



## SOCIAL SECURITY

### MEMORANDUM

Date: September 17, 2002

Refer To:

To: The Commissioner

From: Inspector General

Subject: Effectiveness of the Social Security Administration's Death Termination Process  
(A-09-02-22023)

The attached final report presents the results of our audit. Our objective was to evaluate (1) the effectiveness of the Social Security Administration's controls and procedures for resolving death alerts and recovering payments after the death of a beneficiary, and (2) the timeliness of death reporting by State agencies.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in blue ink, appearing to read "James G. Huse, Jr.".

James G. Huse, Jr.

Attachment

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**EFFECTIVENESS OF THE  
SOCIAL SECURITY ADMINISTRATION'S  
DEATH TERMINATION PROCESS**

September 2002

A-09-02-22023

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**AUDIT REPORT**

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## **Mission**

**We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.**

## **Authority**

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

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

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

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

## **Vision**

**By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.**

# Executive Summary

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## OBJECTIVE

Our objective was to evaluate (1) the effectiveness of the Social Security Administration's (SSA) controls and procedures for resolving death alerts and recovering payments after the death of a beneficiary, and (2) the timeliness of death reporting by State agencies.

## BACKGROUND

SSA's Death Alert, Control, and Update System (DACUS) receives death reports from Federal and State agencies and compares the date of death to its payment records. If payments have been made after death, DACUS generates an alert. SSA's procedures state that field offices (FO) should resolve death alerts within 30 days to minimize incorrect payments. To recover payments after death, SSA works with the Department of the Treasury (Treasury) to initiate the reclamation process and collect any outstanding amounts owed to the Agency.

In September 1999, SSA contracted with the National Association for Public Health Statistics and Information Systems (NAPHSIS) to develop standards and guidelines for a nationwide system of electronic death registration (EDR). Under EDR, SSA verifies the Social Security number (SSN) with the State bureaus of vital statistics at the beginning of the death registration process, thereby allowing the Agency to take immediate termination action—on death reports with verified SSNs—without independently verifying the accuracy of the report.

## RESULTS OF REVIEW

SSA needs to improve its controls and procedures to ensure that (1) death alerts are resolved in a timely and consistent manner, and (2) improper payments are recovered after the death of a beneficiary. Because of delays in receiving death reports from Federal and State agencies and processing reclamation actions with Treasury, SSA is vulnerable to individuals who negotiate payments received after the death of a beneficiary.

Based on a random sample of 200 death alerts from July to December 1999, we found that SSA disbursed \$216,327 in payments after death. Of this amount, SSA had not recovered \$8,141 as of March 2002. Projecting these results to our population of 65,809 death alerts, we estimate that SSA disbursed about \$71.2 million in payments after death, of which SSA was unable to recover about \$2.7 million. For calendar year 1999, we estimate that SSA disbursed about \$142.4 million in payments after death. Of this amount, SSA had not recovered about \$5.4 million as of March 2002 (see Appendix A).

## RECOMMENDATIONS

We recommend that SSA:

- Modify its automated systems to support EDR, including the on-line verification of SSNs, processing of verified and unverified State death reports, and termination of benefits upon receipt of verified State death reports.
- Encourage State BVS agencies to develop and implement EDR systems.
- Work with other Federal and State agencies to obtain additional funding for EDR.
- Issue a memorandum to reiterate that FOs should process death alerts as expeditiously as possible to minimize improper payments to deceased beneficiaries.
- Evaluate the feasibility of systems modifications to (1) simultaneously issue the “come-in” letter to the beneficiary when the death alert is sent to the FO, and (2) automatically suspend benefits if the beneficiary does not respond to the “come-in” letter.
- Issue a memorandum to reiterate that processing centers (PC) should follow up on the status of reclamation actions with Treasury to ensure that payments after death are recovered.
- Encourage PCs to maximize the use of debt collection tools available to the Agency to recover payments after the death of a beneficiary.

## AGENCY COMMENTS

SSA agreed with six of the seven recommendations. Specifically, SSA agreed to obtain systems support for EDR and stated that full implementation is scheduled for September 2003. SSA is working with NAPHSIS to develop and implement EDR systems and plans to award additional contracts to States in September 2002. In addition, SSA is working with the National Centers for Health Statistics to obtain sources of funding for EDR.

