

*Audit Report*

Supplemental Security Income  
Recipients Who Had Not Cashed  
Their Checks Within 1 Year

**MEMORANDUM**

**Date:** April 7, 2014

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Supplemental Security Income Recipients Who Had Not Cashed Their Checks Within 1 Year  
(A-09-13-23023)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration took appropriate action when Supplemental Security Income recipients had not cashed their checks within 1 year. Please provide within 60 days a corrective action plan that addresses each recommendation.

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



Patrick P. O'Carroll, Jr.

Attachment

# Supplemental Security Income Recipients Who Had Not Cashed Their Checks Within 1 Year

## A-09-13-23023



April 2014

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) took appropriate action when Supplemental Security Income (SSI) recipients had not cashed their checks within 1 year.

### Background

The SSI program provides a minimum level of income to financially needy individuals who are aged, blind, or disabled.

SSI recipients can cash checks issued after September 30, 1989 up to 1 year after their issue date. The Department of the Treasury (Treasury) will return to SSA any funds from checks that are not cashed within 1 year in the form of a credit in the 15<sup>th</sup> month after its issuance.

SSA records the receipt of the credit, generates an alert to the field office, and sets a diary. Field office employees are required to contact the recipient or representative payee to determine why they did not cash the check and take the appropriate action needed to resolve the issue (reissue the check if needed, clear the alert and diary, and update the SSI record).

### Our Findings

SSA needs to ensure it takes appropriate action to reissue payments to eligible recipients who had not cashed their checks. In addition, we found that SSA established overpayments for some recipients who had uncashed checks. Based on our random sample, we estimate that 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 issued to 21,581 recipients.

For the 100 recipients in our sample, we found no evidence that SSA employees attempted to contact 87 recipients or their representative payees after it received the initial uncashed check alerts. In addition, we found that (1) SSA employees improperly cleared diaries, (2) the SSI Diary Control program did not track all recipients with uncashed checks, and (3) SSA employees did not take corrective action to remove overpayments when Treasury informed them that recipients had not cashed their checks.

### Our Recommendations

We recommend that SSA:

1. Take corrective action to resolve and, if appropriate, reissue payments to the 87 recipients we identified.
2. Evaluate the results of its corrective action for the 87 recipients and determine whether it should develop a cost-effective method to address the remaining population of 74,316 recipients with uncashed checks.
3. Determine whether it should revise the SSI Diary Control program to track recipients who have uncashed checks on terminated SSI records.
4. Remind employees of the policy to resolve uncashed checks before they clear pending diaries.

SSA agreed with Recommendations 1, 2, and 3 but disagreed with Recommendation 4.

# TABLE OF CONTENTS

Objective .....	1
Background .....	1
Results of Review .....	2
SSA Did Not Resolve Uncashed Checks .....	3
SSI Diary Control Program Did Not Track All Uncashed Checks .....	4
Overpayments for Uncashed Checks .....	5
Conclusion .....	5
Recommendations .....	5
Agency Comments .....	6
OIG Response .....	6
Appendix A – Scope and Methodology .....	A-1
Appendix B – Sampling Methodology and Results .....	B-1
Appendix C – Agency Comments .....	C-1
Appendix D – Major Contributors .....	D-1

## **ABBREVIATIONS**

OIG	Office of the Inspector General
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
Treasury	Department of the Treasury

## OBJECTIVE

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

## BACKGROUND

SSA administers the SSI program under Title XVI of the *Social Security Act*.<sup>1</sup> The SSI program provides a minimum level of income to financially needy individuals who are aged, blind, or disabled.<sup>2</sup> SSI recipients who receive checks issued after September 30, 1989 may cash those checks up to 1 year after their issue date.<sup>3</sup> After 1 year, the checks are non-negotiable, and banks should no longer accept them. When the Department of the Treasury (Treasury) records show a 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 15<sup>th</sup> month after the check's issue date.<sup>4</sup> If a recipient or representative payee does not cash a check after 1 year, SSA policy requires that a field office employee contact the recipient or representative payee to determine why they did not cash the check and, if appropriate, reissue the payment.<sup>5</sup>

When SSA receives a limited payability credit from Treasury, it generates an alert for SSA employees to contact the recipient or their representative payee to determine why they did not cash a check. In addition, SSA establishes a 60-day diary to remind employees to follow up and resolve any outstanding checks. After SSA employees have resolved uncashed checks, they must reissue the payment, if appropriate; clear the diary; and record on the Supplemental Security Record (SSR) how they resolved the uncashed check.<sup>6</sup>

For our review, we identified 74,416 recipients who had uncashed checks totaling \$55.7 million. In addition, SSA's records showed it had taken no action to reissue these payments to the recipients. From this population, we selected a random sample of 100 recipients for review (see Appendix A).

