DOCUMENT RESUME

07014 - [B2367430]

Replacing Missing Supplemental Security Income Checks: Recipients Waiting Longer than Necessary. HRD-78-28; B-164031(4). August 22, 1978. 28 pp. + 3 appendices (7 pp.).

Report to the Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security Programs: Program Monitoring and Administration (1303).
Contact: Human Resources Div.
Budget Function: Income Security: Public Assistance and Other Income Supplements (604); General Government: Central Fiscal Operations (803).
Organization Concerned: Department of Health, Education, and Welfare; Department of the Treasury; Social Security Administration.
Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Congress.
Authority: 31 U.S.C. 528. 42 U.S.C. 1381. 42 U.S.C. 1383(g). H.R. 8911 (94th Cong.). H.R. 6124 (95th Cong.).

Supplemental Security Income (SSI) is intended to provide a minimum income level for aged, blind, or disabled people having little or no means of self-support. About 28,000 recipients each month report that they have not received their SSI checks. Findings/Conclusions: The Social Security Administration (SSA) and the Treasury Department have a system for replacing checks reported missing, but the system has problems and many recipients wait a long time before receiving checks. SSA began an expedited check replacement system in August 1974 which could replace checks within 10 days. However, extensive delays were still caused by problems such as errors in entering information into the computer. Additional changes made by SSA in April 1977 resulted in rapid replacement of some checks but did not correct the problems of delays caused by incorrect processing. The current system is designed to replace missing checks within 4 to 6 days if district offices enter correct information into the central computer. Bills introduced in the Congress either authorize SSA to reimburse State and local agencies that make emergency loans to people who do not receive their checks or require SSA to replace checks within a short time period. The emergency loan proposal would require extensive management controls and considerable coordination with the States. Replacing checks in a short time period could be costly or difficult to implement. Recommendations: The Commissioner of SSA should be directed to improve the present check replacement system by: requiring district offices to make periodic reviews of nonreceipt transmissions for accuracy, establishing controls to assure timely processing of rejected nonreceipt claims, and emphasizing the need for district offices to input changes of address. The Congress, if it believes recipients who do not receive their SSI checks should be

assisted in less than 4 days, should authorize the Department of Health, Education, and Welfare (HEW) to issue replacement payments from district offices using prepositioned checks and a cash fund and use an immediate payment method only in emergency cases. In carrying out any immediate payment process, it should require the Secretary of HEW to record replacement payments immediately in the central computer and make information available to offices which may issue replacement payments and to implement procedures to identify and bar from further use of the system recipients who repeatedly abuse the immediate payment system. (HTW)

7430

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Replacing Missing Supplemental Security Income Checks -- Recipients Waiting Longer Than Necessary

The Social Security Administration and the U.S. Treasury have a system for replacing missing Supplemental Security Income checks--the only source of income for many recipients. However, district offices have had problems implementing the system, and many recipients wait a long time for their money.

Many of these problems result from Social Security district offices' inaccurate reporting on recipients who have not received their checks. Most replacement checks could be issued in about 4 days if the district offices overcome problems in implementing the system. Those who cannot wait for a replacement could be helped through a method which would be neither costly nor difficult to implement.

HRD-78-28

AUGUST 22, 1978

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

Congressional concern about assisting Supplemental Security Income recipients who do not receive their checks has increased in recent years.

This report contains recommendations which would improve implementation of the present check replacement system so that the majority of replacement checks would be issued in about 4 days; and, if deemed necessary, to help the remaining recipients who do not receive their checks or cannot wait for a replacement to be issued, by a method which would be neither costly nor difficult to implement.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget; Secretary of Health, Education, and Welfare; the Secretary of the Treasury; and the Acting Commissioner, Social Security Administration.

Elmer B. Staats

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

REPLACING MISSING SUPPLEMENTAL SECURITY INCOME CHECKS--RECIPIENTS WAITING LONGER THAN NECESSARY

D I G E S T

About 28,000 recipients each month report that they have not received their Supplemental Security Income checks. Supplemental Security Income is intended to provide a minimum level of income for aged, blind, or disabled people with little or no means of self-support.

The Social Security Administration and the Treasury Department have a system for replacing checks reported missing, but there are problems in the system. Many recipients wait a long time for their money. (See pp. 3 and 4.)

Because of this, three major class action suits have been brought against the Department of Health, Education, and Welfare (HEW) and Treasury. In addition, a number of bills have been introduced in the Congress to assist those who do not receive their Supplemental Security Income check. (See pp. 8 and 18.)

Social Security has recognized the need to replace these checks is critical, but its attempts to shorten the time for replacing the checks have been spotty. It began an expedited check replacement system in August 1974. (See p. 3.)

A Social Security study showed that after a year, the system could replace checks within 10 days, but problems still caused extensive delays. These problems consisted mainly of errors made by Social Security district offices when entering into the computer information on recipients who have not received their checks. (See p. 4.)

In April 1977, Social Security introduced more changes to speed up replacement checks. While these changes resulted in rapid replacement of some checks, they did not correct the problem of delays in replacing

other checks caused when Social Security district offices failed to process non-receipt claims accurately, timely, or in accordance with the system design. (See pp. 6 and 8.)

The current system is designed to replace missing checks within 4 to 6 days if district offices enter correct information into the central computer.

The need to make further changes would be reduced substantially if problems already identified by Social Security were corrected. (See p. 8.)

The bills introduced in the Congress either

--authorize Social Security to reimburse State and local agencies that make emergency loans to people who do not receive their checks or

--require Social Security to replace missing checks within a short time period.

The emergency loan proposal would require extensive management controls and considerable coordination with the States which would present serious administrative and control problems for Social Security. Replacing checks in a short time period, depending on the method selected, could be costly and difficult to implement. (See pp. 18 and 19.)

Furthermore, if an emergency loan program were established, States might be hesitant to participate if they thought they might not be reimbursed. (See p. 18.)

Emergency loan reimbursement also would be subject to abuse. California, for example, has an emergency loan program, but many recipients use this program to supplement their income by obtaining loans month after month without repaying them. (See p. 13.)

Replacement times stipulated in proposed legislation would necessitate district offices making direct payments to recipients claiming

"nonreceipt." (See p. 19.) One method would initially cost $12-$20 million, about $1 million of which would be recurring annually, as well as increasing security requirements and controls substantially at the approximately 1,300 district offices. (See p. 20.)

Another method would

--increase administrative burden on the district offices and

--require a recipient to make two visits to a district office, thereby increasing the opportunity for error by increasing handling of the replacement check in the district offices. (See p. 21.)

The best alternative for providing immediate assistance is for Social Security to use prepositioned checks and a cash fund to reimburse claimants when they visit the district office. Prepositioned checks are issued by Treasury in specific denominations of $5, $20, $50, $75, and $100, and are made payable to a district office official who endorses them over to the claimant. (See p. 22.)

Any system for immediate check replacement should require recipients cashing both original and replacement checks to be identified. Such cases resulted in about $6 million in Supplemental Security overpayments during calendar year 1976. (See p. 11.)

RECOMMENDATIONS TO HEW

The Secretary of Health, Education, and Welfare should direct the Commissioner of the Social Security Administration to improve the present check replacement system by:

--Requiring district offices to make periodic reviews of nonreceipt transmissions for accuracy.

--Establishing controls to assure timely processing of rejected nonreceipt claims.

--Emphasizing the need for district offices to input a change of address with nonreceipt claims for recipients who have moved recently.

These improvements should substantially reduce the errors that cause delays in replacing checks under the present system. Without these errors, adequate assistance could be provided to most recipients claiming nonreceipt. (See p. 27.)