SSA agreed to issue a memorandum by September 2002 to remind its employees to process all death alerts in a timely manner and follow up on reclamation actions with Treasury to ensure that payments after death are recovered. SSA also agreed that debt collection tools should be used to the extent possible. Furthermore, SSA initiated an Information Technology project to facilitate the use of authorized debt collection tools available to the Agency.

However, SSA disagreed with our recommendation to evaluate the feasibility of systems modifications to (1) simultaneously issue the “come-in” letter along with the death alert

and (2) automatically suspend benefits if there is no response to the “come-in” letter. SSA stated that the corrective actions for other recommendations in the report should address the concerns raised in this recommendation. SSA also provided technical comments that have been incorporated into the final report. The full text of SSA’s comments is included in Appendix B.

## **OIG RESPONSE**

SSA’s planned actions generally addressed our recommendations. Although EDR may provide a solution for the long term, we believe SSA should evaluate other alternatives for the short term. Therefore, we encourage SSA to reassess the feasibility of systems modifications to further automate the death reporting process.

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# Acronyms

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BVS	Bureau of Vital Statistics
CMS	Centers for Medicare and Medicaid Services
CY	Calendar Year
DACUS	Death Alert, Control, and Update System
EDR	Electronic Death Registration
FO	Field Office
FY	Fiscal Year
MBR	Master Beneficiary Record
NAPHSIS	National Association for Public Health Statistics and Information Systems
OASDI	Old-Age, Survivors and Disability Insurance
PC	Processing Center
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSR	Supplemental Security Record



# Introduction

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## OBJECTIVE

Our objective was to evaluate (1) the effectiveness of the Social Security Administration's (SSA) controls and procedures for resolving death alerts and recovering payments after the death of a beneficiary, and (2) the timeliness of death reporting by State agencies.

## BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs under titles II and XVI of the Social Security Act (Act). The OASDI program provides benefits to retired and disabled workers, including their dependents and survivors. The SSI program provides benefits to financially needy individuals who are aged, blind, and/or disabled. For the Fiscal Year (FY) ended September 30, 2000, the OASDI program provided cash payments of \$402.1 billion to 45.3 million beneficiaries. In addition, the SSI program provided cash payments of \$30.8 billion to 6.6 million recipients.<sup>1</sup>

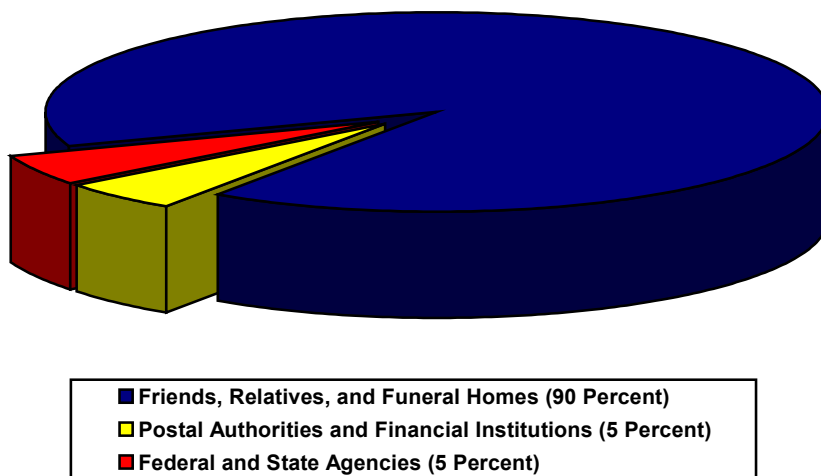
About 2.3 million people die in the United States each year, of whom 2.0 million are SSA beneficiaries.<sup>2</sup> The death of a beneficiary is an event that terminates the entitlement of that individual to benefits. SSA receives reports of death from a variety of sources, including friends and relatives of deceased individuals, funeral homes, postal authorities, financial institutions, and Federal and State agencies. Friends, relatives, and funeral homes report about 90 percent of deaths. Postal authorities and financial institutions report another 5 percent of deaths. SSA relies on computer matches with Federal and State agencies to identify the remaining 5 percent of deaths. The following chart illustrates the source of death reports received by SSA.