---

<sup>1</sup> *Social Security Act* § 1601 *et seq.*, 42 U.S.C. 1381 *et seq.*; *see also* 20 C.F.R. § 416.101 *et seq.*

<sup>2</sup> *Social Security Act* § 1602, 42 U.S.C. 1381a; *see also* 20 C.F.R. § 416.110.

<sup>3</sup> *See* SSA, POMS, GN 02401.901.B (October 8, 2009) citing the *Competitive Equality Banking Act of 1987*, Pub. L. No. 100-86, August 10, 1987.

<sup>4</sup> SSA, POMS, GN 02401.901.B and C (October 8, 2009).

<sup>5</sup> SSA, POMS, GN 02401.904.B (August 27, 2009).

<sup>6</sup> SSA, POMS, GN 02401.901.D (October 8, 2009) and GN 02401.904 (August 27, 2009).

## RESULTS OF REVIEW

SSA needs to ensure it takes appropriate action to reissue payments to eligible recipients who had not cashed their checks. In addition, we found that SSA had established overpayments for some recipients who had uncashed checks. Based on our random sample, we estimate that 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 issued to 21,581 recipients.

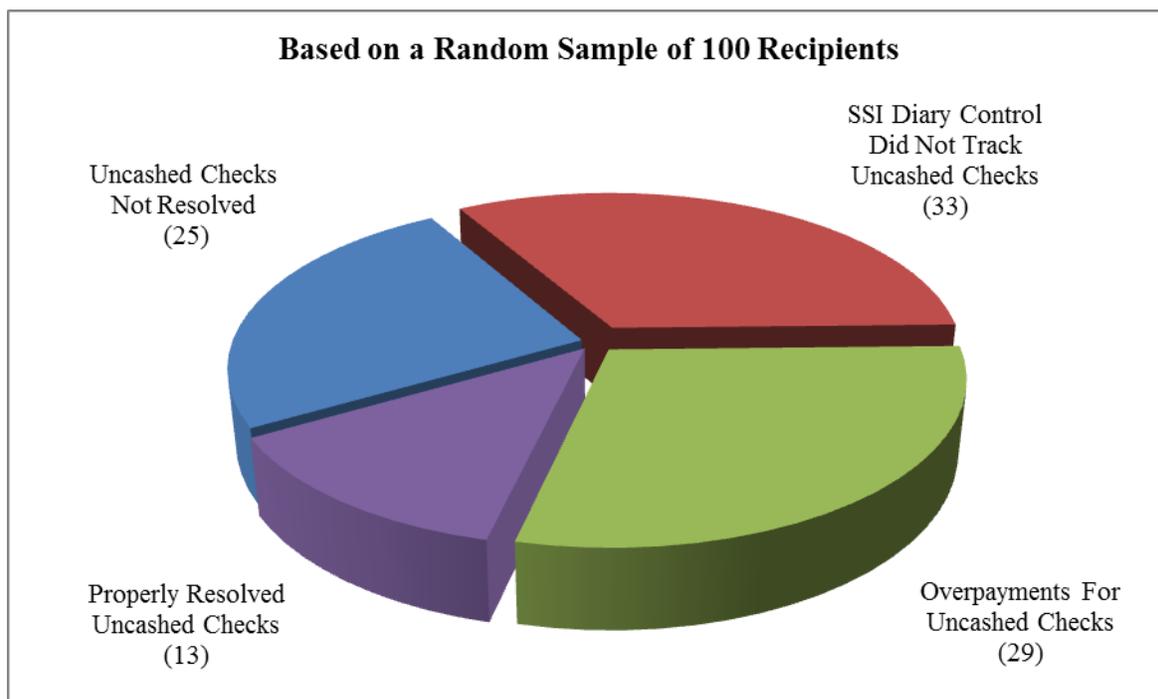
We are 90-percent confident the number of recipients with uncashed checks that were payable ranged from 36,680 to 49,372, and the amount of uncashed checks ranged from \$21.3 to \$40.1 million. In addition, we are 90-percent confident the number of recipients for whom SSA should have removed overpayments for uncashed checks ranged from 16,069 to 27,807, and the amount of overpayments ranged from \$7 to \$15.1 million (see Appendix B).

