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BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

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## Action Needed To Resolve Problem Of Outstanding Supplemental Security Income Checks

As many as 300,000 Supplemental Security Income checks totaling \$40 million have been outstanding for 6 months or more. These checks are negotiable forever. About \$10.4 million of these checks belong to States, which are concerned that these moneys have not been returned to them.



114571

Better followup actions are needed to

- identify and cancel checks issued to ineligible recipients,
- identify recipients who need check-cashing assistance, and
- return the funds to the Social Security Administration and the States.

These actions would improve the accuracy of Treasury's accounting records.



HRD-81-58  
MARCH 3, 1981

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

B-164031(4)

To the President of the Senate and the  
Speaker of the House of Representatives

Several proposals before the 96th Congress would have placed a time limit on the negotiation of Federal Government checks issued monthly to Supplemental Security Income (SSI) recipients. However, none of the proposals were enacted. Under present legislation (31 U.S.C. 132), these and other Government checks are payable without time limitation. We recently completed a review designed to quantify the number and amount of SSI checks not cashed, determine why they were not cashed, and identify actions to alleviate check-cashing problems.

PROGRAM BACKGROUND

The SSI program was established, effective January 1, 1974, by title XVI of the Social Security Amendments of 1972 (42 U.S.C. 1381, et seq.) to provide cash assistance to the needy aged, blind, and disabled. It provides income to persons on the basis of nationally uniform eligibility requirements and benefit criteria.

The SSI program is administered by the Social Security Administration (SSA), headquartered in Baltimore, Maryland, through its 1,300 field offices throughout the Nation. SSA is part of the Department of Health and Human Services (HHS). <sup>1/</sup> The program currently provides a basic monthly Federal benefit of \$238 for an individual and \$357 for a couple. States can supplement the Federal benefit and have the option of either administering supplementary payments themselves or contracting for Federal administration. Over \$22 billion of Federal funds from general revenues and \$6.9 billion of federally administered State supplemental funds were paid to SSI recipients in the first 5 years of the program. Currently, over 4 million persons receive benefits totaling about \$7.86 billion annually, which includes about \$1.9 billion from 26 States and the District of Columbia that have contracted with SSA to administer their supplemental funds.

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<sup>1/</sup>On May 4, 1980, a separate Department of Education was created. Before that date, activities discussed in this report were the responsibility of the Department of Health, Education, and Welfare.

SCOPE AND METHODOLOGY

Our review was performed at SSA headquarters and two field offices in New York (Schenectady and Rensselaer) and at Treasury headquarters in Washington, D.C. SSA field offices were contacted by telephone in California (Inglewood, Torrence, and Los Angeles) and New York (New York City, Rochester, South Bronx, and Poughkeepsie). California and New York were included in our review because they have the largest number of recipients on the SSI rolls and most likely have the largest volume of uncashed checks. We interviewed Treasury and SSA officials concerning their policies and procedures for monitoring and accounting for uncashed checks, requested and obtained computer files of the universe of uncashed SSI checks from Treasury that were 6 months old or older, selected a random statistical sample of 300 uncashed checks, and identified recipients to be interviewed and developed a questionnaire for use in these contacts. We did not test the adequacy or validity of the computer data obtained from Treasury's accounting records.

At our request SSA administered the questionnaire and provided us the data for analysis. We interviewed Treasury and SSA officials concerning check cancellations. We were able to project the reasons for checks not being cashed for 266,000 of the 300,000 uncashed checks. All projections are statistically valid at the 95-percent confidence level with the largest sampling error for any projection being about 5 percent. The methodology for selecting our statistical sample of SSI recipients with uncashed checks is discussed in appendix III.

UNCASHED SSI CHECKS: EXTENT OF PROBLEM AND WHY IT IS OCCURRING

As of December 1978--the latest available Treasury data--300,000 SSI checks totaling \$40 million were outstanding for 6 months or more. This represents about 0.1 percent of all SSI checks that had been issued. The size of these checks ranged from less than \$1 to \$6,571 and averaged \$127. An estimated \$10.4 million in State supplemental funds are included in the 300,000 uncashed SSI checks. Many States have been concerned that these moneys have not been returned to them. Treasury has suggested congressional action authorizing it through HHS to credit the States with their portion of these checks.