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<sup>1</sup> *Social Security Performance and Accountability Report for Fiscal Year 2000*, pages 4 and 5.

<sup>2</sup> *U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics, National Vital Statistics Report*, volume 49, number 8, and *Annual Statistical Supplement, 2000 to the Social Security Bulletin*, table 6.F2.

## Source of Death Reports



Upon receipt of a death report, field offices (FO) and processing centers (PC) enter the information into SSA's automated systems. For all individuals, the death information is recorded on the Numident, a master file that contains personal identifying data about each individual who has been issued a Social Security number (SSN). For individuals currently receiving benefits, the death information is recorded on the Master Beneficiary Record (MBR) and Supplemental Security Record (SSR), the master files that contain payment data about each individual who has received Social Security benefits.

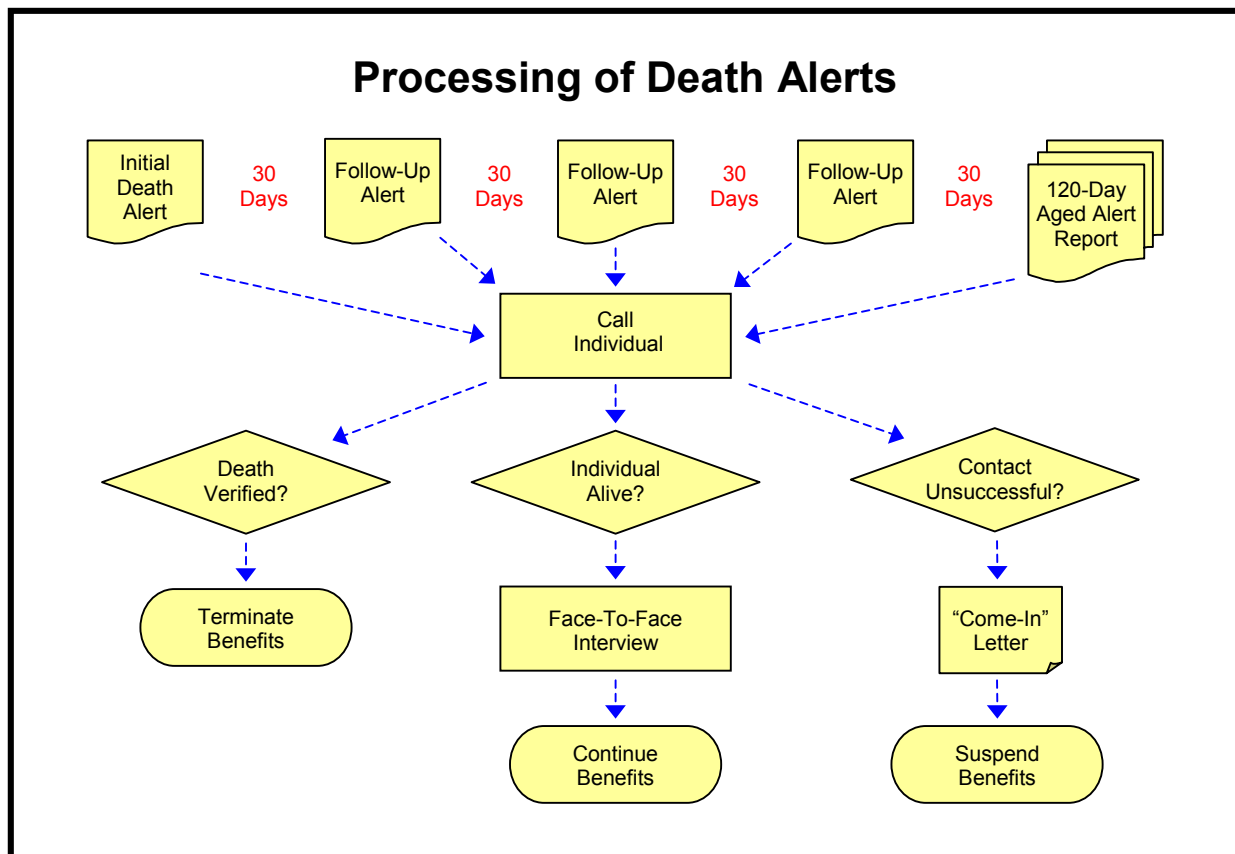
### Death Alert, Control, and Update System

