deposit payments to bank accounts after beneficiaries' deaths because the Agency did not always determine when suspended beneficiaries had died. We concluded that 58 of the 59 beneficiaries we reviewed had died or were likely deceased. SSA terminated benefits for 6 of these beneficiaries but left the remaining 52 in a suspended payment status. When benefits are suspended instead of terminated, SSA cannot reclaim payments through the reclamation process.

Multiple sources reported dates of death or had information on the likely deaths for the 52 beneficiaries who remained suspended:

- 15 beneficiaries had dates of death recorded on SSA's Numident;
- 16 beneficiaries had death information on a third-party database;
- 2 beneficiaries' dates of death were provided by a financial institution;
- we obtained death certificates for 11 beneficiaries; and
- bank records for the remaining 8 beneficiaries had information that indicated they were likely deceased.

We estimate that SSA improperly paid about \$1,111,000 to the 58 deceased or likely deceased beneficiaries. While SSA recovered about \$35,000 paid after the deaths of the six beneficiaries it terminated, the Agency did not attempt to recover payments from the other beneficiaries. The majority of these funds has since been withdrawn or escheated to a State treasury's division of unclaimed property.

### Recommendations

We made 6 recommendations including that the Agency develop the 52 cases we identified as deceased, or likely deceased. For these cases, the Agency should attempt to obtain verifications of death, terminate benefits, and recover payments after death.

The Agency agreed with our recommendations.

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## **ABBREVIATIONS**

FI	Financial Institution
MBR	Master Beneficiary Record
OGC	Office of the General Counsel
OI	Office of Investigations
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RDFI	Receiving Depository Financial Institution
RFPA	<i>Right to Financial Privacy Act</i>
SSA	Social Security Administration
Treasury	Department of the Treasury

## OBJECTIVE

Our objective was to determine the effectiveness of the Social Security Administration's (SSA) procedures for recovering payments improperly deposited into Title II beneficiaries' bank accounts after their deaths. Specifically, we focused on payments SSA issued between the date of death and the date payments were suspended or terminated.

## BACKGROUND

SSA uses direct deposit to make more than 98 percent of payments for Title II beneficiaries. While beneficiaries are not entitled to benefit payments for the month of death and later, direct deposit of benefits does not automatically stop when beneficiaries die. SSA must terminate or suspend the benefits to stop the monthly payments.

When SSA determines a beneficiary has died, it terminates the beneficiary's benefit payments. If SSA deposits benefit payments in the beneficiary's bank account after his/her death, but before SSA terminates the record, it will attempt to recover the payments. Through the reclamation process, SSA requests the Department of the Treasury (Treasury) reclaim payments from the financial institution (FI) that holds the beneficiary's bank account. If the payments cannot be recovered from the bank account, or from any individual who withdrew the funds from the bank account, the FI may be liable for the payments.<sup>1</sup> However, the FI is generally only liable for post-death payments made within 6 years of the date SSA attempts to reclaim them.<sup>2</sup>

SSA can suspend benefit payments when it cannot determine a beneficiary's whereabouts or status.<sup>3</sup> When benefits are suspended instead of terminated, SSA cannot reclaim payments through the reclamation process.<sup>4</sup> While SSA may suspend benefits for a variety of reasons, we focused on the following four suspension codes that may indicate a beneficiary is deceased.

- Death development - SSA received a report of death but needs to obtain proof of death, such as a death certificate, before it can terminate benefits.

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<sup>1</sup> Department of the Treasury, Green Book, Chapter 5: Reclamations, Section 2 (May 2013). Also see SSA, POMS, GN 02408.625 (November 3, 2008).

<sup>2</sup> Department of the Treasury, Green Book, Chapter 5: Reclamations, Section 3B. "If the account balance at the time the RDFI [Receiving Depository Financial Institution] receives the notice of reclamation exceeds the total amount of all post-death or post-incapacity payments made by the agency during such six-year period, this limitation shall not apply and the RDFI shall be liable for the total amount of all payments made, up to the amount in the account at the time the RDFI receives the Notice of Reclamation and has had a reasonable opportunity (not to exceed one business day) to act on the notice." *Id.* at p. 5-17. 31 C.F.R. § 210.10(d). Also see SSA, POMS, GN 02408.620B.4 (December 4, 2013).

<sup>3</sup> SSA, POMS, GN 02602.005 (October 28, 2011). "Status" meaning the various situations that can affect a beneficiary's eligibility for benefits for a certain period, such as not having a child in-care or being in prison.

<sup>4</sup> SSA, POMS, GN 02408.005A (December 4, 2013).

- Address development - SSA determined the address for the beneficiary could not be verified. SSA can make this determination when mail is returned as undeliverable or a benefit payment is returned by an FI indicating an address issue.
- Whereabouts unknown - SSA determined a beneficiary could not be located.
- Miscellaneous reason - SSA determined benefits should be suspended, but none of the predefined types of suspension applied.

While suspending benefit payments stops their delivery, SSA needs to conclude on the beneficiary's status to determine whether it released any payments after the beneficiary was ineligible for them. For example, if SSA suspends benefits in March because of an unconfirmed report of death and then determines the beneficiary died the previous January, the beneficiary would have been ineligible for his/her benefit payments in January, February, and March. SSA should reclaim those funds.

A past audit and a number of investigations have demonstrated that significant funds can accumulate in bank accounts before likely dead beneficiaries' payments are suspended. In our audit, *Social Security Funds Held in Dormant Bank Accounts*,<sup>5</sup> we concluded that SSA deposited over \$1 million into the accounts of 15 beneficiaries we determined to be deceased. Similarly, our Office of Investigations recently identified bank accounts containing over \$2.7 million for 28 beneficiaries it was unable to locate. SSA identified these beneficiaries as either being at or near 100-years-old or being over 89-years-old and having not used their Medicare benefits for 3 or more years. SSA subsequently suspended these beneficiaries since they could not be located.