As discussed below, there are many reasons why checks were uncashed--some of which were due to recipients being deceased, recipients alleging nonreceipt, and checks not clearing Treasury's accounting records. SSA gives Treasury information monthly on recipients who are to be paid an SSI benefit. Treasury prepares and mails the SSI checks and maintains records of all

checks issued, canceled, and uncashed. Treasury does not give SSA information concerning checks not cashed. Because neither SSA nor Treasury has developed a procedure to review the reasons for checks remaining uncashed for long periods or identified possible problems in clearing checks from Treasury's accounting records,

--checks that should be canceled remain on Treasury's uncashed check file,

--ineligible recipients are not identified and removed from the payment rolls, and

--recipients needing assistance in cashing their checks are not identified and helped.

SSA interviewed recipients with uncashed checks, contacted third parties, and used its records to determine why checks in our sample remained uncashed and what the recipients' status was (e.g., ineligible, moved, ill, or dead). From sample cases reviewed by SSA, we estimate that, of 266,000 checks, 1/

--51,000 (19.2 percent) were cashed,

--45,000 (16.9 percent) were sent to recipients who could not remember what happened to them,

--31,000 (11.6 percent) were never received,

--10,000 (3.8 percent) were held by recipients,

--9,000 (3.4 percent) were returned to the U.S. Government, and

--8,000 (3.0 percent) were lost or stolen.

Of the other estimated 112,000 checks (42.1 percent), 58,000 (21.8 percent) were issued to recipients now deceased for which SSA was unable to contact a third party, 46,000 (17.3 percent) were to recipients whom SSA could not contact within the time allotted for administering the questionnaire, 6,000 (2.2 percent) were to recipients who could not be interviewed because of health reasons, and 2,000 (0.8 percent) were considered too small by SSA field officials to warrant an interview. Recipients said they had either

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1/See appendix III for estimation methodology.

returned to the U.S. Government, never received, or cashed about 34 percent of the checks in our sample. If the recipients are correct, the fact that the checks are still on Treasury's accounting records could indicate a failure to properly account for returned checks that have not been cashed or to clear from their records checks that have been cashed. We asked Treasury to give us information on (1) why the checks are listed in its records as uncashed and (2) what it plans to do to alleviate any problems noted.

In November 1980, Treasury advised us that most of the checks recipients said they had cashed have since cleared its records. Treasury identified a delay of about 6 months in the San Francisco Federal Reserve Bank forwarding to Treasury the information necessary for reconciling checks it had paid. According to Treasury, this delay, which was caused by problems encountered during implementation of a new Treasury and Federal Reserve Bank check reconciliation project, affected at least 30 percent of the checks in this group.

Concerning the checks recipients said they had never received or returned to the U.S. Government, most remain listed as uncashed on Treasury records. A Treasury official stated that these checks had not been returned for reconciliation and that Treasury could not determine their status. According to the official, such determinations would have to be made by SSA.

SSA SHOULD IMPROVE ITS MANAGEMENT  
OF UNCASHED SSI CHECKS

Current SSA procedures require field offices to initiate action to cancel checks maintained in Treasury's accounting records only when third parties or recipients report to them that

- checks were issued to a recipient after death and had not been returned to Treasury,
- a recipient did not receive a check, or
- checks were stolen.

Field offices cannot, however, identify checks for possible cancellation unless the reasons for checks not being cashed are reported to them. Three types of situations were identified through the questionnaire which normally would not come to the attention

of SSA field offices through the current uncashed check data reporting procedures. As a result, these types of cases were not covered by SSA's cancellation procedures. They involved recipients who may not meet the SSI program's financial need criteria, were outside the United States, or had died. In addition, the questionnaire results indicated some recipients needed assistance in cashing their checks.