For the 100 recipients in our sample, we found no evidence that SSA employees attempted to contact 87 recipients or their representative payees after it received the initial uncashed check alerts. We also found that SSA correctly reissued payments to 3 recipients and determined that 10 recipients were not eligible for the payments. Specifically, for the 87 recipients, we found that

- SSA employees did not resolve uncashed checks for 25 recipients, of which they improperly cleared diaries for 23 recipients;
- the SSI Diary Control program did not track uncashed checks for 33 recipients; and
- SSA employees did not take corrective action to remove overpayments for 29 recipients when Treasury informed them that recipients had not cashed their checks.

The following chart summarizes the results of our review of the 100 recipients in our sample.

**Figure 1: Recipients with Uncashed Checks**



## SSA Did Not Resolve Uncashed Checks

When SSA receives a credit from Treasury for uncashed checks, it generates an alert requiring that a field office employee contact the recipient or their representative payee to determine why the check was not cashed and, if appropriate, reissue the check. In addition, SSA establishes a 60-day diary to remind employees to follow up on any uncashed checks not resolved after it receives the initial alert.<sup>7</sup>

We found no evidence that SSA employees attempted to contact 25 recipients or their representative payees after it received the initial alerts indicating they had not cashed the checks. In addition, we found that SSA employees improperly cleared the follow-up diaries for 23 of the 25 recipients without resolving the uncashed checks. Since the employees cleared the diaries, there is no control to ensure the uncashed checks will be resolved. Finally, according to SSA's records, all 25 recipients were eligible for these payments. As a result, \$15,120 in uncashed checks was not resolved and, if appropriate, reissued to the 25 recipients.

For example, a recipient who had been receiving SSI since December 1989 did not cash her January 2007 check for \$846. In April 2008, the SSA field office received an initial alert indicating the recipient had not cashed her check. In addition, SSA established a follow-up diary for the uncashed check. However, an SSA employee cleared the diary and did not take action on

<sup>7</sup> SSA, POMS, GN 02401.901.D (October 8, 2009) and GN 02401.904 (August 27, 2009).

the uncashed check. Since the employee improperly cleared the diary, the SSI Diary Control program did not indicate the uncashed check had not been resolved. As of December 2013, the recipient was in current pay and receiving SSI, but SSA had not reissued her \$846 payment.

## **SSI Diary Control Program Did Not Track All Uncashed Checks**

The SSI program requires that recipients' needs be matched with their financial circumstances each month to determine eligibility and payment amounts. Changes in individual financial circumstances require that SSA reassess and verify recipients' eligibility and payment amounts. SSA is required to suspend SSI payments for any month in which a recipient does not meet the eligibility requirements. For example, if a recipient does not provide necessary information to determine continuing SSI eligibility, SSA suspends payments. In addition, after 12 consecutive months of suspension, SSA generally terminates eligibility for SSI payments.<sup>8</sup> After SSA has terminated eligibility, the individual must file a new application to reestablish eligibility for SSI. When this occurs, SSA will establish a new SSR for the application or period of eligibility.

When SSA employees resolve an alert for an uncashed check, they should reissue the payment, if appropriate; clear the diary; and record on the SSR how they resolved the uncashed check.<sup>9</sup> SSA establishes SSI diaries to ensure it currently and accurately maintains recipients' records. Diaries indicate that further action by SSA employees is required. SSA's field offices are responsible for ensuring that all pending diaries are resolved including diaries for uncashed checks. To ensure field offices resolve pending diaries, SSA established the SSI Diary Control program, which should contain a list of all recipients with pending diaries. Recipients will remain in the SSI Diary Control program until the issue has been resolved and an employee updates the SSR to clear the diary. However, we found that the SSI Diary Control program excludes recipients who have uncashed checks on terminated SSRs.

We found that 33 of our 100 sample recipients with pending diaries on their SSRs did not appear in the SSI Diary Control program because the uncashed checks were on terminated SSRs. In addition, according to SSA's records, all 33 recipients were eligible for these payments. Without the diary control to remind SSA employees that uncashed checks have not been resolved, uncashed checks totaling \$26,136 may never be resolved and, if appropriate, reissued to the 33 recipients.

---

<sup>8</sup> 20 C.F.R. § 416.1335.

<sup>9</sup> SSA, POMS, GN 02401.904.B (August 27, 2009).

## Overpayments for Uncashed Checks

SSA establishes overpayments for recipients when they receive an amount for any period that exceeds the total amount that should have been paid.<sup>10</sup> Generally, SSA establishes overpayments when it determines recipients are ineligible for SSI and suspends or terminates payments.

For 29 of the 100 recipients in our sample, SSA employees established \$14,895 in overpayments for uncashed checks because the recipients were ineligible for the payments. At the time, SSA properly established the overpayments because it was unaware the checks had not been cashed. However, SSA did not take corrective action to remove the overpayments when Treasury informed SSA the recipients had not cashed the checks.