If benefits paid after a beneficiary's death are not reclaimed timely, a third party may take control of the funds. For example, someone with access to a deceased beneficiary's bank account can withdraw the benefits. Also, funds left in a bank account over a number of years may escheat to a State treasury. Escheatment occurs when a bank account is inactive for a period of time, usually 3 to 5 years. FIs forward funds in an account to the applicable State treasury's division of unclaimed property. Once funds have escheated, they cannot be recovered through the reclamation process.

To identify beneficiaries who may have received direct deposit payments after death, we obtained data from 1 segment of the Master Beneficiary Record (MBR) 1,280 Title II beneficiaries who received direct-deposited benefits that were suspended as of September 2011 for death development, address development, whereabouts unknown, or a miscellaneous reason for 2 years or longer. We reviewed the suspension status for this population again in January 2013 and excluded beneficiaries whose suspension status changed.<sup>6</sup> From the

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<sup>5</sup> SSA, OIG, *Social Security Funds Held in Dormant Bank Accounts* (A-02-03-23080), p. 2, February 18, 2004.

<sup>6</sup> We did not exclude beneficiaries who were terminated for death.

beneficiaries identified, we obtained bank records for 59.<sup>7</sup> We subpoenaed their bank records to determine whether FIs had information that could help SSA determine the beneficiaries' whereabouts or deaths. We also determined the status of benefit payments deposited into the beneficiaries' bank accounts whom we determined had died and what actions SSA took to resolve the suspension.

To determine whether the timeliness of SSA's reclamation efforts affected its success in reclaiming funds, we reviewed the reclamations SSA processed in Calendar Year 2011. Specifically, from 1 segment of the MBR, we reviewed 7,202 reclamations SSA processed for Title II beneficiaries who had directly deposited benefits and who resided in the United States. See Appendix A for a full description of our scope and methodology.

## RESULTS OF REVIEW

SSA did not effectively recover direct deposit payments to bank accounts after beneficiaries' deaths because the Agency did not always determine when suspended beneficiaries had died. We concluded that 58 of the 59 beneficiaries we reviewed had died or were likely deceased.<sup>8</sup> SSA terminated benefits for 6 of these beneficiaries but left the remaining 52 in a suspended payment status. When benefits are suspended instead of terminated, SSA cannot reclaim payments through the reclamation process.

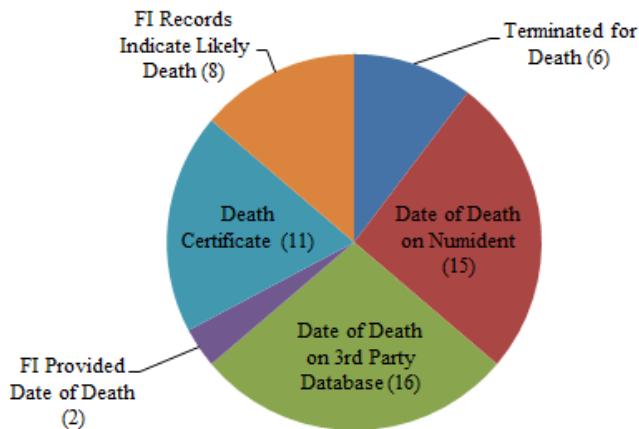
Multiple sources reported dates of death or had information on the likely deaths for the 52 beneficiaries who remained suspended. For 15 beneficiaries, SSA's Numident had recorded dates of death. For another 16 beneficiaries, a third-party database available to SSA staff had information on beneficiaries' deaths. For two beneficiaries, a FI provided a date of death. For 19 beneficiaries, we conducted additional research to try to determine a date of death and were able to obtain death certificates for 11 of the 19 beneficiaries. Lastly, bank records for the remaining 8 beneficiaries had information that indicated they were likely deceased. For example, FIs concluded or suspected the beneficiaries had died, but were unable to confirm a specific date of death.

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<sup>7</sup> We had selected 72 beneficiaries for review but ultimately obtained bank records for 59 beneficiaries. For additional information on our sample selection, refer to Appendix B.

<sup>8</sup> The remaining beneficiary's benefits had stopped due to work above the earnings limit for disability benefits.

**Figure 1: 58 Beneficiaries Deceased or Likely Deceased**



SSA deposited about \$830,000<sup>9</sup> in benefit payments after the deaths of the 50 beneficiaries with a known date of death. Similarly, SSA deposited at least \$231,000<sup>10</sup> into bank accounts of the eight beneficiaries for whom FI records indicated were likely deceased. SSA recovered about \$35,000<sup>11</sup> paid after the deaths of the six beneficiaries it terminated, and FIs and other individuals returned about another \$120,000<sup>12</sup> of the funds paid after the deaths of the beneficiaries without a request from SSA to do so.<sup>13</sup>

SSA did not attempt to recover payments from the suspended beneficiaries. Based on our review of bank records, we determined that SSA did not recover at least \$855,000 in payments made after the deaths of 37 of the 52 beneficiaries.<sup>14</sup> At least \$834,000 has since been withdrawn or escheated to a State treasury's division of unclaimed property.

We estimate SSA improperly paid 740 beneficiaries about \$17 million after their deaths. SSA would likely not recover these funds because of the delay in developing these cases. We believe

<sup>9</sup> In addition, SSA collected about \$50,000 in Supplementary Medicare Insurance premiums on behalf of beneficiaries that were deducted from their monthly benefits before direct depositing their benefits.

<sup>10</sup> We did not determine the Supplementary Medicare Insurance premiums paid for these eight beneficiaries because we did not find a date of death for them.

<sup>11</sup> The recovered amount consists of about \$32,000 in direct-deposited benefit payments and about \$3,000 in Supplementary Medicare Insurance premiums.

<sup>12</sup> This is the amount of direct deposited benefit payments.