SSA identified 10 cases in which recipients had held their SSI checks for more than 6 months without cashing them, indicating that some had sufficient resources to cover their living expenses and may not need SSI assistance. For example, one recipient had 15 checks totaling \$1,865. Individuals and couples are allowed to own resources up to \$1,500 and \$2,250, respectively, before becoming ineligible for SSI benefits. Two other recipients received benefits while out of the country. Under the Social Security Act, an SSI recipient who resides outside the United States for 30 or more consecutive days is ineligible for benefits. One individual had been out of the country since November 1978, but his benefits were not stopped until July 1979. The other was in Portugal from August through October 1979 but received \$499.10 in SSI benefits during that time.

Regarding deceased recipients, SSA identified a number of cases in which checks had not been cashed before death. In such cases, these checks should be returned to SSA for appropriate disposition. SSA's claims manual prohibits these checks from being cashed under any circumstances. However, an eligible spouse may make a claim for a replacement check.

Another benefit of SSA's establishing a procedure to periodically follow up on uncashed checks is to identify recipients needing check-cashing assistance. SSA could not contact six recipients in our sample because their health precluded an interview. Some of these recipients may not be able to negotiate their checks without assistance. For example, SSA was unable to interview one recipient because he was mentally ill. In such cases, SSA has a procedure to make payments on a recipient's behalf to another person--called a representative payee--if the recipient is unable to manage his or her own funds.

Actions by SSA's field offices in implementing the check cancellation procedures appear limited. Supervisors in eight of the nine offices we contacted said they neither canceled checks nor were knowledgeable about the check cancellation procedures. The one supervisor who was knowledgeable about the procedures said he used them frequently.

LEGISLATION WOULD HELP TO SOLVE THE PROBLEM

Two legislative proposals before the 96th Congress (H.R. 4904 and S. 1109) would have limited the time that SSI recipients are allowed to cash their benefit checks to 180 days and would have given monthly credits to States for their portion of uncashed SSI checks more than 180 days old.

Although SSA can identify through its SSI computerized payment system the amount of State supplementation funds included in uncashed checks, the crediting of State moneys must be approved by Treasury. Treasury has indicated a willingness to make such credits but believes legislation including appropriate financing for this effort is needed before undertaking such action.

In addition, the proposals would have required the Secretary of HHS to investigate the whereabouts and eligibility of recipients who Treasury indicates have not presented their SSI checks for payment 180 days after issuance.

Treasury, in commenting to the Senate Committee on Finance on these proposals, suggested an alternative procedure. Under Treasury's alternative, SSI checks would remain negotiable without a time limitation. According to Treasury, if the Congress desired to return State funds included in uncashed SSI checks, Treasury would (1) inscribe on the checks that they may not be honored if the checks are not presented for payment within 180 days after the month of issuance, (2) notify SSA of checks that are unpaid and outstanding after 180 days, (3) administratively cancel the checks in its accounting records, and (4) return to the appropriation from which originally paid the amount of such checks. HHS would be responsible for returning funds due the States and for such other actions considered necessary. 1/

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1/Banks would be under no obligation to cash an SSI check presented more than 180 days after the month of issuance. Unpaid checks that, though more than 180 days old, are honored by the banking community will be processed through the Federal Reserve System and paid by Treasury. These checks would be mechanically identifiable in Treasury's accounting system as being more than 180 days old. HHS' appropriation for SSI benefits would be immediately charged with such checks. HHS would thereafter obtain a refund of the amount of the applicable State's contribution and credit such amount to its SSI appropriation.

It is not clear whether the 180-day limitation for negotiating SSI checks or Treasury's suggested procedure is the more effective or less costly way of managing and controlling uncashed SSI checks. SSA's Office of Management, Budget, and Personnel believes the Treasury procedure would be too costly and time consuming. The office estimates that SSA would incur \$9 million more in administrative costs if that procedure were adopted and accordingly supports a legislative limitation on SSI check negotiability. Treasury has not developed information concerning the costs it would incur for either method of handling uncashed SSI checks.

#### CONCLUSION

SSA has done little to reduce the number of uncashed SSI checks or determine why this condition exists. Treasury, in following up on a number of uncashed checks in our sample, determined that the status of checks not presented to it for reconciliation would have to be determined by SSA. By identifying these checks and tracking their recipients, SSA could determine the status of these checks and identify some potential ineligible recipients and recipients who need check-cashing assistance. Such actions could also improve the accuracy of Treasury's accounting records. While SSA has the authority to request lists of uncashed checks from Treasury and to follow up and take action appropriate to the circumstances of the recipients of these checks--canceling checks, removing ineligible recipients from the rolls, or providing needed check-cashing assistance--it has not done so.

