
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SUPPLEMENTAL SECURITY INCOME
DOUBLE CHECK NEGOTIATIONS**

January 2011

A-06-10-20144

AUDIT REPORT



Mission

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

Authority

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

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

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

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

Vision

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



SOCIAL SECURITY

MEMORANDUM

Date: January 28, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Supplemental Security Income Double Check Negotiations (A-06-10-20144)

OBJECTIVE

Our objective was to determine whether recent actions taken by the Social Security Administration (SSA) were effective in preventing and recovering double check negotiations (DCN).

BACKGROUND

Supplemental Security Income (SSI) is a Federal income supplement program designed to help aged, blind, and disabled people who have little or no income. SSI provides cash to meet basic needs for food, clothing, and shelter. General tax revenues, not Social Security taxes, fund SSI payments.

SSA has procedures to replace monthly SSI checks that recipients claim they did not receive.¹ SSA issues replacement checks immediately, except when SSA makes a decision to delay payment to obtain the status of the original check before replacement. SSA can exercise this option when information is available to indicate a recipient misused the replacement check process within the last 24 months.

A DCN occurs when someone cashes both the original and replacement check.² Further investigation of the DCN is often needed to determine whether the representative payee or recipient actually cashed both checks or if forgery by an unauthorized individual was involved.

¹ SSA, Program Operations Manual System (POMS), GN 02406.002.B, *Nonreceipt Processing and the Robinson/Reyf Class Action Suit*.

² SSA, POMS, GN 02406.001, *Glossary of Nonreceipt Terms*.

In a prior audit,³ we found that the number of DCNs and related overpayments had increased significantly at the time of our review. In a follow-up review,⁴ we concluded that DCNs had declined compared to our earlier audit period, but SSA could benefit by taking additional steps to prevent and recover DCN overpayments.

For our current audit, we obtained data from 1 of 20 Supplemental Security Record segments identifying 10,719 DCNs, totaling \$5.9 million, that occurred from January 2007 through December 2009. Based on these data, we estimated that approximately 214,000 DCNs, totaling about \$118 million, occurred from January 2007 through December 2009. See Appendix B for a discussion of our scope and methodology.

RESULTS OF REVIEW

Recent actions taken by SSA have been effective in preventing SSI DCNs. The total number of DCNs has declined steadily since 2002. System controls implemented in June 2007 have been effective in preventing instances where individuals commit multiple DCNs. In addition, based on our sample results, SSA has been effective in recovering overpayments from recipients who commit DCNs. Further, the Department of the Treasury (Treasury) recently announced an initiative to eliminate paper checks for all Social Security benefit payments by March 2013.⁵ Implementation of this initiative will eliminate replacement checks and related DCNs.

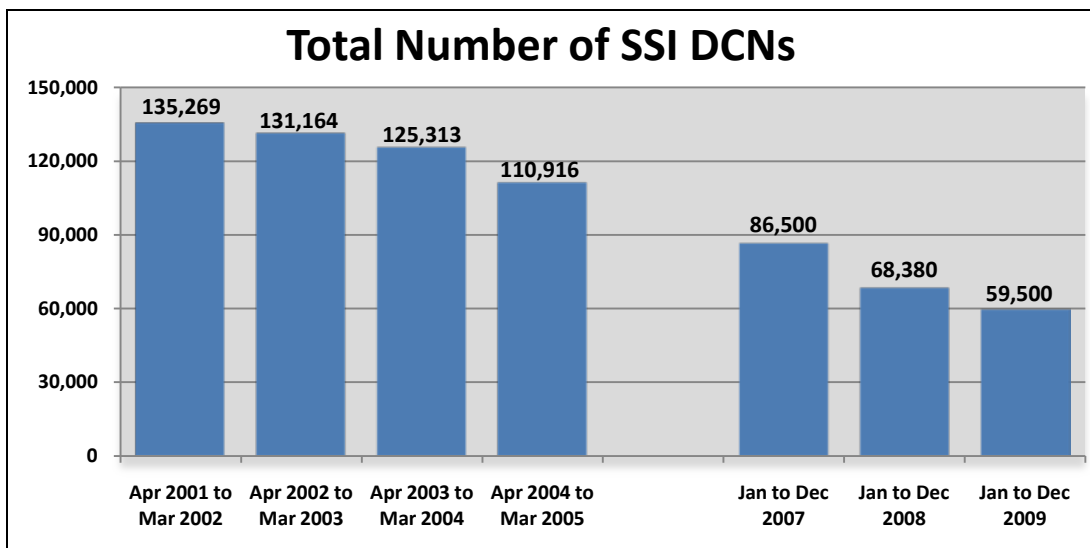
Number of SSI DCNs Has Declined Sharply Since 2002