<sup>13</sup> FIs and individuals returned some or all the payments after the deaths of 40 individuals without a request from SSA to do so. The most common reason for the payment returns is the bank account closed after the funds in the account were withdrawn or escheated to a State treasury. Benefit payments cannot be deposited into closed accounts and must be returned to SSA.

<sup>14</sup> In addition, SSA paid \$38,000 in Supplementary Medicare Insurance premiums on behalf of the 37 beneficiaries that was deducted from their monthly benefits before directly depositing their benefits. This amount has not been recovered.

these results are likely understated because we limited our review to 4 of SSA's 20 suspense codes. We also limited our review to beneficiaries whose payments had been suspended for longer than 2 years, but not before March 1, 2007, to increase the likelihood their bank records were still available.<sup>15</sup> It is likely that some beneficiaries whose payments SSA suspended for other reasons, before March 1, 2007, and/or for fewer than 2 years could have died and been issued payments after their deaths.

## Available Information on Beneficiaries' Deaths

Based on the information we obtained, we concluded that 58 of the 59 beneficiaries we reviewed were deceased or likely deceased. SSA terminated the records for 6 of the 58 beneficiaries and reclaimed payments made to them after their deaths. For the remaining 52 beneficiaries, SSA had access to information it could have used to develop and likely terminate their records and attempt to reclaim any benefit payments deposited after their deaths.

### *Reports of Death on the Numident*

Fifteen of the beneficiaries in our sample had reports of death posted on their Numident<sup>16</sup> records. The reports of death for 12 of these beneficiaries were posted when their payments were suspended. Of these 12 reports of death, 8 were considered first-party reports,<sup>17</sup> and 4 were considered third-party reports.<sup>18</sup> SSA staff could have terminated the benefits for the eight cases using the verified dates of death. It also should have been able to terminate the remaining four cases with unverified dates of death after further development. While SSA could have taken these actions if Agency staff checked the Numident, SSA's policy does not require that staff do so.

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<sup>15</sup> For the six beneficiaries terminated for death, we did not limit our review to beneficiaries suspended before March 1, 2007.

<sup>16</sup> The Numident is an electronic file that contains personally identifiable information for each individual issued a Social Security number.

<sup>17</sup> First-party reports of death are received from an acceptable reporter who is usually a family member, electronically from States with a verified Social Security Number (through Electronic Death Registration), through death certificates, and by statement of death from a funeral director (SSA-721 forms) per SSA, POMS, GN 02602.050A (August 1, 2014). SSA, POMS, GN 00304.100B.3 (August 15, 2014) uses the term "preferred proof of death" and does not explicitly state these are first-party reports, but this information is reflected in the Numident record's coding.

<sup>18</sup> Third-party reports of death include those SSA receives via computer matching with outside agencies, such as the Centers for Medicare and Medicaid Services, States' Bureaus of Vital Statistics, or the Department of Veterans Affairs. It also includes reports SSA receives via computer matching from internal sources, such as Daily Update Data Exchange, Beneficiary Annotation and Communication Operation, Beneficiary and Earnings Data Exchange, and returned payments marked "deceased" from the postal authority or financial institutions for Title II beneficiaries and Title XVI recipients per SSA, POMS, GN 02602.050A (August 1, 2014). SSA, POMS, GN 00304.100B.2 (August 15, 2014) uses the term death "lead" and does not explicitly State death leads are third-party reports, but this information is reflected in the coding on the Numident record.

In 2013, SSA instituted a Numident death match alert to generate an alert when beneficiaries in current pay or suspension status have a date of death on their Numident records.<sup>19</sup> These alerts appear in a tracking system that informs SSA staff of the need to resolve them.<sup>20</sup> We found 5 of the 15 beneficiaries with reports of death on the Numident continued to be in a suspension status as of January 2015.<sup>21</sup> Additionally, the SSA staff that resolves the suspensions is likely not the same staff who resolve the Numident death match alerts.<sup>22</sup> If the staff handling suspension development is unaware of the death because he/she did not query the beneficiary's Numident record, the case may not be resolved as efficiently as it could be.

For example, we found reports of death for 12 of the 15 beneficiaries were posted to the Numident record when their benefits were suspended. However, these beneficiaries were placed in address development suspension status because FIs returned their benefit payments. In these address-development cases, SSA policy requires that staff contact the beneficiary to ask where future payments should be sent.<sup>23</sup> If SSA staff is unable to contact the beneficiary, his/her benefits will remain in a suspension status. However, had SSA staff noted the beneficiary's death on the Numident record, they could have taken immediate action to terminate benefits because of death or verify the death, if needed. Prompt actions would likely result in greater success for recovery of any payments paid after death.

### *Reports of Death on Third-party Databases*

A third-party database, to which SSA staff has access, listed dates of death for 16 beneficiaries whose dates of death were not posted on the Numident. SSA's policy does not instruct Agency staff to use available third-party databases to develop suspension cases.

While there may be additional costs associated with the use of third-party databases, they provide more information to SSA staff besides a possible date of death for the beneficiary. This information could help staff resolve the suspensions, saving SSA staff time and allowing for faster termination for death and recovery of any benefits paid after death.

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<sup>19</sup> Per SSA, POMS, GN 02602.700D (October 27, 2014), an alert is generated when a beneficiary or recipient who is in current pay or has Medicare coverage has a date of death on the Numident. Similarly, an alert is generated when a beneficiary or recipient who is in a non-pay status has a date of death on the Numident. Although they are not being paid, their records still need to be terminated due to their deaths. Suspension status is one type of non-pay status.

<sup>20</sup> SSA, POMS, GN 02602.700B (October 27, 2014).

<sup>21</sup> We had referred all 15 cases to SSA in June 2014. Ten beneficiaries had their benefits terminated for death as of January 2015. Eight of the 10 cases were selected as part of an Office of Quality Improvement's death termination clean-up project.