Treasury's suggested alternative to the legislative proposals that were before the 96th Congress would allow for appropriate credits to be made to SSA and States and would give SSA the information it needs to follow up on uncashed checks, but could cost SSA an estimated \$9 million in additional administrative costs and would not automatically clear the checks from Treasury's accounting records. Because Treasury has not prepared cost-effectiveness information on its proposal, it is not clear which approach would be more cost effective.

#### RECOMMENDATIONS TO THE SECRETARY OF HHS

We recommend that the Secretary direct the Commissioner of SSA to:

- Periodically request lists of uncashed SSI checks from Treasury and use the lists to identify and request Treasury

to cancel checks that should be canceled, including those issued to recipients now deceased, and to identify ineligible recipients or those that need assistance in cashing checks.

- Incorporate necessary changes into existing SSA check cancellation procedures to cover the additional requirements imposed by the recommendation above and ensure that its field personnel are aware of them.

RECOMMENDATIONS TO THE  
SECRETARY OF THE TREASURY

We recommend that the Secretary:

- Provide computerized information requested by SSA on uncashed SSI checks.
- Prepare and provide to the Congress detailed information concerning the costs it would incur under both methods discussed in this report for handling uncashed SSI checks.

AGENCY COMMENTS AND OUR EVALUATION

In a letter dated November 21, 1980 (see app. I), HHS agreed that Treasury should periodically provide uncashed SSI check information which SSA could use to contact the SSI recipients involved, verify their continuing eligibility for SSI payments, and take any necessary actions. In this regard, SSA said that it would propose that a joint Treasury/SSA effort be undertaken to design and implement an automated uncashed check process.

In commenting on whether it would provide information requested by SSA on uncashed SSI checks (see app. II), Treasury referred us to comments it had provided to the Senate Committee on Finance. As discussed on page 6, if the Congress determines it desirable to return State funds included in SSI checks not negotiated within a reasonable time, Treasury would give SSA the information it needs.

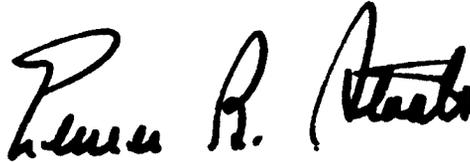
Our recommendation that Treasury prepare cost information for the different methods for handling uncashed SSI checks was added after we determined that Treasury had not developed the data necessary to evaluate the cost effectiveness of its proposed approach for handling uncashed SSI checks. In our view, such data should be developed so that the Congress can make an appropriate decision concerning the best method for handling these checks.

RECOMMENDATION TO THE CONGRESS

We recommend that the Congress, upon receiving the Treasury cost data, determine which approach would be the most cost-effective method for managing and controlling these checks. In the interim, we recommend that the Congress direct Treasury to give SSA information it needs to implement our recommendations.

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We are sending copies of this letter to the Director, Office of Management and Budget, and the Secretaries of Health and Human Services and the Treasury.



Comptroller General  
of the United States





DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

21 NOV 1980

Mr. Gregory J. Ahart  
Director, Human Resources  
Division  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "Many Supplemental Security Income Checks Have Not Been Cashied: Action by the Congress, Treasury, and Social Security Administration Needed to Resolve the Problem." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

Richard B. Lowe III  
Inspector General (Designate)

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES  
ON THE GENERAL ACCOUNTING OFFICE'S DRAFT REPORT ENTITLED  
"MANY SUPPLEMENTAL SECURITY INCOME CHECKS HAVE NOT BEEN CASHED:  
ACTION BY THE CONGRESS, TREASURY, AND SOCIAL SECURITY ADMINISTRATION  
NEEDED TO RESOLVE THE PROBLEM"

General

The Social Security Administration (SSA) has studied and analyzed the reasons why checks are not cashed and has had discussions with the Department of the Treasury about the kinds of information available with respect to uncashed checks. These discussions have shown that the system Treasury employs may not have the capability to produce the kind and type of data SSA needs to efficiently process uncashed Supplemental Security Income (SSI) checks. As we state in the following comments, we will propose to Treasury that a joint Treasury/SSA effort be undertaken to design and implement an automated uncashed checks process.