RECOMMENDATIONS TO THE CONGRESS

If the Congress believes recipients who do not receive their Supplemental Security Income check should be assisted in less than 4 days, GAO recommends that the Congress authorize HEW to:

--Issue replacement payments from the district offices using prepositioned checks and a cash fund, and then recover the money appropriated for the original checks from Treasury.

--Use an immediate payment method only for recipients claiming nonreceipt of current month checks and facing emergency needs.

In carrying out any immediate payment process, the Congress should require the Secretary of HEW to:

--Record replacement payments immediately in the Social Security Administration's central computer and make this information available to all offices which may issue replacement payments.

--Implement procedures to identify recipients who repeatedly abuse any immediate payment system, and bar them from further use of the system. (See p. 27.)

In commenting on a draft of this report, HEW and Treasury expressed agreement with GAO's conclusions and recommendations. HEW stated it is taking steps to implement our recommendations.

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ABBREVIATIONS

GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
SSA	Social Security Administration
SSI	Supplemental Security Income

CHAPTER 1

INTRODUCTION

Supplemental Security Income (SSI) is intended to provide a minimum income level for aged, blind, or disabled people having little or no means of self-support. Many SSI recipients are solely dependent on this program for their basic needs.

About 28,000 recipients each month report they have not received their SSI checks. In some of these cases, the Social Security Administration (SSA) and the Department of Health, Education, and Welfare (HEW), which administers the SSI program, may not have directed the Department of the Treasury to send an SSI check because it did not have the recipient's correct address, the recipient failed to respond to SSA inquiries, or for other reasons. In other cases Treasury sent the check, but it was lost, delayed in the mail, or stolen.

SSA and Treasury have a system for replacing missing checks. However, there are problems in the system, and many recipients wait a long time for their money. Consequently, legislation has been introduced to provide emergency assistance to recipients who do not receive their checks.

We made this review to (1) evaluate the present SSI check replacement system and (2) identify potential problems with legislative proposals directed at improving the system.

SUPPLEMENTAL SECURITY INCOME PROGRAM

The SSI program (42 U.S.C. 1381 (Supp. II, 1972)(amended 1976, 1977)) replaced State administered programs providing aid to aged, blind, or disabled people on January 1, 1974.

It is funded by the Federal Government. State supplementation is required if Federal payments are less than the payments previously administered by the State. Additional supplementation may be provided at the option of the States.

Benefits are payable to individuals who have no more than $1,500 ($2,250 for a couple) of countable resources and who qualify on the basis of income. The minimum income level varies, depending on living arrangements and marital status. For example, individuals living independently are entitled to a minimum income level of $189.40 a month, and couples are entitled to $284.40. Certain minimum income is excluded when computing the amount of payable benefits.

Many recipients have no means of support other than their SSI benefits. In 1976 about 37 percent (1.6 of 4.3 million) of recipients had no income other than SSI, and about 88 percent (1.4 million) of those with no income also had no resources.

SSI checks are issued by Treasury based on information provided by SSA. Treasury mails recurring SSI checks so that recipients will receive them on the first of each month. If a recipient does not receive a check, he or she reports this to an SSA district office. The district office forwards the claim to Treasury after assuring that a check was issued in the amount claimed, and that the check was not returned. Treasury then issues a replacement check to the recipient.

SCOPE OF REVIEW

We conducted our review at SSA and Treasury headquarters in Baltimore, Maryland, and Washington, D.C., respectively; at five SSA district offices in California; and at the offices of Los Angeles County's Department of Public Social Services. We took a random sample of individuals who obtained loans from Los Angeles County under California's emergency loan program (see p. 13) during February 1976 because they had not received their SSI checks, and we analyzed these individuals' loan and SSI payment histories. We also reviewed SSA and Treasury studies regarding check replacement, and reviewed proposed legislation in this area.

CHAPTER 2

MISSING SSI CHECKS NOT REPLACED IN A TIMELY MANNER

The SSA has recognized the critical need for timely replacement of missing SSI checks, but its effort to replace checks more quickly has been incomplete. In August 1974, SSA, in conjunction with the Treasury, implemented an automated nonreceipt system. In July 1975 SSA evaluated this system and identified serious problems that caused long delays in replacement of many checks. However, important recommendations made in this study were not fully implemented.

The study showed that a recipient would receive a replacement check (1) in about 15 days if claiming nonreceipt in the month the check was issued or (2) in 24 days if making the claim in a subsequent month, provided the claim was not rejected during computer processing. However, 60 percent of the nonreceipt claims studied were rejected during processing by SSA or Treasury.

The time required to replace checks when claims were rejected varied. In many cases, however, no replacement checks were issued for rejected nonreceipt claims.

Class action suits have emphasized the need for SSA to reduce the time required to replace missing checks. One suit (Moore vs. Califano, No. 75-2555-T, D. Mass., filed June 26, 1975) is demanding that SSA replace missing checks immediately upon request of an eligible receipient. SSA contends that its duty is only to issue replacement checks within a reasonable time. Therefore, on April 19, 1977, SSA implemented changes to its check replacement system designed to reduce replacement time to 7 days.

Despite changes to accelerate check replacement, we believe many recipients will not receive SSI replacement checks within this time period, because many of the problems SSA identified in the July 1975 study have not been corrected.

AUTOMATED CHECK REPLACEMENT PROGRESS

In August 1974, SSA and Treasury implemented an automated check replacement process to expedite replacement of missing SSI checks. This action was considered critical since many SSI recipients are solely dependent on this program for their basic needs.

If the claim of nonreceipt was filed in the month the check was issued (current month claim), the automated system was to replace the missing check 7 to 10 days after a district office initiated the electronic entry into the SSA central computer. (See p. 11.) Nonreceipt claims made after the check issuance month (prior month claims), while still processed by SSA through its automated system, were, by design of the system, not handled so expeditiously by Treasury. In processing prior month claims, Treasury would use more conventional check replacement procedures. (See p. 10.)

The difference in treatment between current and prior month claims was based on (1) the likelihood that the original check would be negotiated in a prior month claim case, and Treasury's experience that only about 9 percent of all nonreceipt claims on negotiated checks were valid and (2) the likelihood that recipients who wait more than a month to report a missing check are not facing a financial crisis because of nonreceipt.

PROBLEMS WITH CHECK REPLACEMENT REVEALED BY SSA STUDY

In July 1975, SSA made a comprehensive study of the automated nonreceipt process. The study showed that (1) recipients making current month claims received a replacement check about 15 days 1/ after reporting nonreceipt to a district office and (2) recipients making prior month claims received a replacement check about 24 days 2/ after reporting nonreceipt, provided there was no problem in processing.

1/The study showed that it takes 3 days for the district office to enter the nonreceipt claim into a computer terminal, 2 days waiting for data processing by SSA, 6 days for SSA computer processing, 1-1/2 days for Treasury to process and issue the check, and an estimated 2-1/2 days for mailing--a total of 15 days. The study concluded that the replacement objective of 7 to 10 days was feasible if district offices would enter correct information in the computer, and if SSA transmitted nonreceipt tapes to Treasury three times a week as required in the original system design.

2/Same breakdown as for current month claims, except that Treasury took an additional 9 days for processing.

The study showed, however, that during July 1975, 60 percent of the 17,512 nonreceipt claims entered by district offices were rejected during computer processing--40 percent by SSA and 20 percent by Treasury.

The study showed that 75 percent of the SSA rejected claims were rejected because of errors made by district offices when entering the nonreceipt claim into the computer. For example, district offices had entered claims without the recipient's social security number or for an amount other than what was actually issued to the recipient. The study showed that if the district office reentered a corrected nonreceipt current month claim, the recipient received a replacement check about 20 days after reporting nonreceipt. However, the study indicated many offices were not reentering rejected nonreceipt claims, and consequently, recipients were not receiving replacement checks.