<sup>22</sup> Program service center staff generally process suspension-development workloads, and SSA field office staff generally process Numident death match alerts.

<sup>23</sup> Staff will develop where future payments should be sent through SSA's field offices if direct contact with the beneficiary is not feasible.

For example, SSA's policy instructs staff to contact employers, friends, neighbors, etc., for leads to a beneficiary's whereabouts when developing address or whereabouts unknown suspension cases.<sup>24</sup> While SSA would have the names of the employers who have reported earnings, SSA does not store names and contacts for a beneficiary's friends, neighbors, or family members, unless the family member is an individual entitled or potentially eligible for benefits on the same record as the beneficiary. Third-party databases contain contact information for a beneficiary's co-workers, neighbors, associates, and relatives.

### ***Information from FIs***

SSA's policy allows Agency staff to request the address an FI has on file for a beneficiary when trying to verify the beneficiary's current address.<sup>25</sup>

However, *the Right to Financial Privacy Act (RFPA)* permits FIs to disclose additional information to SSA, subject to certain conditions, without the beneficiary's permission. The *RFPA* authorizes FIs to disclose financial records of any customer

. . . to any Government authority that certifies, disburses, or collects payments, where the disclosure of such information is necessary to, and such information is used solely for the purpose of –

(A) verification of the identity of any person or proper routing and delivery of funds in connection with the issuance of a Federal payment or collection of funds by a Government authority; or

(B) the investigation or recovery of an improper Federal payment or collection of funds or an improperly negotiated Treasury check.<sup>26</sup>

If SSA determined a beneficiary's whereabouts were unknown or a beneficiary was missing or had died, it could secure the beneficiary's financial records from FIs because SSA is a Government authority that certifies, and/or collects payments. However, SSA could only request the information if it intended to use the information for one of the purposes allowed by *RFPA*.<sup>27</sup>

We believe that at least one of the *RFPA* requirements would be met when SSA is seeking information to make a death determination. SSA would arguably be using the information to investigate or recover improper Federal payments due to death, collection of funds issued after death, or an improperly negotiated Treasury check by someone other than the beneficiary.

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<sup>24</sup> SSA, POMS, GN 01010.300A (November 10, 2011).

<sup>25</sup> SSA, POMS, GN 02605.055B.2 (April 08, 2014) and NL 00703.759 (February 28, 2011). This policy states that under the *Right to Financial Privacy Act (RFPA)*, 12 U.S.C. 3413(k), banks are permitted to disclose the information to SSA.

<sup>26</sup> 12 U.S.C. § 3413 (k)(2).

<sup>27</sup> Id.

We shared our analysis of the *RFPA* with SSA's Office of the General Counsel (OGC) and it agreed that requesting such information from financial institutions is permissible under *RFPA* when SSA has some reasonable basis to believe an improper payment has already occurred or possibly occurred. However, OGC disagreed that *RFPA* authorizes the disclosure of financial records for "proper routing and delivery of funds in connection with the issuance of a Federal payment or collection of funds by a Government authority" in situations where SSA only seeks to prevent improper payments. OGC believes "proper routing and delivery of funds" describes information necessary to ensure funds are routed to the correct person in the FI's systems, and the exception would not apply to obtaining information to ensure eligibility and avoid improper payments.

We found FIs had information that would help SSA determine the status of suspended beneficiaries. For example, the FIs we contacted provided dates of death for two beneficiaries.

We could not obtain an exact date of death for 19 beneficiaries from Numident records, third-party databases, or financial records. However, based on information from the FIs, we concluded these beneficiaries had died. Once we concluded the 19 beneficiaries had likely died, we conducted additional research to try to determine a date of death.

Using information from FIs, in conjunction with data from SSA's systems and third-party databases, we were able to identify when and where the beneficiaries most likely died and individuals who knew of the beneficiaries' deaths. Using that information, we obtained death certificates for 11 of the 19 beneficiaries. We concluded the remaining eight beneficiaries were likely deceased for a number of reasons, which are outlined in Table 1.

**Table 1: Eight Beneficiaries Likely Deceased**

Number of Cases	Reason Beneficiary Is Likely Deceased
2	Abrupt decline in bank activities
2	Withdrawals from the bank account appear to be made by an unauthorized individual with access to the account
2	Bank records indicate the FI was aware of beneficiary's death
1	No bank account activity except for the automatic deposit of SSA benefits
1	FI withdrawals only made by a joint account holder

The FIs had other information that would have helped SSA further investigate the whereabouts of suspended beneficiaries, which could have led to the termination of their benefits. For example, 27 of the 59 beneficiaries we reviewed had joint bank accounts with other individuals. Nineteen of these accounts were jointly held with members of the beneficiaries' immediate families. Upon knowing this, SSA staff could have contacted the joint account holders to determine whether they knew of the beneficiaries' whereabouts.

## **Terminations and Whereabouts Unknown**

When SSA receives a first-party report of a beneficiary's death, it can immediately terminate the beneficiary's benefits.<sup>28</sup> When the report of death is from a third party, staff should attempt to contact the beneficiary and verify the date of death.<sup>29</sup> If staff is unable to contact the beneficiary, staff should suspend the benefits and notify the beneficiary of the suspension.<sup>30</sup> If the beneficiary does not respond to this notification, SSA staff should terminate the benefits.<sup>31</sup>

We found that, even without a review of the Numident or a third-party database, SSA staff still might have been able to determine beneficiaries were deceased had they followed appropriate suspension procedures. For 14 of the 52 beneficiaries, SSA received a third-party report of death through a source that was not the Numident or third-party database. For example, SSA received a letter mailed to the beneficiary with "deceased" written on it or the FI indicated death as the reason for returning a benefit payment. SSA staff did not verify the dates of death for 9 beneficiaries, and, in all 14 cases, benefits remained suspended, not terminated.