GAO Recommendations

That the Secretary of HHS direct the Commissioner of SSA to:

--periodically request listings of uncashed SSI checks from Treasury and use the listing to identify and request Treasury to cancel checks that should be cancelled, including those checks issued to recipients now deceased, and to identify ineligible recipients or those that need assistance in cashing checks.

--incorporate necessary changes into existing SSA check cancellation procedures to cover the additional requirements imposed by the recommendation above and insure that its field personnel are aware of them.

Department Comment

We will propose to Treasury that a joint Treasury/SSA effort be undertaken to design and implement an automated uncashed checks process. This automated process will require substantial changes to the computer systems of both Treasury and SSA.

We agree that Treasury should periodically provide uncashed check information which SSA could use to contact the SSI recipients involved, verify their continuing eligibility for SSI payments, and take whatever further steps were indicated. To be effective and efficient, this process must be an automated one. The uncashed check information received from Treasury has to be in computerized form that can be processed by SSA through its central computer facility. Once processed, the uncashed check information together with other pertinent data would flow through SSA's telecommunications network to the appropriate district offices which would then make the necessary contacts with the individual SSI recipients. This process also could be used to generate automatic credits and check cancellations.



FISCAL ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

DEC 12 1980

Mr. William J. Anderson  
Director  
General Government Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Anderson:

This is in reply to your letter addressed to the Secretary of the Treasury dated November 3, 1980, requesting his review and comment on the proposed report entitled "Many Supplemental Security Income Checks Have not Been Cashed: Action by the Congress, Treasury, and Social Security Administration Needed to Resolve the Problem."

Your report endorses two bills, H.R. 4904 and S. 1109, on which Treasury has previously commented (copy enclosed). The gist of our comments is that we endorse the intent of the bills. It would be very helpful if these enclosed comments were made a part of your report.

Page 6 of the draft report pointed out potential discrepancies in our records of checks outstanding. Our letter of November 28, 1980, indicated the reason why our records showed checks outstanding that respondents to your survey indicated they had cashed. (A copy of the GAO staff request and our reply are also enclosed.)

Your report also recommends that the Secretary of the Treasury provide computerized information requested by SSA on uncashed SSI checks. We believe this recommendation is accommodated on Page 3 of our comments on the two bills.

Thank you for letting us review and comment on this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Paul H. Taylor".

Paul H. Taylor

Enclosures



DEPARTMENT OF THE TREASURY  
OFFICE OF THE GENERAL COUNSEL  
WASHINGTON, D.C. 20220

FEB 28 1980

Dear Mr. Chairman:

This responds to your request for the views of this Department on S. 1109, "To amend Title XVI of the Social Security Act with respect to the negotiability of supplemental security income checks and for other purposes."

S. 1109 would add to section 1631 of the Social Security Act a provision restricting to 180 days after the date of its issuance, the period of time in which a check in payment of supplemental security income ("SSI") benefits can be honored for payment. The bill requires that the Secretary of the Treasury ("Treasury"), on a monthly basis, notify the Secretary of the Health, Education and Welfare ("HEW") of all the SSI benefit checks which have not been presented for payment within that 180 day period. Treasury would also be required to "credit" each State with that State's share of the funds underlying SSI checks which had been issued, but remained unnegotiated beyond the applicable time period. The bill would require HEW, after receipt of the notice from Treasury, to inform States of "their" outstanding checks. HEW would be obligated to investigate the whereabouts and eligibility of beneficiaries whose SSI checks remained unnegotiated and, if such beneficiaries remained eligible, to issue new benefit checks to them. S. 1109 would become effective with respect to SSI checks issued on or after the date of enactment.