The study also showed that excessive delays were experienced when a nonreceipt claim was rejected during processing by Treasury. Treasury rejects current month claims if a search of its records reveals that (1) a check was not issued in the amount claimed or to the person claiming nonreceipt or (2) the original was returned without being negotiated. Treasury rejects prior month claims for the above reasons, and also if a further search of its records reveals that the original check was negotiated. Most of the rejections studied occurred because the original check had already been negotiated or had been returned to Treasury without being negotiated.

In cases where the original check had been negotiated, the study concluded that the Treasury investigation (see p. 10), which was required to determine whether or not the check was forged, was taking too much time. Treasury had not completed its investigation for about 80 percent of the study cases, as of 5 months after recipients claimed nonreceipt.

In instances where the nonreceipt claim was rejected because the original check had been returned to Treasury, the recipient waited about 29 days for a replacement check. The time to replace these checks was excessive, because in many cases, the district office's entry of the claims did not include recipients' change-of-address information.

Our review of SSA data shows that system rejection continues to be a major problem in timely replacement of missing checks. In July 1975, 40 percent of district office

entries were rejected during the processing of nonreceipt claims by SSA. More recent data (1976) shows some improvement, but still about one-third of district office entries were rejected during SSA processing.

Claim rejection by Treasury also is continuing at a high rate. In July 1975, Treasury rejected 20 percent of the claims entered by district offices. Data from 1976 shows that Treasury was rejecting about 23 percent of nonreceipt claims.

STUDY RECOMMENDATIONS NOT IMPLEMENTED

Several recommendations were made in the study for corrective action regarding district office activities, including:

--Periodic review of nonreceipt transmissions for accuracy.

--Establishment of controls for assuring timely processing of rejected nonreceipt claims.

--Adherence to procedures for assuring that a change of address is entered with the nonreceipt claim for clients who have recently moved.

SSA has not implemented these recommendations. On December 23, 1975, SSA's Office of Program Operations sent a memorandum to SSA Regional Commissioners "suggesting" that area directors review the adequacy of district offices' management controls in the areas covered by the first two recommendations. However, the study had already shown that controls were inadequate. What was needed, and recommended in the study, was the implementation of improved controls. The Office of Program Operations did not issue any instructions to district offices regarding these controls, nor did it follow up on its suggestion to the Regional Commissioners.

In response to the Office of Program Operations' suggestion, SSA Region IX included in its September 1976 list of review items for area directors' visits a review of controls for assuring that information rejected by the computer is corrected and reentered by the district office. This item for review was not restricted to nonreceipt transactions, and no instructions were provided on what were considered adequate controls. Most of the remaining SSA Regions responded in a similar manner or took no formal action at all.

Regarding the first recommendation, we found that district office quality control procedures, since the beginning of the SSI program (Jan. 1974), have included provisions for sampling nonreceipt claim transmissions for accuracy. However, our random survey of 32 district offices indicated that only 2 were following these procedures as of June 1, 1977.

Regarding the second recommendation, we found that district office controls for assuring that rejected nonreceipt claims are processed in a timely manner were inadequate. District offices are required to report, each week, the number of nonreceipt claim rejections received, cleared, and pending. However, in the district offices we visited, such reporting was not an adequate control for assuring timely reentry of rejected claims. The person reporting this information was often responsible for clearing the rejections, and the district office had only that person's count on the number of rejections received and the number cleared. Also, there was no requirement to list pending rejections by age, so that the oldest would be reentered first.

Regarding the third recommendation, we were advised by SSA officials that no instructions had been issued to district offices, nor were any suggestions made to the Regional Commissioners.

The SSA study also recommended that Treasury reevaluate its nonreceipt claims process in the Division of Check Claims to ensure proper case control. The study showed this Division took excessive time to determine whether there had been a forgery in cases where the original check was cashed.

The Treasury official in charge of the Division of Check Claims said several steps had been taken to improve case controls since the SSA study, but there is still a need for further improvement. The official said that tracking and followup procedures for certain aspects of the check claims process have been implemented, and during February through August 1976, Treasury conducted a thorough evaluation of one of the Division's sections to identify and correct processing problems and eliminate backlogs. Also, in February 1977, a task force was formed to evaluate, improve, and make recommendations for modernizing the overall check claims process.

CLASS ACTION SUITS FOR QUICKER CHECK REPLACEMENT

Three major class action suits have been brought against HEW and Treasury regarding the prompt replacement of missing SSI checks. One case was dismissed in October 1977 by agreement between the parties. As of July 1978, the other two were still pending.

In Moore vs. Califano (supra.) the plaintiffs alleged that the Government has a duty to provide replacement checks or advance SSI payments immediately upon request. The remaining two suits made similar allegations (Andujar vs. Weinburger, No. 74-CIV-3870, D. S.N.Y., filed Sept. 6, 1974, dismissed October 27, 1977, and Stuart vs. Matthews, No. 76-0364, D.Hi., filed Sept. 30, 1976). The plaintiffs in the Stuart vs. Matthews case are alleging that the Government has an obligation to issue replacement checks within 2 to 3 days, or provide immediate cash assistance to SSI recipients who, through no fault of their own, do not receive their monthly SSI checks.

SSA ACCELERATES CHECK REPLACEMENT BUT PROBLEMS CONTINUE

On April 19, 1977, SSA and Treasury made changes to the automated nonreceipt process, which accelerated replacement of missing SSI checks for current month claims within the 7 days 1/. SSA officials said they have had reports from recipients that SSI checks have been replaced in 3 days under the accelerated system. Information on this revision was submitted to the district courts for their consideration in the three class action suits.

One major change was made in the processing of nonreceipt claims. Prior to April 19, 1977, nonreceipt claims transmitted from district offices were processed by SSA and sent to Treasury about three times a week. Now SSA transmits nonreceipt claims on a daily basis after performing only limited computer processing. Claims previously identified by SSA as containing incorrect information are now identified by Treasury and returned to SSA. SSA returns the rejected claim to the district office which entered the claims. According to SSA, under the

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1/Includes an estimated 2 days to process the claim, 2 days to mail the check, and a 2-day waiting period before processing to eliminate some of the cases where checks were temporarily delayed in the mail.

new system it takes about 2 days to notify district offices of rejected nonreceipt claims. The district office must reenter the claim to effect check replacement. The corrected reentry is then transmitted with original nonreceipt claims to Treasury.

Although the changes resulted in rapid replacement of some checks, they did not correct the problem of delays in replacing other checks caused when SSA district offices failed to process nonreceipt claims accurately, timely, or in accordance with the system design. During the accelerated system's first 4 weeks of operation, 56 percent of the nonreceipt claims transmitted by district offices were rejected during processing by Treasury. The claims were rejected for the same reasons identified in the July 1975 study. (See p. 4.) Most claims required the district office to reenter a corrected nonreceipt claim or provide additional information on the recipient before a replacement check could be issued.

We did not conduct an evaluation of the system after implementation of the April 1977 changes. However, SSA did conduct a study of the accelerated system in June 1977 in its New York Region. This study revealed that some serious problems still existed. For example, in 11 percent of the study cases, no replacement checks were issued to recipients, even though the system indicated that they should have received checks. Some of the reasons for this were the district offices' failure to enter the claims, failure to update recipients' changes of address, and failure to reenter rejected claims. The study also indicated that district offices were not making timely entry of recipients' nonreceipt claims. Only 20 percent of the claims were entered the same day they were filed. In 27 percent of the study cases, the district offices took a week or more to make an entry. While this study only assessed the implementation of the accelerated system in SSA's New York Region, we believe these same problems continue to exist in other SSA regions. This is because the April 1977 changes made significant revisions in the processing procedures for nonreceipt claims at SSA headquarters, but not in the district offices.