SSA staff did not receive a third-party report of death for the remaining 38 beneficiaries. For most of these cases, benefits were placed in suspension because of address development. SSA policy on address development requires that staff suspend benefits, notify the beneficiary of the suspension, and make every effort to locate the beneficiary.<sup>32</sup> If staff cannot locate the beneficiary, it must document the file indicating the beneficiary's last known address and describe the steps he/she took to locate the beneficiary. The documentation should include the various responses received that led him/her to conclude the beneficiary's address was unknown.<sup>33</sup>

For 35 of the 38 cases, SSA should have taken further action when the beneficiaries did not respond to the notification of their suspensions. However, SSA's records did not document any staff efforts to locate the beneficiaries or their determinations that the beneficiaries could not be located despite the staff's efforts.

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<sup>28</sup> SSA, POMS, GN 02602.050A (August 1, 2014).

<sup>29</sup> SSA, POMS, GN 02602.050A (August 1, 2014) and GN 02602.071B (August 1, 2014).

<sup>30</sup> SSA, POMS, GN 02602.071E (August 1, 2014).

<sup>31</sup> SSA, POMS, GN 02602.071E (August 1, 2014).

<sup>32</sup> Per SSA, POMS, GN 01010.300A (November 10, 2011), staff should query SSA's systems for information or contact employers, friends, neighbors, etc., for leads to the claimant's whereabouts.

<sup>33</sup> SSA, POMS, GN 01010.300B (November 10, 2011).

## Recovering Benefits Paid After Death

SSA deposited about \$830,000<sup>34</sup> in benefit payments after the deaths of the 50 beneficiaries with a known date of death. Similarly, SSA deposited at least \$231,000<sup>35</sup> into the bank accounts of the 8 beneficiaries who were likely deceased. SSA recovered about \$35,000<sup>36</sup> paid after the deaths of the six beneficiaries it terminated. SSA recovered five of these six beneficiaries' benefit payments made after death. For one of the six beneficiaries, the benefit payment SSA attempted to make after the beneficiary's death was returned because the bank account had already been closed.

FIs and other individuals returned another \$120,000<sup>37</sup> of the funds without a request from SSA to do so. Specifically, FIs and individuals returned some or all the payments after the deaths of 40 individuals. The most common reason for the return of the payments was that the beneficiaries' bank accounts were closed after funds in the accounts were withdrawn or escheated to a State treasury. Benefit payments cannot be deposited into closed accounts and are returned to SSA.

We referred another case to SSA for immediate recovery because we determined the FI was about to release SSA funds to the deceased beneficiary's estate. The FI provided SSA with a contact for the estate to obtain verification of death. As a result, SSA terminated benefits and was able to recover about \$58,000<sup>38</sup> through the reclamation process.

Other than the case we referred to SSA, SSA did not attempt to recover payments from the 52 suspended beneficiaries. We determined SSA did not recover at least \$855,000 in payments

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<sup>34</sup> In addition, SSA paid about \$50,000 in Supplementary Medicare Insurance premiums on behalf of beneficiaries that were deducted from their monthly benefits before directly depositing their benefits.

<sup>35</sup> We did not determine the Supplementary Medicare Insurance premiums paid for these eight beneficiaries because we did not find a date of death for them.

<sup>36</sup> The recovered amount consists of about \$32,000 in directly deposited benefit payments and \$3,000 in Supplementary Medicare Insurance premiums.

<sup>37</sup> In direct-deposited benefit payments.

<sup>38</sup> The recovered amount consists of about \$53,000 in direct-deposited benefit payments and \$5,000 in Supplementary Medicare Insurance premiums.

made after the deaths of 37 of the 52 beneficiaries.<sup>39</sup> At least \$834,000 has since been withdrawn or escheated to a State treasury's division of unclaimed property.

**Table 2: Status of the 37 Outstanding Payment Cases**

Number of Cases	Status of the Outstanding Payments
10	Escheated or are in an escheat holding account
10	Released by the FI to another party (not a joint account holder)
9	Withdrawn by a joint account holder
6	Withdrawn by an individual with unauthorized access to the account
1	Still in the FI account
1	Unable to determine because of incomplete bank records

As shown in Table 2, in 25 cases, the FI released or a third party withdrew the SSA payments from the beneficiaries' bank accounts after the beneficiaries' deaths or likely deaths. Of these, we referred 22 cases to our Office of Investigations (OI) for further review.<sup>40</sup>

- In 19 cases, OI concluded the payments withdrawn were below the prosecutorial guideline limit or the statute of limitations had expired for considering legal actions against the withdrawer. OI either referred these cases to SSA, or recommended that we refer them to SSA, for further development.
- OI closed one case because the beneficiary died in a foreign country and a date of death could not be determined. We referred this case to SSA for its review.
- OI closed one case because there was no loss to the agency. OI referred this case to SSA for further development.

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<sup>39</sup> SSA deposited \$929,236 for these 37 beneficiaries but \$74,042 was returned by the FI without a request from SSA to do so. In addition, SSA paid \$37,714 in Supplementary Medicare Insurance premiums on behalf of beneficiaries that were deducted from their monthly benefits before directly depositing their benefits. This amount has not been recovered. Also, the remaining 15 beneficiaries did not have outstanding payments in bank accounts. SSA deposited \$98,930 for these beneficiaries and paid \$9,930 in Supplementary Medicare Insurance premiums on their behalf. SSA recovered \$57,950 in directly deposited payments and premiums from one case we referred to them for immediate recovery and \$45,809 in direct-deposited payments were returned by the FI or an individual without a request from SSA to do so. However, \$5,101 in Supplementary Medicare Insurance premiums SSA paid on behalf of these beneficiaries had not been recovered.