As you are no doubt aware, the House has included in section 236 of H.R. 4904, the Social Welfare Reform Amendments of 1979, provisions similar to those contained in S. 1109. On November 7, 1979, the House passed H.R. 4904. The bill was referred to your committee on November 9, 1979. Our comments on S. 1109 are equally applicable to section 236 of H.R. 4904.

Treasury has no objections with respect to the intent of S. 1109, which is understood to be to return to the States funds they have provided to support SSI checks which are not negotiated within a reasonable time. However, the establishment of time limits on negotiability of SSI checks would create substantial implementation problems and costs, and may cast a cloud over the negotiability of all Government checks. Accordingly, the following is a discussion of some of the administrative problems the bill would create and a suggested alternative approach.

The practical consequences of providing that SSI checks shall not be honored for payment after the applicable time period are not at all clear. For example, if a beneficiary negotiates his check within the time period, but it reaches a Federal Reserve Bank or Treasury for payment after the period has expired, must the beneficiary's bank absorb the loss? The bank may have given value to the beneficiary and yet would be prevented from recovering the amount of the check from the Government. Thus, any legislation limiting the negotiability of SSI checks should address the issue of banks' liabilities for SSI checks which they handle within a short time period before the expiration of the 180 day limitation. Any attempts to address this issue by shifting liabilities from the Government to banks may well result in making banks unwilling to handle SSI checks.

It is not apparent what action should be taken by Treasury when payees or endorsers of SSI checks, after the expiration of the applicable time limitation, make claims of non-receipt, loss, theft, destruction or mutilation of checks, alleging that the claimed problem arose before the expiration of that period. Under present law (i.e., 31 U.S.C. 528 and 562), such claims may have to be processed, and possibly new checks issued, notwithstanding return to States of part of the funds which supported issuance of the original checks. If such claims are to be accepted and processed a mechanism for reacquiring funds returned to States should be established. There should also be recognition of the fact that, pending such reacquisition replacement checks would be issued in amounts greater than the amounts of appropriated or other funds available for that purpose. Absent such recognition, the mere issuance of a replacement check, by which the Government undertakes the obligation of a drawer of a negotiable instrument (i.e., to pay), would constitute a violation of the Anti-Deficiency Act (31 U.S.C. 665(a)).

Treasury estimates that a minimum of one year would be required for implementation of S. 1109 if enacted. Present check reconciliation records do not permit identification of checks based on the lapse of time from their issuance. To create that capacity, the entire reconciliation record file structure would have to be changed. Such a change would require that the major systems design required be undertaken in the midst of an ongoing data processing conversion.

In addition, SSI checks would have to bear a legend restricting their negotiability, both for control purposes within Treasury and to protect the financial community from assumption of liabilities as endorsers on instruments on which they will be unable to recover. (Such a legend would be desirable in any case to prevent unnecessary conflict with commercial law governing checks.) Such a legend would require acquisition of new and separate pre-printed check stock, or machine dies for mechanical application of the legend during check issuance. Either acquisition entails lead time.

S. 1109 would require that Treasury "credit" States with the amount of their contributions to checks which remained outstanding after the expiration of the applicable time periods. Treasury now has no way of knowing a State's contribution to an SSI check. This information is held by HEW. Thus, the responsibility to "credit" or otherwise make refund would appear to be more properly HEW's. As with normal disbursing procedure, HEW then could certify to Treasury either the amount of a payment to a State or the amount of a credit to the State's account with Treasury, and Treasury could in turn effect the refund in that amount. There does not appear to be any reason for Treasury to keep records of such contributions which would duplicate those HEW must keep in any event.

Establishment of a time limit on the negotiability of SSI checks constitutes an extremely complex and costly approach to a problem that is susceptible of a more efficient solution. Thus, if Congress determines that it is desirable to return to States funds which supported issuance of SSI checks not negotiated within a reasonable time, Treasury suggests that the matter be addressed in the following manner:

SSI checks would bear a legend indicating that they may not be honored if not promptly negotiated, because banks are under no obligation to cash an SSI check which is presented more than 180 days after the month of issuance.

Treasury would provide HEW with listings of SSI checks which are unpaid and outstanding 180 days after the close of each month of issue, administratively cancel the checks within its system, and return to the appropriation from which originally paid the amount of such checks.