CHAPTER 3

ABUSES AND OVERPAYMENTS IN CHECK REPLACEMENT SYSTEMS AND PROGRAMS THAT ASSIST PEOPLE NOT RECEIVING BENEFIT CHECKS

SSA and Treasury made controls less stringent for preventing erroneous payments in the SSI-automated nonreceipt system. Similar concessions were made by California in its emergency loan program for eligible recipients who do not receive their SSI checks. These concessions have resulted in excessive benefits for many recipients. 1/ We estimate that recipients were overpaid by about $6 million during 1976 when they cashed both their original and replacement SSI checks. California lost $2.3 million in 1976 because recipients did not repay emergency loans.

Some of these recipients intentionally abused the system to increase their income. Our study of the California emergency loan program indicated that (1) about 40 percent of loan recipients received excessive benefits when they did not repay their loan upon receipt of SSI replacement checks and (2) 13 percent obtained a loan even though they had received their checks. In this latter group, the individual received his or her check but claimed nonreceipt, obtained an emergency loan from California, and a replacement check from SSA.

NORMAL PROCEDURES USED TO CONTROL CHECK REPLACEMENT

The law (31 U.S.C. 528(1970 and Supp. V, 1975)) requires that precautions be taken to protect the Government against making duplicate payments in the replacement of missing checks. Treasury's precautionary measures generally include a search of its records to determine whether the original check has been negotiated or is outstanding. If outstanding, a replacement check is issued. If negotiated, a replacement check is not issued unless and until Treasury determines that the original check was forged or illegally negotiated.

1/A previous GAO report also analyzed this problem and reached the same conclusion. See "Replacing Lost Or Stolen Government Checks: Expedited Service Versus Costs and Risks," GGD-77-65, July 19, 1977.

To determine whether or not there was an unauthorized negotiation, Treasury sends a photo copy of the original check to the person claiming nonreceipt, accompanied by a claim form to be completed if the individual still believes the original check was not received. During fiscal year 1976, 86 percent of the claim forms were not returned, apparently because the individual realized that payment was received.

In cases where the individual returns the claim form, Treasury immediately issues a replacement check if warranted by the facts (e.g., if the signature of the individual differs from the signature on the negotiated original check). In some cases, however, investigation by the Secret Service to determine if the check was forged is required before a replacement check is issued. If the check was not forged, Treasury denies the claim. Only about 9 percent of all nonreceipt claims on checks that were negotiated are valid.

CONCESSIONS IN CONTROLS FOR REPLACEMENT OF SSI CHECKS RESULT IN OVERPAYMENTS

SSA and Treasury believe that the normal precautions used when replacing Government checks should not be used in the SSI program. Precautionary measures may add 7 or more days to normal check replacement time. Such a delay in the replacement of SSI checks might cause significant hardship to recipients who are solely dependent on these payments for their livelihood.

To expedite check replacement, SSA and Treasury made an agreement whereby Treasury assumes the original check is outstanding when processing a current month claim. Treasury does not search its records to determine whether the original check was negotiated until after the replacement check is issued. The only requirement for replacement is to determine that the person claiming nonreceipt was issued the original check and in the amount claimed, and that the original check was not returned to Treasury unnegotiated.

Later processing of these claims may prove incorrect assumption that the original check was still outstanding. Treasury may have already made payment on the original negotiated check at the time it processed the nonreceipt current month claim. If Treasury determines in its subsequent investigation of these cases that the payee negotiated the original check (it was not forged), or that the payee received the proceeds of the original check, it will charge SSA for the duplicate amount. SSA will then try to collect the duplicate payment from the recipient.

In 1976, Treasury issued about 75,100 replacement checks for current month claims. Treasury investigations during that year showed that 21,007 1/ replacement checks, totaling $3.4 million, were duplicate payments, because the recipient cashed both the original and replacement check. The actual number of recipients cashing both original and replacement checks during 1976 was probably much higher. As of May 1977, Treasury was still investigating about 25,000 1976 cases where both the original and replacement checks were negotiated. Treasury believes its investigations will show that in about 60 percent of these cases, recipients cashed both original and replacement checks. This rate of double negotiation is what Treasury has experienced in the past in current month claim cases.

We estimate that in about 36,900 cases, a total of $6.0 million, recipients cashed both original and replacement checks during 1976. This estimate is based on (1) the July 1975 SSA study, which showed the original and replacement checks were negotiated in 54 percent of the current month claim cases where replacement checks were issued, and (2) Treasury experience with normal check replacement procedures, which shows that only 9 percent of the claims submitted are valid when the original check is negotiated.

The July 1975 SSA study found that in many of the cases where recipients cashed both the original and replacement checks, they had made honest mistakes. However, concern was expressed in the study about "a growing number of SSI recipients who have become 'streetwise' and are alleging nonreceipt every month."

Recovery of duplicate payments is slow and uncertain. Deductions from future benefits to compensate for duplicate payments cannot be made without advising recipients of their rights to appeal this type of action. Recipients may request a conference with agency officials to discuss the circumstances of the case, and, if an adverse decision is made, request that the matter be reviewed under a reconsideration appeal process. Recipients may also appeal a decision and request a formal hearing by an administrative law judge. Recipients may appeal further to an Appeals Council and in civil court.

Because the amount of money involved in individual cases is small, the administrative costs of recovery could

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1/This figure would include some checks (for which the investigation was completed during 1976) issued before January 1, 1976.

exceed the amount recovered. An SSA official estimated that the cost of an initial conference is $50; a reconsideration appeal process is $50 to $100; and a hearing is as high as $300. The average duplicate payment during 1976 was about $164. In the end, many recipients are not in a financial position to make restitution. (See p. 23.)

PROBLEMS EXPERIENCED IN THE CALIFORNIA EMERGENCY LOAN PROGRAM

California implemented an emergency loan program in January 1974, requiring counties to make loans to SSI recipients who do not receive their checks. Although emergency loans have provided timely assistance to recipients, the counties have experienced serious problems in administering the program. Frequently, recipients spend their replacement checks instead of repaying their loans. Also, these easily obtainable loans have made the program susceptible to abuse.

Recipients are eligible for loans 4 days after the normal delivery date of their checks. The county makes immediate loans when recipients present referral documents from the district office showing they have reported the nonreceipt.

The requirement to make immediate loans does not provide the county time to verify recipients' allegations of nonreceipt. On the referral documents, district offices provide (1) the recipients' SSI payment amount, and (2) the date nonreceipt was reported. This is the only information recipients need to establish eligibility for a loan. The county must rely on recipients' statements that they have not received their checks.

Program history

Soon after the program began, the counties began to accumulate many accounts of recipients who were not repaying their loans. The State, however, refused to provide reimbursement because it believed the counties had not made a serious effort to obtain repayment. Therefore, counties were required to establish collection activities.

County efforts to collect loans, as a result of the State's concern, were extensive. Los Angeles County has a staff of 18 people collecting past due loan balances from SSI recipients. To assist collection activities, emergency loan records were computerized. The computer records loans and repayments, and ages outstanding accounts.

Even with extensive effort, repayment of loans is a serious problem. During 1976, California reimbursed counties for about 13,000 uncollectable loans totaling about $2.3 million.

Some recipients used loans to supplement their income. Los Angeles County officials showed us many examples where SSI recipients had obtained loans month after month without repaying them, and where recipients had obtained several loans in 1 month. One recipient had obtained 23 emergency loans totaling $3,604 during a 3-month period. Five of these loans, totaling $801, were obtained in 1 week. This recipient was entitled to $200 a month, at the most.

To prevent such abuses, Los Angeles County established a central call center for screening loans. The county discovered, however, that recipients were obtaining loans during the same month from more than one county. Because of this, several counties have exchanged lists of recipients they suspect of obtaining loans in more than one county. However, to effectively prevent this abuse, all counties would need access to a real-time record of loans issued in the State.