<sup>40</sup> We referred the 10 cases where SSA payments were released by the FI to another party, 7 of the 9 cases where SSA payments were withdrawn by a joint account holder, and 5 of the 6 cases where SSA payments were withdrawn by an individual with unauthorized access to the account. We did not refer the remaining 3 cases to OI because we believed the SSA payments were below the prosecutorial guideline limit or the statute of limitations expired. Instead, we referred these cases to SSA for further development. As noted in Appendix A, we also referred these cases, and the other sampled cases we reviewed, to SSA for its review, so it could determine when any further development was needed.

- One case remains under OI review.

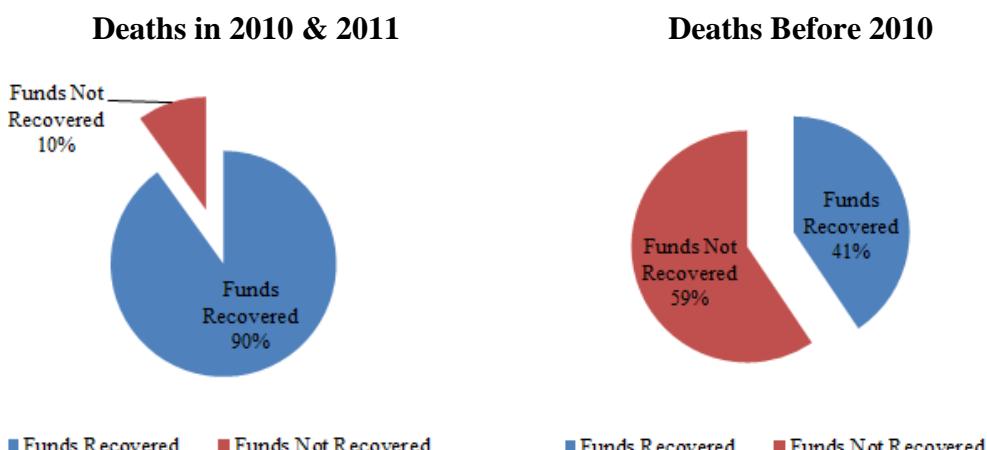
## Reclamations SSA Processed in 2011

We determined that SSA had not recovered over \$855,000 in payments made after the deaths of 37 of the 52 beneficiaries we reviewed. To determine whether the timeliness of SSA's efforts to reclaim benefit payments paid after a beneficiary's death affects its success in collecting the improperly paid funds, we reviewed the reclamations SSA processed in Calendar Year 2011. We compared the percentage of funds SSA recovered in 2011 for beneficiaries who died in 2010 and 2011 to those beneficiaries who died before 2010.

Based on our review of the reclamations, we determined SSA would likely not recover the funds paid after the deaths of the 36 beneficiaries because these cases were not developed when the beneficiaries were first suspended. More timely reclamations were more likely to result in SSA recovering funds.

For the 7,155 beneficiaries who died in 2010 or 2011, SSA recovered about \$8.5 million of the nearly \$9.5 million eligible to be reclaimed, which is about 90 percent of eligible funds. For the 47 beneficiaries who died before 2010, SSA recovered about \$430,000 of about \$1 million eligible to be reclaimed, which is about 41 percent of the eligible funds (see Figure 2).

**Figure 2: Payments After Death Reclaimed by SSA in 2011**



## SSA's Policy on Presumption of Death

SSA procedures dictate that a presumption of death exists when an adult non-disability Title II beneficiary's benefits have been suspended for whereabouts unknown for a period of at least 7 continuous years.<sup>41</sup> This 7-year suspension period begins the month SSA takes action to suspend

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<sup>41</sup> SSA, POMS, GN 02602.320F (March 14, 2014).

benefits. After 7 years of suspension, SSA can assume the person has died and terminate the beneficiary's benefits. The termination is effective the date of the beneficiary's disappearance unless there is convincing evidence to establish a more likely date of death.<sup>42</sup>

Of the 1,280 Title II beneficiaries in our population, 39 were in suspension for whereabouts unknown for 7 years or longer, and 34 should have been terminated for presumption of death.<sup>43</sup>

We also found some beneficiaries whose whereabouts were unknown were never placed in whereabouts unknown suspension. For example, we identified 67 beneficiaries suspended for address development and 41 beneficiaries suspended for a miscellaneous reason had a special message posted on their record indicating the reason for the suspension was whereabouts unknown or possible death. When beneficiaries with whereabouts unknown are not placed in whereabouts unknown suspension, SSA will not identify them to terminate their benefits after 7 years of suspension.

Should SSA process a reclamation after the 7-year suspension period and cannot recover the funds, the FI is not liable for any post-death payments made because of the FI's 6-year liability limit. Furthermore, bank accounts escheat after 3 or 5 years of dormancy, depending on the applicable State laws. We found some FIs consider accounts dormant even when automatic monthly deposits of Social Security payments continue. Once funds escheat to a State treasury's division of unclaimed property, SSA cannot recover the funds through the reclamation process and must manually file a claim to recover the funds from the State. In addition, when SSA funds are with State treasuries, they are at risk of being claimed by a party whom the State deems entitled to the funds but who is not entitled to the SSA funds.

## CONCLUSIONS

SSA did not have effective controls to terminate records of deceased beneficiaries and recover direct deposit payments made after the beneficiaries' deaths. Specifically, SSA's policy did not instruct its staff to use all available information, such as reports of death on the Numident and all information available from FIs. In addition, SSA staff did not always develop cases according to SSA's policies to determine the beneficiaries' status. We also found that the timeliness of SSA's action to develop, terminate, and reclaim payments after death is critical to the likelihood of reclaiming benefits paid after death. Lastly, we found that SSA did not terminate all the beneficiaries it could have based on its presumption of death policy.

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<sup>42</sup> SSA, POMS, GN 02602.320F (March 14, 2014).

<sup>43</sup> Presumption of death applies to Title II adult individuals whose entitlement is not based on disability per SSA, POMS, GN 02602.320F (March 14, 2014). Five of the 39 beneficiaries did not meet these criteria.