The downward trend in the number of SSI DCNs discussed in our September 2006 report has not only continued but has accelerated. The number of DCNs our September 2006 report identified for the 12-month period ended March 2005 decreased by about 18 percent from the level identified for the 12-month period ended March 2002 (from 135,269 to 110,916). However, the number of DCNs identified in Calendar Year 2009 (59,500) decreased by an additional 46 percent when compared to the number of DCNs identified for the 12-month period ended March 2005.

³ *Controls Over Supplemental Security Income Replacement Checks (A-05-03-13010)*, September 2003.

⁴ *Follow-up Review of Controls over Supplemental Security Income Replacement Checks (A-05-06-26058)*, September 2006.

⁵ Treasury Department Press Release TG-644, *Treasury Goes Green, Saves, Green Broad New Initiative Will Increase Electronic Transactions, Save More Than \$400 Million, 12 Million Pounds of Paper in First Five Years Alone*, April 19, 2010.



Note: We did not obtain DCN data for April 2005 through December 2006.

Corrective Actions Taken by SSA

SSA staff attributed the decline in the number of DCNs to such factors as improved training, increased use of electronic deposit, enhanced regional office oversight, and enhanced use of administrative sanctions against DCN perpetrators. Another factor in the continuing decline of the number of DCNs was the June 2007 implementation of automated system controls designed to identify possible indicators of DCN abuse on a recipient's payment record before replacement check issuance.⁶ In March 2008, SSA also required that a second SSA employee approve certain replacement check issuances.⁷

DCN Overpayment Recovery

Based on our sample review, SSA's actions to collect DCN-related overpayments were effective. We reviewed 50 randomly selected DCNs, totaling \$26,443, that occurred between January 2007 and December 2009. As of July 2010, SSA had recovered 100 percent of the overpayments from 43 of the 50 recipients. SSA was collecting five DCNs, totaling \$1,754; had not yet collected one DCN, totaling \$623, because the recipient could not be located; and erroneously waived the collection of one DCN, totaling \$623.⁸

⁶ The DCN Wizard, an electronic application designed to identify double check negotiation abuse and help determine the correct action when a beneficiary reports nonreceipt of a check, was made available for use by all SSA field offices.

⁷ Emergency Message 08042 SEN, *2nd PIN Required for B-STOP Inputs for Certain Title XVI Non-Receipt Transactions*, dated March 20, 2008.

⁸ SSA's records contained no documentation to explain or justify this waiver. Dallas Region personnel reviewed this case and concluded the waiver was not justified.

Proposed Treasury Initiative

In April 2010, Treasury announced an initiative to eliminate paper checks for benefit payments.⁹ Per this initiative, by March 1, 2013, Treasury will issue all Social Security benefit payments by direct deposit to a bank account or via the Direct Express debit card.¹⁰ The total dollar value of all 2009 DCNs was approximately \$34 million. Implementation of the initiative will eliminate the possibility of lost or stolen paper checks, prevent millions of dollars of DCNs each year, and save SSA staff resources spent issuing replacement checks and collecting related overpayments.

CONCLUSION

SSA has taken effective action to prevent and reduce SSI DCNs. The number of DCNs has declined significantly since 2002. A number of factors, including implementation of enhanced payment system controls contributed to this positive trend. Our sample results also indicated that SSA effectively recovered overpayments from recipients who committed DCNs. We commend SSA for actions taken to address this issue. Further, Treasury recently announced plans to implement a requirement that, by March 2013, all Social Security benefit payments be issued via direct deposit or via Direct Express debit card. Full implementation of the Treasury initiative will eliminate replacement check issuance and related DCNs.