HEW would determine the status of the proceeds, i.e., Federal portion vs. State's portion.

HEW would credit appropriate amounts to the States.

HEW would retain in the SSI appropriation moneys not paid to the States.

Unpaid checks which, though more than 180 days old, are honored by the banking community, will be processed through the Federal Reserve system and paid by Treasury. These checks would be mechanically identifiable in Treasury's accounting system as being more than 180 days old. HEW's appropriation for SSI benefits would be immediately charged with such checks. HEW would thereafter, obtain a refund of the amount of the applicable State's contribution and credit such amount to its SSI appropriation.

The advantages of this alternative are: (1) It would put the payee of an SSI check on notice that such check may not be paid after 180 days from issuance, because banks are under no obligation to accept or cash such "stale" checks; prompt negotiation may thereby be encouraged; (2) it avoids the serious hardships imposed on the recipient or a holder-in-due-course when a check is not honored for payment; (3) it minimizes problems caused by double payments and claims for checks not honored for payment; (4) it utilizes existing procedures and precludes the more costly process of establishing exception procedures; and (5) it allows for the consistent treatment of all Treasury checks by the banking community.

Enclosed is legislative language which, if substituted for that of S. 1109 and section 236 of H.R. 4904, will carry out the foregoing scheme.

This Department is also opposed to the provisions of section 234 of H.R. 4904. This section would authorize the Secretary of Health, Education, and Welfare to establish procedures for the replacement of SSI benefit checks, and to provide for the issuance of replacement checks or payment in cash by HEW from available funds.

Treasury procedures for the replacement of benefit checks already substantially comport with the requirements of section 234. While the Administration had previously believed additional authority would be necessary by reason of pending litigation, its subsequent dismissal has obviated the need for such authority. Accordingly, the Department strongly recommends that the provisions of section 234 be stricken from H.R. 4904.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

Sincerely,

(Signed) David R. Brennan  
Deputy General Counsel

The Honorable  
Russell B. Long, Chairman  
Committee on Finance  
U.S. Senate  
Washington, D.C. 20515

Enclosure

METHODOLOGY FOR SELECTING STATISTICAL  
SAMPLE OF UNCASHED SSI CHECKS

The universe of uncashed SSI checks consisted of 300,000 checks that had not been cashed for 6 months or more. We selected a sample of 300 uncashed checks for review. The sample size was chosen to provide estimates with not more than  $\pm$  5-percent sampling error at the 95-percent level of confidence.

SSA attempted to interview the 300 randomly selected individuals who had uncashed SSI checks and to document the results. We received 266 of the 300 questionnaires, and accordingly our aggregated responses can be projected to 266,000 uncashed checks. We used the noncentral confidence limits because the observed frequency of occurrence was small.

The table below indicates the projected numbers and rates of occurrence in our universe and the upper and lower limits of the projections.

| <u>Category</u>                            | <u>Projected</u> |              | <u>Estimated ranges of universe at the 95% confidence level</u> |
|--|------------------|--------------|---|
|  | <u>Number</u>    | <u>Rate</u>  |   |
| Were cashed                                | 51,000           | 19.2         | 38,498 - 63,502   |
| Persons don't recall                       | 45,000           | 16.9         | 34,293 - 58,210   |
| Never received                             | 31,000           | 11.6         | 11,169 - 42,733   |
| Held by recipients                         | 10,000           | 3.8          | 5,467 - 18,032  |
| Returned                                   | 9,000            | 3.4          | 4,763 - 16,764  |
| Lost or stolen                             | 8,000            | 3.0          | 4,074 - 15,485  |
| Deceased, no third-party contact           | 58,000           | 21.8         | 45,924 - 72,209   |
| SSA could not contact within time allotted | 46,000           | 17.3         | 42,595 - 49,405   |
| No interview--health                       | 6,000            | 2.2          | 2,761 - 12,851  |
| No interview--considered too small by SSA  | <u>2,000</u>     | <u>.8</u>    | 549 - 7,177   |
| Total                                      | <u>266,000</u>   | <u>100.0</u> |   |

(105059)



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