## **RECOMMENDATIONS**

We recommend that SSA:

1. Develop the 52 cases we identified as deceased or likely deceased, including terminating their benefits and recovering payments after death, as appropriate.
2. Revise policy to guide staff in determining when the death of a suspended beneficiary should be considered and the point in the development process when the Numident should be reviewed for a date of death. For example, when an aged beneficiary's address is unknown, it would be reasonable to have SSA staff review the Numident for a date of death.
3. Determine the cost-effectiveness of using third-party databases for dates of death and contact information for beneficiaries whose benefits were suspended for reasons that may indicate they died, when it is determined the information available in third-party databases cannot be found in SSA records.
4. Consider revising policy to permit staff to obtain information, such as the status of a bank account, reported date of death, bank activity, or other ownership and related contacts, from FIs when developing cases where the beneficiaries' whereabouts are unknown and they are possibly deceased, in accordance with the government disclosure exemption permitted by Section 3413(k)(2) of the *RFPA*.
5. Remind SSA staff to follow all appropriate procedures when developing suspension cases, such as making a determination of whereabouts unknown when a beneficiary cannot be located and terminating beneficiaries when a report of death is received.
6. Terminate all beneficiaries suspended for whereabouts unknown after 7 years, as appropriate.

## **AGENCY COMMENTS**

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

# *APPENDICES*

## **Appendix A – SCOPE AND METHODOLOGY**

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To accomplish our objective, we:

- Reviewed the applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) Program Operations Manual System.
- Obtained a data extract of 1,775 Title II beneficiaries from 1 of the 20 segments of SSA's Master Beneficiary Record (MBR) with direct deposit whose benefits had been in suspense for 2 or more years as of September 2011. We identified a population of 1,280 beneficiaries with benefits suspended, consisting of 811 in address development, 305 in miscellaneous, 89 in whereabouts unknown, and 75 in death development suspension. We reviewed the status of these 1,280 beneficiaries again in January 2013. We focused on these suspension codes because they were most likely to have resulted from events caused by the deaths of the beneficiaries. Address development or miscellaneous suspension can result from a benefit payment returned by the financial institution (FI) because of the closing of a bank account after the beneficiary's death. Whereabouts unknown suspension can result from SSA's inability to contact a beneficiary due to his/her death.
- Subpoenaed bank records for a sample of 72 beneficiaries. We subsequently obtained and reviewed bank records for 59 beneficiaries.
- Reviewed queries from SSA's MBR, Numident, Payment History Update System, Claims File Records Management System, and Online Retrieval System for the 59 beneficiaries.
- Reviewed queries from Lexis Nexis Accurint, a third-party database, for the 59 beneficiaries.
- Determined dates of death, benefits paid after death, what happened to the benefits paid, and actions SSA staff took for the 59 beneficiaries.
- Reviewed escheat laws for the 50 States and the District of Columbia.
- Reviewed the Department of the Treasury's (Treasury) Green Book. The Green Book is a comprehensive guide for FIs that receive Automated Clearing House payments from, and send payments to, the Government.
- Contacted Treasury to discuss rules on escheatment, death notification, and bank liabilities and responsibilities.
- Obtained a data extract of Title II beneficiaries from 1 of the 20 segments of SSA's MBR with reclamation of an electronic payment in Calendar Year 2011. We identified a population of 7,202 beneficiaries, after excluding beneficiaries outside the 50 States.
- Reviewed Payment History Update System queries to identify returned electronic payments for Calendar Year 2011 and later for beneficiaries from the 7,202 for whom the data extract did not indicate full recovery of benefits requested.

- Determined, for each of the 7,202 beneficiaries, the amount requested in the reclamation, amount recovered from the FI through Treasury, amount recovered from an individual who took the benefit payments, and amount not recovered.

We provided the Agency with information on the results of our work for its review in June 2014. After providing the information, we conducted additional audit work that changed the status of some of the cases in our sample. Accordingly, we forwarded an updated spreadsheet on the status of the cases we reviewed to the Agency in December 2014.

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 objectives.

We performed this audit in New York, New York, between November 2013 and January 2015. 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.

## **Appendix B – SAMPLING METHODOLOGY AND RESULTS**

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We obtained a data extract from 1 of the 20 segments of the Social Security Administration's (SSA) Master Beneficiary Record (MBR) of Title II beneficiaries with direct deposit whose benefits had been in suspense for 2 or more years as of September 2011. We identified a population of 1,280 beneficiaries with benefits suspended, consisting of 811 in address development, 305 in miscellaneous, 89 in whereabouts unknown, and 75 in death development suspension. We reviewed the status of these 1,280 beneficiaries as of January 2013.

We selected 72 beneficiaries from the 1,280 beneficiaries with suspended benefits we believed were more likely to have died because our audit objective was to access SSA's efforts to identify and recover payments made after death. We selected the 72 beneficiaries from a few different groups, as described below.

- There were 1,205 beneficiaries in suspension for address development, whereabouts unknown, and miscellaneous reasons. From the 1,205 beneficiaries, we selected 50 beneficiaries with the highest monthly benefits ranging from \$1,113 through \$3,333. Before selecting the 50 beneficiaries, we excluded all beneficiaries with the following conditions.
  - Beneficiaries whose suspension status had changed (191 cases).
  - Beneficiaries suspended before March 1, 2007 because it would be less likely that bank records for these individuals would be available (638 cases).
  - Beneficiaries with a representative payee because different procedures apply for recovery of payments made after death (96 cases).
  - Beneficiaries who did not have an address in the 50 States (71 cases).
  - Beneficiaries with an incorrectly applied suspension reason because they were less likely to be deceased (31 cases).
- As stated above, we determined 191 beneficiaries' suspension status had changed. From these 191 beneficiaries, we selected 11 beneficiaries with benefits in suspension for address development, whereabouts unknown, and miscellaneous reasons that SSA subsequently terminated for death with a date of death before the first month of their suspension. There were 24 beneficiaries who were subsequently terminated for death but 13 beneficiaries were not selected because their date of death was in the month of suspension or later.
- In addition, we selected 3 beneficiaries with payments after death totaling at least \$10,000, from the population of beneficiaries described in the first bullet above, and were not excluded, nor already selected as part of the 50 beneficiaries.