The controls used by Los Angeles County are ineffective against abusers who obtain loans month after month without repaying them, and who, in some cases, obtain loans after receiving their SSI checks. Our analysis of loans made in Los Angeles County shows this to be a signficant problem.

Analysis of emergency loans made by Los Angeles County

We randomly sampled 114 of the 1,416 loans made in February 1976 by Los Angeles County, and analyzed county records on emergency loans made to the sampled recipients. We also examined Treasury records on SSI checks issued to and negotiated by some of the sampled recipients.

It appears that many of the loans we examined are uncollectible. As of February 28, 1977, 1 year after the loan date, 46 (40 percent) of the sampled recipients had not made any payment on their loan. Partial payments had been made by nine (8 percent) recipients. The remaining 59 (52 percent) recipients had repaid their February loans. County officials said most loans are repaid soon after they are granted, and generally, if the loans are outstanding for more than 4 months, the recipients have spent their replacement checks and the loans are uncollectible.

To determine the significance of program abuse, we studied the SSI payment history of recipients in our sample

who had an outstanding loan balance of $500 or more when they obtained their February 1976 loan. Of the 114 sampled recipients, 26 fell in this group, with loan balances ranging as follows.

Outstanding Loan Balance
Prior to February Loan

Balance	Number of recipients
$ 500 - $ 1,000	11
1,001 - 1,500	5
1,501 - 2,500	5
2,501 - 3,500	2
3,501 - 4,500	1
4,501 - 5,100	2

Many of these 26 recipients received loans in several consecutive months. As of February 1976, 4 of the 26 recipients had received loans in 20 to 26 consecutive months, and 6 recipients obtained loans in 8 to 12 consecutive months. Only 2 had received loans in less than 3 consecutive months.

Of the 26 recipients, only 2 had repaid their February 1976 loan as of 1 year later. Another had made a partial payment. Twenty-three had not made any payments.

Of the 24 recipients who had not repaid their February 1976 loan, as many as 23 probably received their SSI payment for February 1976. In the remaining case, no check was issued because SSA had found the recipient was not entitled to a February 1976 payment. In 20 of the 23 cases, Treasury had issued either replacement or retroactive checks for February 1976, which were negotiated after the recipients obtained emergency loans from Los Angeles County. In the remaining 3 cases Treasury had issued checks which were negotiated, and no evidence indicated that these checks had been forged.

It is apparent that many of these loan recipients were abusing the program. Information obtained from Treasury showed at least 15 (13 percent of our original sample of 114) of the 26 recipients had, on at least one occasion, negotiated both their original and replacement checks, and yet alleged nonreceipt to obtain an emergency loan from Los Angeles County.

The loans and original and replacement checks issued to one of these recipients, from January 1974 through

February 1976, totaled $14,305. However, this recipient was entitled to only $6,302 of SSI benefits for this period. The SSI payment and emergency loan record of this recipient presented below illustrates a regular pattern of abuse.

SSI Payment and Emergency Loan Record

Month/year	Amount of loan	Amount of SSI check negotiated		Total
		Original	Replacement	
1-74	a/$ 328	$ -	$ -	$ 328
2-74	164	-	-	164
3-74	200	b/705	-	905
4-74	200	-	235	435
5-74	200	235	-	435
6-74	-	235	-	235
7-74	200	235	-	435
8-74	200	235	-	435
9-74	200	235	-	435
10-74	200	235	-	435
11-74	200	235	d/235	670
12-74	a/400	235	d/235	870
1-75	200	235	d/235	670
2-75	200	235	-	435
3-75	200	235	-	435
4-75	200	235	-	435
5-75	200	235	d/235	670
6-75	200	235	d/235	670
7-75	200	250	d/250	700
8-75	200	c/268	d/250	718
9-75	200	259	d/259	718
10-75	200	259	d/259	718
11-75	200	259	d/259	718
12-75	200	259	-	459
1-76	200	259	-	459
2-76	200	259	d/259	718
Total	$5,292	$6,067	$2,946	$14,305

a/Two loans.

b/Retroactive check for period 1-74 to 3-74.

c/Includes $18 retroactive check for 7-75 and 8-75.

d/Treasury investigation revealed that recipient cashed both original and replacement SSI checks.

From January 1974 through February 1976, this recipient obtained 27 loans totaling $5,292 from Los Angeles County. Only 4 of the loans appear to have been valid--the loans for February, March, and April 1974, and 1 of the 2 loans for January 1974. All of these loans should have been repaid, by the end of April 1974, upon receipt of the SSI benefits. Subsequent loans were granted even though SSI checks were received. In 11 of the months shown in the preceding table, this recipient received a loan and his original and replacement checks. The recipient had not repaid Los Angeles County for any of the loans as of March 1977.

CHAPTER 4

PROPOSED LEGISLATION TO HELP RECIPIENTS WHO DO NOT RECEIVE THEIR SSI CHECKS

Because of the problems SSA has experienced in replacing missing checks in a timely manner, legislation has been introduced in the Congress to help people who do not receive their SSI checks. This legislation has taken two forms: (1) authorizing SSA to reimburse State and local agencies that make emergency loans to people who do not receive their checks and (2) requiring SSA to replace missing checks within a short time. The emergency loan proposal would present serious administrative and control problems to SSA. Replacing checks in a short time, depending on the method, could be costly and difficult to implement.

EMERGENCY LOAN REIMBURSEMENT

Provisions of a bill introduced in the 94th Congress, H.R. 8911 (passed by the House but not by the Senate), and another introduced in the 95th Congress, H.R. 6124, would authorize SSA to reimburse State or local governments which make emergency loans to people who do not receive their SSI checks. This legislation was modeled after the Interim Assistance Reimbursement program (42 U.S.C. 1383(g) (Supp. V, 1975)). The Congress authorized interim assistance reimbursement in August 1974, providing State and local governments with a way of recouping interim payments to SSI applicants who were subsequently found eligible for that program. To effect reimbursement, SSA sends the applicant's first SSI check to the State or welfare agency. Since this payment is retroactive to the date of application, it duplicates assistance provided to the applicant by the State or local welfare agency. Upon receipt of the retroactive payment, the agency deducts an amount equal to the assistance provided and forwards any remaining balance.

The emergency loan reimbursement proposal would authorize a similar method of reimbursement to States wanting to participate in such a program. Reimbursement would come from the recipient's SSI replacement check, rather than from the retroactive check.

Because SSA foresees complications with State involvement, it is not in support of emergency loan reimbursement legislation. SSA believes that extensive accounting controls would be necessary to administer this proposal, detect duplicate payments, and resolve overpayments.

We agree with SSA. In addition to the controls necessary to detect duplicate payments, SSA would need controls to assure that State and welfare agencies are reimbursed. Our review of the Interim Assistance Reimbursement program ("States Should Be Fully Reimbursed For Interim Assistance To Supplemental Security Income Recipients," HRD-77-145, May 15, 1978) showed that these governments were not usually reimbursed for interim assistance.

Like interim assistance reimbursement, emergency loan reimbursement would require the State to obtain authorization from clients for SSA to send their checks to the State. The time available for the State to obtain the authorization, and for SSA to make computer entry of the authorization, would be much shorter under emergency loan reimbursement than under the interim assistance program. Under the latter, the State and SSA can obtain authorization in the time it takes to determine SSI eligibility (which frequently exceeds 60 days). Under emergency loan reimbursement, the State and SSA have only the time that it takes to issue a replacement check (generally 2 days).

We do not believe the emergency loan reimbursement proposal is an acceptable alternative. Problems with controlling and accounting for payments, as well as the high degree of coordination necessary between SSA and the States, would make this proposal difficult to administer.