AGENCY COMMENTS

SSA stated it plans to implement the Treasury initiative in two stages. Beginning in May 2011, SSA will pay all newly entitled Social Security beneficiaries and SSI recipients electronically. By March 2013, Social Security beneficiaries and SSI recipients receiving paper checks must switch to direct deposit. SSA's comments are included in Appendix C.



Patrick P. O'Carroll, Jr.

⁹ See Footnote 5.

¹⁰ The Direct Express card is a Treasury-sponsored prepaid debit card made available to Social Security beneficiaries and SSI recipients.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Acronyms

| | |
|----------|----------------------------------|
| DCN | Double Check Negotiation |
| OIG | Office of the Inspector General |
| POMS | Program Operations Manual System |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| Treasury | Department of the Treasury |

Scope and Methodology

To accomplish our objective, we:

- Reviewed pertinent sections from the *Social Security Act* and the Social Security Administration's (SSA) Program Operations Manual System.
- Reviewed prior Office of the Inspector General (OIG) report, *Follow-up Review of Controls over Supplemental Security Income Replacement Checks* (A-05-06-26058).
- Interviewed staff from the Dallas Regional Office to determine the status of collection and corrective action taken on double check negotiations (DCN) during the period under review.
- Obtained and reviewed data from 1 of 20 Supplemental Security Record segments identifying 10,719 DCNs, totaling \$5,909,740, that occurred from January 2007 through December 2009. Based on these data, we estimated that approximately 214,000 DCNs, totaling about \$118 million, occurred within all 20 Supplemental Security Record segments from January 2007 through December 2009.
- Randomly selected 50 DCNs from our data file and determined the current collection status of related overpayments.
- Obtained summary Supplemental Security Income DCN data from the Office of the Deputy Commissioner for Operations for Calendar Years 2007 through 2009 and compared the data to our estimates for the same period. Our estimates were consistent with the Operations data.

We performed our review from May to September 2010 in Dallas, Texas. We tested the data obtained for our audit and determined it to be sufficiently reliable to meet our objectives. The entity audited 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: January 11, 2011 **Refer To:** SIJ-3

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

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

Subject: Office of the Inspector General (OIG) Draft Report, "Supplemental Security Income Double Check Negotiations" (A-06-10-20144)--INFORMATION

Thank you for recognizing the actions we have taken to reduce the volume of Supplemental Security Income (SSI) double check negotiations (DCN) and our efforts to recover DCN overpayments.

As you noted, the volume of DCNs will further decline as we implement the *All Electronic Treasury* initiative, which requires us to issue Social Security benefits electronically via direct deposit or Direct Express debit card by March 2013. We plan to implement this initiative in two stages:

- Beginning May 2011, we will pay newly entitled Social Security beneficiaries and SSI recipients electronically.
- By March 2013, Social Security beneficiaries and SSI recipients receiving paper checks must switch to direct deposit.

Please let me know if we can be of further assistance. You may direct staff inquiries to Rebecca Tothero, Acting Director, Audit Management and Liaison Staff, at (410) 966-6975.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Ronald Gunia, Director, Dallas Audit Division

Jason Arrington, Audit Manager

Neha Smith, Audit Manager

Acknowledgments

In addition to those named above:

Warren Wasson, Senior Auditor

Alla Resman, IT Specialist

For additional copies of this report, please visit our Website at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-06-10-20144.

DISTRIBUTION SCHEDULE

Commissioner of Social Security

Chairman and Ranking Member, Committee on Ways and Means

Chief of Staff, Committee on Ways and Means

Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives

Chairman and Ranking Minority Member, Committee on Oversight and Government Reform

Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

Overview of the Office of the Inspector General

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

Office of Audit

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

Office of Investigations

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

Office of the Counsel to the Inspector General

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

Office of External Relations

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

Office of Technology and Resource Management

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