- There were 75 beneficiaries in death development suspension. We selected all 8 beneficiaries with benefits in suspension for death development after we excluded beneficiaries who were subsequently terminated for death (2 cases), had an address outside the 50 States (18 cases), were suspended before March 1, 2007 (44 cases), or had a representative payee (3 cases).

We subpoenaed and obtained bank records for 59 of the 72 beneficiaries. For two cases, we did not obtain bank records because we determined these cases had an incorrectly applied suspension reason. For example, a beneficiary was in prison and should have had benefits placed in suspension for that reason but was instead placed in address-development suspension. For 11 cases, we were unable to obtain bank records. Specifically, some FIs reported they were unable to locate any bank records associated with the beneficiary's name, beneficiary's Social Security number, or account number we provided. Other FIs stated the account number we provided did not belong to the beneficiary and therefore they could not provide this information to us.

For the 59 beneficiaries we reviewed, we found 37 had outstanding payments deposited into bank accounts after their deaths. For 30 of these beneficiaries, we identified a date of death and determined that payments totaling \$630,684 after death were outstanding. While we were not able to identify a date of death for 7 beneficiaries, we believe they are deceased based on their bank activity. For some beneficiaries, we identified a specific month of likely death or a range of dates between which they most likely died. For others, we believe they very likely died before the period for which we had bank records and were therefore unable to determine the earliest date of death possible for them. We estimated these beneficiaries have outstanding payments after death totaling between \$224,510 and \$282,638. Using the lower sum for the 7 beneficiaries with unidentified dates of death, we estimate the 37 beneficiaries have total outstanding payments of at least \$855,194.

The 59 beneficiaries selected for review were from one segment of the population. There are 20 MBR segments. We multiplied our results by 20 to estimate the amount of outstanding payments made after death to beneficiaries in suspense for 2 or more years. We estimate there is at least \$17,103,880 in outstanding payments deposited into bank accounts of beneficiaries in suspense status after the death of the beneficiary. However, we believe the actual figure is likely higher because we limited our review to individuals in suspense for fewer than 7 years, residing in the United States, and those with higher monthly benefit amounts.

## **Appendix C – AGENCY COMMENTS**

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### **MEMORANDUM**

**Date:** February 13, 2015 **Refer To:** S1J-3

**To:** Patrick P. O’Carroll, Jr.  
Inspector General

**From:** Frank Cristaudo /s/  
Executive Counselor to the Commissioner

**Subject:** Office of the Inspector General Draft Report, “Payments Deposited into Bank Accounts After Beneficiaries are Deceased” (A-02-13-13052) - 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 Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
“PAYMENTS DEPOSITED INTO BANK ACCOUNTS AFTER BENEFICIARIES ARE  
DECEASED” (A-02-13-13052)**

**Recommendation 1**

Develop the 52 cases we identified as deceased or likely deceased, including terminating their benefits and recovering payments after death, as appropriate.

**Response**

We agree. We will terminate beneficiaries for which OIG found death certificates and develop the remaining cases where it is likely they are deceased according to our policies and procedures. We will make every effort to complete our review and take necessary action by July 1, 2015. In cases where a pending OIG investigation exists, we will take action after OIG notifies us that the investigation is complete.

**Recommendation 2**

Revise policy to guide staff in determining when the death of a suspended beneficiary should be considered and the point in the development process when the Numident should be reviewed for a date of death. For example, when an aged beneficiary’s address is unknown, it would be reasonable to have SSA staff review the Numident for a date of death.

**Response**

We agree. We will examine the applicable policy and make any necessary changes by the end of fiscal year (FY) 2015.

**Recommendation 3**

Determine the cost-effectiveness of using third-party databases for dates of death and contact information for beneficiaries whose benefits were suspended for reasons that may indicate they died, when it is determined the information available in third-party databases cannot be found in SSA records.

**Response**

We agree. We will use OIG’s criteria to determine the cost-effectiveness of using third-party databases in death development cases. We plan to complete our analysis by August 2015 and publish a report by October 2015.

#### **Recommendation 4**

Consider revising policy to permit staff to obtain information, such as the status of a bank account, reported date of death, bank activity, or other ownership and related contacts, from FIs when developing cases where the beneficiaries' whereabouts are unknown and they are possibly deceased, in accordance with the government disclosure exemption permitted by Section 3413(k)(2) of the *RFPA*.

#### **Response**

We agree. We will consider revising our policy to permit staff to obtain information from financial institutions when we have a reasonable basis to determine an improper payment may occur, or may have already occurred. We will complete our analysis by June 2015.

#### **Recommendation 5**

Remind SSA staff to follow all appropriate procedures when developing suspension cases, such as making a determination of whereabouts unknown when a beneficiary cannot be located and terminating beneficiaries when a report of death is received.

#### **Response**

We agree. We will issue a reminder to staff by the end of FY 2015.

#### **Recommendation 6**

Terminate all beneficiaries suspended for whereabouts unknown after 7 years, as appropriate.

#### **Response**

We agree. We will review and terminate the 34 beneficiaries identified as suspended for whereabouts unknown after 7 years and presumed dead, as appropriate. We will review the results of these cases to determine if additional action may be required. We will make every effort to complete these cases by July 1, 2015.

## **Appendix D – MAJOR CONTRIBUTORS**

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Tim Nee, New York Audit Director

Christine Hauss, Audit Manager

Siuwan Kuether, Program Analyst

Vincent Huang, Program Analyst

William Kearns, IT Specialist

Alla Resman, IT Specialist

Brennan Kraje, Statistician

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