PROPOSED CHECK REPLACEMENT LEGISLATION

Other legislation introduced in the 94th and 95th Congresses would require SSA to replace missing checks more quickly than is currently possible through the SSI check replacement system (for example, H.R. 2736 and 2815, 95th Cong., would require replacement of missing checks within 48 hours and 24 hours, respectively.) Either of these proposed bills would, if implemented, require a substantial change in the current SSI check replacement system.

In the current system, district offices enter electronic nonreceipt reports into SSA's central computer when recipients report their checks are 2 days late. SSA estimated that from the point of entry by the district office, it takes 2 days for Treasury to issue the replacement check, plus 2 days in the mail. Any reduction in these times under the current process does not appear to be possible. Quicker check replacement would, therefore, probably require district offices to make direct payments to persons claiming nonreceipt of their checks.

SSA does not have the authority to replace missing SSI checks. Treasury could delegate such authority to SSA, or the Congress could authorize SSA to issue replacement checks. The following three methods could be used to achieve immediate replacement of SSI checks.

Delegation of check replacement authority by Treasury

Treasury could delegate check replacement authority to SSA. SSA could then use this authority to issue replacement checks through its district offices.

There are, however, formidable administrative problems associated with this method. First, section 528 of title 31 U.S.C., requires Treasury to identify the replacement check with the original check. Treasury has implemented this provision of the law by requiring that replacement checks bear the same symbol and number as the original check, which presents a problem in exchanging information. SSA does not have information on the symbol and number of SSI checks issued by Treasury. Such information is maintained by Treasury but is not presently available to district offices. A system could be devised to supply such information, including the status of the original check, to district offices; but Treasury estimates that it would take between 1 and 2 years to implement this system, and it would cost $1-$2 million.

Second, if Treasury delegated its authority to SSA, district offices would be given blank Treasury checks. SSA says heavier and more secure safes would be needed, as well as sophisticated burglar and fire alarms, to meet stringent security requirements for safeguarding blank Treasury checks. District offices located above the ground floor might have to be relocated because of the heavy safes. Twenty-four-hour guard protection might be necessary in high risk areas. SSA estimates the initial cost of providing this security at $10-$15 million.

Third, consideration must be given to the cost of obtaining and maintaining punchcard equipment to be used by district offices in entering information on checks for automatic processing by Treasury. SSA estimates the annual leasing cost for this equipment at $1 million. Purchase of the equipment would cost $2.5 million with an additional $0.5 million a year for maintenance.

Thus, this method would cost $12-$20 million initially to implement, about $1 million of which would be recurring annually. Also, this method would require a substantial increase in security requirements and controls at the 1,300 SSA district offices.

Treasury officials said they were against authorizing district offices to replace missing SSI checks. They cited the problems mentioned above, and were also concerned that they could not exercise adequate controls to assure that each of the approximately 1,300 district offices would provide Treasury with the information needed to control the issuance of replacement checks to prevent duplicative payments.

We do not believe this method to be the best alternative. This proposal would be costly and time consuming to implement. The level of security at SSA district offices would need to be significantly increased. Additional controls would be needed to monitor the issuance of replacement checks in district offices, and to assure that Treasury obtains the information it needs to stop payment on the original check.

Partial reimbursement through the use of prepositioned checks

Another method of providing immediate assistance to recipients who do not receive their checks is for the district office to make partial replacement with a prepositioned check. This method could help recipients who cannot wait 4 to 6 days for a replacement check from Treasury.

District offices have prepositioned checks which they now use to make emergency payments to the presumptively eligible. These checks, issued by Treasury, are made out in denominations of $5, $20, $50, $75, and $100, and made payable to a district office official who endorses them over to the presumptively eligible recipient.

The system would work as follows. The district office would make a partial replacement of the recipient's missing check--enough to cover immediate needs--with a prepositioned check. Treasury would send the recipient's replacement check to the district office. The district office would contact the recipient, who would probably return to receive the remainder of his or her check. A district office representative would then take the recipient to a bank where the recipient would cash the check and return the emergency assistance to SSA.

While this method would leave intact existing Treasury controls over issuing replacement checks and could be implemented quickly with little additional cost, we do not believe

it is the best alternative. A significant administrative burden would be incurred by the district offices in having a representative accompany the recipient to a local bank. Furthermore, the opportunity for error in the nonreceipt process would be increased by the handling of the replacement check in the district office.

Full reimbursement through the use of prepositioned checks

SSA may have to seek legislative authority for replacing all missing SSI checks if the 4- to 6-day response time of the accelerated check replacement system is deemed inadequate by the courts. SSA believes the most practical option is the use of prepositioned checks.

These checks do not require the same level of security as blank Treasury checks. This is because they are completely filled out, including payee, amount, signature, and check symbol and number. However, use of prepositioned checks as replacements does not eliminate the requirement that the substitute check show information necessary to identify the original. It would not be possible to comply with this requirement, as implemented by Treasury in its present check replacement system, because (1) the area for the placement of the original check symbol and number on the prepositioned check will have already been filled with the prepositioned check's own symbol and number, (2) a system for supplying this information to the district offices is not available and would be costly and time consuming to implement, as discussed on p. 20, and (3) Treasury's automated check processing system would have to be modified to read two symbols and numbers on a check; a task probably more costly and time consuming than the alternative discussed previously (see p. 20). Thus, before SSA could use prepositioned checks as replacements within Treasury's present check disbursing system, it would need legislative authority to permit deletion of information identifying the original check.

Since the prepositioned checks are made up in multiples of $5, a balance under $5 owed a recipient would be paid from a cash fund kept in the district office. Under this method, Treasury would not issue a replacement check.

SSA believes the best system for issuing replacements with prepositioned checks is a procedure it uses to cancel issued checks in case of a recipient's death. If SSA is notified of a recipient's death after issuing a check, it sends a form to Treasury requesting cancellation. Treasury places a stop payment on the issued check and returns the appropriated funds to SSA.

In nonreceipt situations, the system, as envisioned by SSA, would work as follows. When recipients visit a district office to file a claim of nonreceipt, they would receive a replacement through prepositioned checks and cash funds. SSA would send a cancellation request on the original to Treasury. If Treasury found the original unnegotiated, it would place a stop payment on it would return to SSA the request and a copy of the negotiated check. SSA would then confront the recipients with a copy of the original. If the recipients denied having cashed it, the matter would be referred to Treasury for forgery investigation, as is presently done.

We agree with SSA that this is the best alternative for immediate check replacement because:

--Compared to the method requiring Treasury to delegate check replacement authority, this method has the advantage of quicker implementation, little or no additional cost, and comparable controls.

--Compared to the partial reimbursement method, it has the advantage of being less burdensome to the district office and to the recipient, as it requires a single visit to the district office; can be implemented with comparable speed and cost; and has comparable controls.

We believe, however, that if this method is used, it should be limited to emergency situations (such as eviction, shutoff of utilities, extreme hardship, etc.) resulting from nonreceipt. Immediate payment at the district office would be only 4 to 6 days earlier than the present automated process for current month claims. Also, since this method would be largely a manual process, the volume of replacements issued by the district offices would have to be kept at a minimum for workload and control reasons.

Finally, Treasury's current method of check replacement still has the advantage of (1) more up-to-date return check information, (2) a single replacement check for the recipient to handle, and (3) easier replacement check identification by Treasury for contested double negotiation situations.

Other considerations

To limit overpayments as much as possible, SSA believes that any plan for immediate check replacement should be limited to replacing the current month's check. We strongly support this position. SSA experience has shown that in approximately 80 percent of nonreceipt allegations of a prior month's check, the original check had been negotiated (in

most cases by the intended payee) when nonreceipt was claimed. Moreover, if recipients wait more than a month to report the missing check, they are not likely to be in need of immediate replacement.