For example, SSA determined a recipient was ineligible for a payment in July 2005 and established a \$579 overpayment for that month. SSA subsequently recovered the \$579 overpayment from the recipient's February through August 2006 payments. In October 2006, the SSA field office received an uncashed check alert for the July 2005 check. Although SSA should not reissue the July 2005 check, it should repay the recipient the \$579 it withheld from his February through August 2006 payments.

## CONCLUSION

SSA needs to ensure it takes appropriate action to reissue payments to eligible recipients who had not cashed their checks. Based on our random sample, we estimate that SSA did not resolve and reissue \$30.7 million in uncashed checks payable to 43,161 recipients. We also found that SSA should have removed \$11.1 million in overpayments for uncashed checks issued to 21,581 recipients (see Appendix B).

## RECOMMENDATIONS

We recommend that SSA:

1. Take corrective action to resolve and, if appropriate, reissue payments to the 87 recipients we identified.
2. Evaluate the results of its corrective action for the 87 recipients and determine whether it should develop a cost-effective method to address the remaining population of 74,316 recipients with uncashed checks.
3. Determine whether it should revise the SSI Diary Control program to track recipients who have uncashed checks on terminated SSI records.

---

<sup>10</sup> SSA, POMS, SI 02201.005 (February 4, 2011).

4. Remind employees of the policy to resolve uncashed checks before they clear pending diaries.

## AGENCY COMMENTS

SSA agreed with Recommendations 1, 2, and 3 but disagreed with Recommendation 4.

SSA also stated that reviewing cases that are 5- to 14-years-old would require extensive development and would have little return-on-investment. SSA also stated that uncashed checks would be a rare occurrence in the future because of the direct deposit requirement. Finally, SSA stated its policy does not require that its employees document its contact with recipients or representative payees, and its policy does not instruct employees to manually clear diary alerts.

SSA stated it disagreed with Recommendation 4 because its employees follow SSA policy to resolve uncashed checks. SSA also stated that based on its employees' input after the attempted contact, the system automatically clears the diary.

The Agency's comments are included in Appendix C.

## OIG RESPONSE

SSA's conclusion that reviewing these cases would require extensive development and would have little return-on-investment is premature. After SSA completes its review of the 87 sample cases, it should determine, as we recommended, whether it can develop a cost-effective method of reviewing the larger population of recipients. For example, SSA may want to contact recipients who are only in current pay and, as such, should be easy to locate and resolve. Of the 87 recipients in our sample, 40 were in current pay.

SSA's statement that its policy does not require that its employees document its contact with recipients or representative payees is not accurate. SSA's policy states that SSA employees will update the SSR, pay the underpayment, adjust an existing overpayment, etc. For example, if recipients indicate they did not cash a check, SSA employees are instructed to place the following message on the SSR "Limited Payability Case MM/DD/YYYY" reissue the check and send a notice to the recipient. In addition, if SSA employees cannot locate recipients, they are required to update the SSR accordingly. None of the 87 recipients' SSRs had a message concerning the resolution of the uncashed checks, indicated that SSA employees reissued the uncashed checks, properly used the underpayments to reduce overpayments, or stated that recipients could not be located. Finally, there was no evidence that SSA employees sent the required notices to inform recipients of its decision made concerning their uncashed checks. Since SSA employees had not documented any of these actions, we concluded the diaries were improperly cleared.

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

---

From the Social Security Administration's (SSA) Supplemental Security Record (SSR), we obtained a data extract of 74,416 Supplemental Security Income (SSI) recipients. These recipients had 117,213 uncashed checks over \$50 issued from January 2000 through January 2009 that SSA had not reissued as of April 2010. From this population, we randomly selected a sample of 100 recipients for review.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act* and SSA's Program Operations Manual System;
- interviewed SSA personnel from the Offices of Operations and Applications and Supplemental Security Income Systems;
- reviewed queries from SSA's SSR, Online Retrieval System, Modernized Supplemental Security Income Claim System, SSI Diary Control program, Representative Payee System, and Claims File Records Management System for each sample item as needed; and
- obtained and reviewed electronic folders, including the Department of the Treasury Check Information System, when necessary, to determine actions taken by SSI recipients and SSA.

We determined the computer-processed data from the 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 objectives.