Replacements would have to be issued without determining the status of the original check under each of the immediate replacement methods discussed here. Such is the procedure currently followed for issuing replacement checks on current month claims. On such claims, reviews are only made to determine that the person claiming nonreceipt was issued the original check and in the amount claimed, and that the original check was not returned to Treasury. (See p. 11.)

Treasury could develop a real-time data system which would show the paid status of issued SSI checks. Treasury can identify the SSI checks by their symbol as they are paid, and could merge this with its returned check information to produce the system.

Such a system would allow Treasury to know, rather than guess, except during the time lag between negotiation of a check and Treasury's knowledge thereof, the status of the original check before issuing the replacement. Thus, in most situations, Treasury could avoid issuing a replacement check when the original has been negotiated. In addition, a real-time system would allow Treasury to issue replacements, when the original has not been negotiated, for prior month claims of nonreceipt much quicker than is possible under the current system. Also, if the information in the system were supplied to SSA district offices, they could issue replacements (1) with less risk of incurring duplicate payments and (2) in prior month claims.

The development of a real-time system would, however, present some problems to those Members of Congress who are interested in immediate replacement. If a recipient files a claim of nonreceipt, and Treasury finds, through the real-time system, that the original has been negotiated, the recipient cannot be issued a replacement until it is determined that the recipient did not negotiate the original check or receive its proceeds. This is a lengthy process. If recipients claim they did not negotiate the original or receive its proceeds, should they be helped, or should the investigation be completed first? Under current procedures, if it is a current month claim, Treasury would assume the original is outstanding and issue a replacement, and then conduct the investigation after learning about the double negotiation. Treasury statistics show that in about 60 percent of the current month claim cases, recipients cashed both the original and replacement checks. (See p. 11.)

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

SSA has recognized the critical need for timely replacement of missing SSI checks, but its effort to reduce check replacement time has been incomplete. A July 1975 SSA study identified problems causing extensive delays in the replacement of missing checks. The study showed that about 60 percent of nonreceipt claims transmitted by district offices were rejected during computer processing at SSA and Treasury, and that when the nonreceipt claim was rejected, the recipient waited an unacceptable amount of time for check replacement. SSA did not fully implement important recommendations made in this study.

In April 1977, SSA implemented changes in its system designed to accelerate check replacement. None of the changes, however, corrected the serious problem identifed in the 1975 study of computer rejects of nonreceipt claims, entered by district offices. SSA data shows that these rejects continue to be a serious problem. The recent study of the new accelerated replacement process also shows that district office processing of nonreceipt claims continues to be a problem under the new system. Until this problem is corrected, many recipients will wait extended periods for their replacement checks.

Systems or programs designed to provide timely assistance to SSI recipients who do not receive their checks are prone to overpayments and abuse. SSA overpaid recipients by about $6 million in 1976 through its automated nonreceipt system, because recipients cashed both the original and replacement checks. California lost about $2.3 million in 1976 through its emergency loan program because recipients did not repay emergency loans. Many recipients used the California program to supplement their income by obtaining loans month after month without repaying them, and by obtaining loans through false nonreceipt claims during months in which they did receive their SSI checks. If these abuses are left unchecked, a growing number of recipients will take advantage of the system to increase their benefits.

Legislation has been introduced in the Congress for assisting people who do not receive their SSI checks. This legislation has taken two approaches:

--Authorizing SSA to reimburse State and local agencies that make emergency loans to people who do not receive their checks

--Requiring SSA to replace missing checks in a short time.

The emergency loan proposal would present serious administrative and control problems to SSA. Replacing checks in a short time, depending on the method selected, could be costly and difficult to implement.

The existing check replacement system is designed to replace missing checks within 4 days of the time district offices enter correct information into the central computer. The need to change the current system would be substantially reduced if SSA would correct the problems it has identified in the district offices. With these problems corrected, adequate assistance could be provided to the majority of recipients claiming nonreceipt.

The emergency loan reimbursement method outlined in proposed legislation would be difficult to achieve based on SSA's experience with the Interim Assistance Reimbursement program. It would require extensive management controls because of complications resulting from SSA and State involvement. Interim assistance reimbursement is not working well, and emergency loan reimbursement would be even more difficult to achieve. Furthermore, if an emergency loan program were established, many States might hesitate to participate because of concern over not being reimbursed. Also, emergency loan reimbursement would be subject to abuse, as illustrated by California's experience with its emergency loan program.

Replacement times stipulated in proposed legislation would necessitate district offices making direct payments to recipients claiming nonreceipt. SSA and Treasury have considered several methods of providing faster assistance to those who cannot wait for a replacement check. One method of accomplishing this would be costly and would substantially increase security requirements and controls at the approximately 1,300 district offices. Another method would significantly increase the administrative burden of check replacement on the district offices, require the recipient to make two visits to a district office, and increase the opportunity for error in the nonreceipt process by increasing handling of the replacement check in the district offices.

We believe the best alternative for providing immediate assistance, if it is deemed necessary, is for SSA to (1) use prepositioned checks and a cash fund to reimburse claimants when they visit the district office, and (2) then recover the funds appropriated for the original check from Treasury by requesting a cancellation of the original check through a process which is already in use.

RECOMMENDATIONS TO THE SECRETARY

We recommend that the Secretary of Health, Education, and Welfare direct the Commissioner of SSA to improve the existing check replacement system by:

--Requiring district offices to make periodic reviews of nonreceipt transmissions for accuracy.

--Establishing controls to assure timely processing of rejected nonreceipt claims.

--Emphasizing the need for district offices to input a change of address with nonreceipt claims for recipients who have moved recently.

These improvements should substantially reduce the errors that cause delays in replacing checks under the current system. Without these errors, adequate assistance could be provided to the majority of recipients claiming nonreceipt.

RECOMMENDATIONS TO THE CONGRESS

If the Congress believes recipients who do not receive their SSI checks should be assisted in less than 4 days, we recommend that the Congress authorize HEW to:

--Issue replacement payments from the district offices using prepositioned checks and a cash fund, and then recover the money appropriated for the original from Treasury through a process SSA currently uses to cancel issued checks.

--Use an immediate payment method only for recipients claiming nonreceipt of current month checks and facing emergency needs.

In carrying out any immediate payment process, we also recommend that the Congress require the Secretary of HEW to:

--Record replacement payments immediately in SSA's central computer and make this information available to all offices which may issue replacement payments.

--Implement procedures to identify recipients who repeatedly abuse any immediate payment system, and bar them from further use of the system.

AGENCY COMMENTS

HEW and Treasury, in letters dated March 3, 1978, and January 20, 1978, respectively, expressed agreement with our report. (See apps. I and II.) HEW said it is taking steps to implement our recommendations. Although we made no recommendations to Treasury, it also agreed with our conclusions and recommendations. Treasury specifically expressed agreement with (1) our conclusion regarding the best alternative for immediate assistance to nonreceipt claimants, if such is deemed necessary, and (2) our recommendation to the Congress that individuals who abuse any immediate payment system should be barred from its use. HEW made no comments regarding our recommendations to the Congress.

APPENDIX I

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

MAR 3 1978

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, "Improvements Needed in the Replacement of Missing Supplemental Security Income Checks." 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,

Thomas D. Morris
Inspector General

Enclosure

APPENDIX I

COMMENTS OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON THE GENERAL ACCOUNTING OFFICE DRAFT REPORT, "IMPROVEMENTS NEEDED IN THE REPLACEMENT OF MISSING SUPPLEMENTAL SECURITY INCOME CHECKS"

General

We are in general agreement with this GAO draft report and its recommendations. However, we believe that the report, as written, could be misinterpreted and the reader led to believe that no Supplemental Security Income check is ever replaced promptly. In fact, most SSI nonreceipt claims are processed expeditiously. And the Social Security Administration is aggressively pursuing ways to improve the overall process.

From mid-1974 through early-1977, the automated system in use was designed to replace a missing check within 10 days. During the latter part of 1976, staff of SSA and the Treasury Department met for the purpose of designing a more responsive nonreceipt process. Both agencies agreed that the goal for check replacement should be 5 days or less including mail time. A recent SSA study indicates that this goal has been met and that the newly established process results in check replacement in less than 4 days for claims received during the month in which the original check was issued. 1/ To our knowledge, this represents the fastest check replacement system in the Federal Government.

SSA agrees that the proportion of nonreceipt claims rejected during computer processing is too great and, in cooperation with the Treasury Department, is actively working to improve the process. We would like to point out that a reject during computer processing does not necessarily denote an error by the originating SSA district office. Some rejects cannot be avoided and have nothing to do with accuracy on the part of the component inputting information into the system. An example of this type of reject occurs when a "missing" check is returned to Treasury and cancelled. Because there is a time lag in updating SSA's online records with Treasury's daily returned check reports, the SSA district office may be unaware that the missing check has already been returned and cancelled. When Treasury receives the nonreceipt allegation from the district office, it "rejects" the transmission to alert the district office that the payment has been cancelled and a new certification may be in order.

GAO Recommendation

That the Secretary of HEW direct the Commissioner of SSA to improve the existing check replacement system by:

--Requiring district offices to make periodic reviews of nonreceipt transmissions for accuracy.

--Establishing controls for assuring timely processing of rejected nonreceipt claims.

--Emphasizing the need for district offices to input a change of address with nonreceipt claims for recipients who have moved recently.

1/See p. 8.

APPENDIX I

Department Comment

We agree that district office management should make periodic reviews of nonreceipt transmissions and will take steps to assure that this is done.

We agree also that district office management should take measures for assuring timely resolution of rejects that occur. SSA will continue to study methods by which the controls over rejects can be strengthened and will determine whether more formalized control procedures should be established.

Current instructions to SSA district offices call for inputting a change of address with nonreceipt claims for recipients who have moved. SSA will emphasize the need for carrying out this procedure.

Several additional steps which SSA has taken or will be taking in the near future will aid in the implementation of these GAO recommendations. Since April 1977, when the new SSI nonreceipt process was initiated, daily listings of all nonreceipt input, rejects, etc., have been developed by SSA's Bureau of Data Processing and furnished to the Bureau of Supplemental Security Income. From analyses of these listings, special conditions are brought to the immediate attention of SSA's regional office officials. As an aid in field personnel training and in special nonreceipt problem analysis, SSA is setting up a procedure whereby its Regional Commissioners will be furnished information showing the rejects for their regions together with national and individual field office figures. SSA intends to continue these types of efforts until nonreceipt input accuracy reaches an acceptable level.

APPENDIX II

DEPARTMENT OF THE TREASURY
FISCAL SERVICE
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS
WASHINGTON, D.C. 20226

OFFICE OF THE COMMISSIONER
IN REPLYING QUOTE
ACC:A

JAN 20 1978

Mr. Victor L. Lowe
Director, General Government Division
General Accounting Office
441 G Street, NW.
Washington, D.C. 20548

Dear Mr. Lowe:

Thank you for the draft audit report titled "Improvements Needed in the Replacement of Missing Supplemental Security Income Checks".

The report indicates that the auditors acquired a good grasp of the subject matter. In general, we find that the report is well-stated as far as Treasury's activities and processing are concerned.

We think that it would be helpful if, by way of an update, the report would include information showing progress since February 1977. Average processing time for paid check cases has been reduced from 12 to 8 business weeks as of December 1977. Plans call for further reductions in time. Efforts are in progress to obtain increased automated support to our Division of Check Claims operations. The additional automation is to improve claims case locating, flow, processing, and to provide more timely responses to the public through minimizing late or delinquent claims handling. Further, our Birmingham office now operates on a strict 7-hour processing schedule for same month SSI claims. For same month items received on a claims tape by 1 A.M., a replacement will be in the mail by 8 A.M. of the same day, unless the originally issued check has been previously returned and canceled.

For the most part, we agree with the conclusions and recommendations in the draft report, although we think basically that the existing check replacement system should not be changed. The report points out that the need to change the current 4-day SSI check replacement system (which includes 2 days for mail delivery) would be substantially reduced if the Social Security Administration (SSA) were able to correct certain problems it has identified with the system.

APPENDIX II

If the Congress or the Courts deem more immediate assistance necessary when an emergency need exists, we agree that the proposal for full reimbursement through the use of prepositioned checks, plus cash, is the best alternative. As indicated, SSA would recover the funds appropriated for the original check by using the check cancellation (SF 1184) procedure.

The prepositioned check arrangement would result in a decrease in the replacement SSI checks issued by Treasury. However, as SF 1184s require more manual processing than do the majority of stop payments (which under current procedures are submitted on magnetic tape and are processed through the semi-automated claims system), there would be an adverse workload effect in our Birmingham office which performs SSI claim activities. Also, the proposed use of the SF 1184s would impose an additional workload in our Division of Check Claims.

If there would be a significant increase in the volume of the SF 1184s, we think that emphasis should be placed on the development of a magnetic tape SF 1184 system in which SSA would transmit SF 1184 data to our Birmingham office on tape. Valid SF 1184s would be submitted to our Division of Data Processing on tape and outstanding items would be credited directly to SSA on tape.

The report mentions the possibility of a real time data system for showing the status of SSI checks. Under current check truncation plans, Federal Reserve banks have up to seven days to process Treasury checks. This time, of course, is in addition to that intervening between the initial negotiation of a check and the check's arrival at a Federal Reserve bank. Therefore, real time check payment data, even if furnished to our Birmingham office or SSA district offices, would not be current enough to prevent the issuance of a replacement since a large portion of current month checks would still be recorded as outstanding. Further, this concept of furnishing current check status information to 1,300 district offices does not appear practical and could result in control problems. Security problems could also result through an increase in false claims for replacement checks by unauthorized persons. On the other hand, as pointed out in the report, if Treasury were to identify through a real time system that the original check

were negotiated, an immediate replacement could not be issued to a person who might validly claim nonreceipt.

We wholeheartedly agree that people who take unwarranted advantage of any expedited payment system should be barred from any further use of such a system. Every effort should be made to prevent misuse of this kind.

We intend to pursue our direct deposit/electronic funds transfer program as a means of reducing the need for replacement checks. For example, both our Birmingham and Washington offices have sent direct deposit/electronic funds transfer information to SSI replacement check claimants. We are having limited success, however, since currently not quite 5 percent of SSI checks are sent to financial organizations for credit to a payee's account.

We will also pursue check cycling as a means of reducing replacement checks. We have had virtually no success in this area but we do intend to keep trying to promote a check cycling program.

We appreciate having the opportunity to review and comment upon the draft report.

Sincerely yours,

D. A. Pagliai
Commissioner, Bureau of
Government Financial Operations

APPENDIX III

PRINCIPAL OFFICIALS RESPONSIBLE FOR ADMINISTERING ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
SECRETARY OF THE TREASURY:		
W. Michael Blumenthal	Jan. 1977	Present
William E. Simon	May 1974	Jan. 1977
George P. Shultz	June 1972	May 1974
SECRETARY OF HEALTH, EDUCATION, AND WELFARE:		
Joseph A. Califano, Jr.	Jan. 1977	Present
David Mathews	Aug. 1975	Jan. 1977
Caspar W. Weinberger	Feb. 1973	Aug. 1975
COMMISSIONER OF SOCIAL SECURITY:		
Don I. Wortman (acting)	Dec. 1977	Present
James B. Cardwell	Sept. 1973	Dec. 1977

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