We conducted audit work in Richmond, California, between April and December 2013. The entities audited were the Office of Operations under the Office of the Deputy Commissioner for Operations and the Office of Systems under the Office of the Deputy Commissioner for Systems.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Appendix B – SAMPLING METHODOLOGY AND RESULTS

We obtained a data extract from the Social Security Administration’s (SSA) Supplemental Security Record (SSR) of 74,416 Supplemental Security Income (SSI) recipients. These recipients had 117,213 uncashed checks over \$50 issued from January 2000 through January 2009 that SSA had not reissued as of April 2010. We selected a random sample of 100 recipients to determine whether SSA took appropriate action when recipients had not cashed their SSI checks within 1 year.

We found that SSA did not take appropriate action to resolve and reissue uncashed checks totaling \$41,256 for 58 of the 100 recipients in our sample. Projecting these results to our population of 74,416 recipients, we estimate that SSA did not take appropriate action to resolve and reissue \$30.7 million in uncashed SSI checks to 43,161 recipients. In addition, for 29 of the 100 recipients in our sample, we found that SSA employees did not take corrective action to remove \$14,895 in overpayments when the Department of the Treasury informed them the recipients had not cashed the checks. Projecting these results to our population, we estimate that SSA should have removed \$11.1 million in overpayments for uncashed checks issued to 21,581 recipients.

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

**Table B-1: Population and Sample Size**

Description	Number of Recipients
Population Size	74,416
Sample Size	100

**Table B-2: Uncashed Checks Payable to Recipients**

Description	Number of Recipients	Payment Amount
Sample Results	58	\$41,256
Point Estimate	43,161	\$30,701,578
Projection - Lower Limit	36,680	\$21,343,554
Projection - Upper Limit	49,372	\$40,059,603

**Table B-3: Overpayments for Uncashed Checks**

Description	Number of Recipients	Overpayments
Sample Results	29	\$14,895
Point Estimate	21,581	\$11,084,434
Projection - Lower Limit	16,069	\$7,021,014
Projection - Upper Limit	27,807	\$15,147,855

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

## Appendix C – AGENCY COMMENTS

---



# Social Security

### MEMORANDUM

**Date:** March 24, 2014

**Refer To:** SIJ-3

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

**From:** James A. Kissko /s/  
Chief of Staff

**Subject:** Office of the Inspector General Draft Report, "Supplemental Security Income Recipients Who Had Not Cashed Their Checks Within 1 Year" (A-09-13-23023)--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,  
“SUPPLEMENTAL SECURITY INCOME RECIPIENTS WHO HAD NOT CASHED  
THEIR CHECKS WITHIN 1 YEAR” (A-09-13-23023)**

**General Comment**

We are concerned about the timeliness of the data the Office of the Inspector General (OIG) used for this review. OIG reviewed uncashed checks issued from January 2000 through January 2009 and not reissued as of April 2010. Review of these 5 to 14-year old cases would require extensive development and would have little return on investment. Moving forward, uncashed checks would now be a rare occurrence as we enforce the regulation requiring direct deposit.

We are also concerned that OIG based its findings and recommendations on a lack of evidence that we contacted the recipient of the uncashed check or their representative payee. It reported that we improperly cleared diary alerts that remind employees to resolve the issue. However, our policy does not require documentation of contact in these cases; nor does policy instruct employees to clear diary alerts manually.

**Recommendation 1**

Take corrective action to resolve and, if appropriate, reissue payments to the 87 recipients we identified.

**Response**

We agree. We plan to review these 87 cases and take appropriate action by June 2014.

**Recommendation 2**

Evaluate the results of its corrective action for the 87 recipients and determine whether it should develop a cost-effective method to address the remaining population of 74,316 recipients with uncashed checks.

**Response**

We agree. We will evaluate the results of our case reviews from recommendation 1 to determine if we should take further action on the additional cases.

**Recommendation 3**

Determine whether it should revise the SSI Diary Control program to track recipients who have uncashed checks on terminated SSI records.

**Response**

We agree. We will evaluate our policy on limited payability credits to determine whether we should revise the SSI Diary Control program to identify uncashed checks on terminated records. We will complete this determination in fiscal year 2014.

**Recommendation 4**

Remind employees of the policy to resolve uncashed checks before they clear pending diaries.

**Response**

We disagree. Our technicians follow our policy to resolve uncashed checks. Based on the technician's input after the contact attempt, the system automatically clears the diary. The technician does not manually clear the diary.

## Appendix D – MAJOR CONTRIBUTORS

---

James J. Klein, Director, San Francisco Audit Division

Joseph Robleto, Audit Manager

James Sippel, Senior Auditor

Wilfred Wong, Audit Data Specialist

## 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 (<http://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 <http://oig.ssa.gov/audits-and-investigations/audit-reports/all>. For notification of newly released reports, sign up for e-updates at <http://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:** <http://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