To identify erroneous payments to deceased individuals, SSA's Death Alert, Control, and Update System (DACUS) performs computer matches with death data received from external and internal sources. The external sources include Federal agencies, such as the Veterans Administration and the Centers for Medicare and Medicaid Services (CMS), and State agencies, such as bureaus of vital statistics (BVS) and social services agencies. The internal sources include SSA's system of records, such as the MBR, SSR, and Numident. DACUS also produces a national file of death information, called the Death Master File.

DACUS receives the death reports and compares the date of death to SSA's payment records, including the MBR and SSR. If there is no conflicting information, DACUS records the death on the Numident. If payments have been made after death or there is conflicting information about the date of death, DACUS generates an alert to the FO. DACUS also generates a follow-up alert every 30 days until the initial alert has been resolved. In addition, DACUS produces a monthly report of death alerts over 120 days

old, called the “120-day aged alert report,” for regional offices to ensure that all death alerts are resolved.

SSA’s Program Operations Manual System (POMS) states that FOs should resolve death alerts within 30 days to minimize incorrect payments.<sup>3</sup> The FO attempts to call the beneficiary’s residence to verify the death information. If the death is verified, the FO terminates benefits immediately. If the individual may be alive, the FO conducts a face-to-face interview. If the telephone contact is unsuccessful, the FO mails a “come-in” letter to request a face-to-face interview. For SSI recipients, the FO mails another letter which provides advance notice of adverse action and suspends benefits after 30 days if there is no response.<sup>4</sup> For OASDI beneficiaries, the PC suspends payments after 20 days if there is no response and terminates benefits after an additional 60 days. An overview of the death alert process is depicted in the following chart.



<sup>3</sup> POMS, section GN 02602.065.

<sup>4</sup> Including individuals who receive concurrent benefits under the OASDI and SSI programs.

## Electronic Death Registration

In September 1999, SSA contracted with the National Association for Public Health Statistics and Information Systems (NAPHSIS), an association of State vital records directors and registrars, to develop standards and guidelines for a nationwide system of electronic death registration (EDR). This system would enable SSA to receive death reports within 5 days of death and 24 hours of receipt in the State BVS. Under EDR, SSA verifies the SSN with the State BVS at the beginning of the death registration process, thereby allowing the Agency to take immediate termination action—on death reports with verified SSNs—without independently verifying the accuracy of the report.

This system would automate the death registration process and enable SSA to receive more timely and accurate death reports, resulting in significant program and workyear savings. In addition, EDR provides the infrastructure for other Federal and State agencies that rely on such information to detect and prevent erroneous payments to deceased individuals. Under the terms of the contract, NAPHSIS conducted two pilot projects to determine the feasibility of (1) transmitting death reports to SSA within 24 hours, and (2) developing a system for on-line verification of SSNs. Both projects were completed in New Jersey.

## Recovery of Payments After Death

Upon receipt of a death report, SSA is required to terminate benefits to the deceased individual and recover any payments after the date of death. Since entitlement to benefits ceases when an individual dies, these payments are defined as incorrect payments rather than overpayments and are not subject to SSA's normal recovery procedures.<sup>5</sup> Generally, the recovery of payments after death is the responsibility of the Department of the Treasury (Treasury). Treasury recovers these payments from financial institutions through a process called reclamation.

SSA initiates the reclamation process by electronically submitting the Form SF-1184, *Unavailable Check Cancellation/Request for Stop Payment*, to Treasury. Upon receipt of the Form SF-1184, Treasury examines its records of issued payments. If the check was issued but not negotiated, Treasury credits SSA for the amount of the payment. If the check was negotiated, Treasury attempts to reclaim the amount from the financial institution. Treasury credits SSA for any funds collected from the financial institution. Treasury initiates similar actions for payments via electronic funds transfer. If the full amount of the payment is not recovered, Treasury provides SSA with a copy of the negotiated check or the name of the individual who withdrew the funds from the

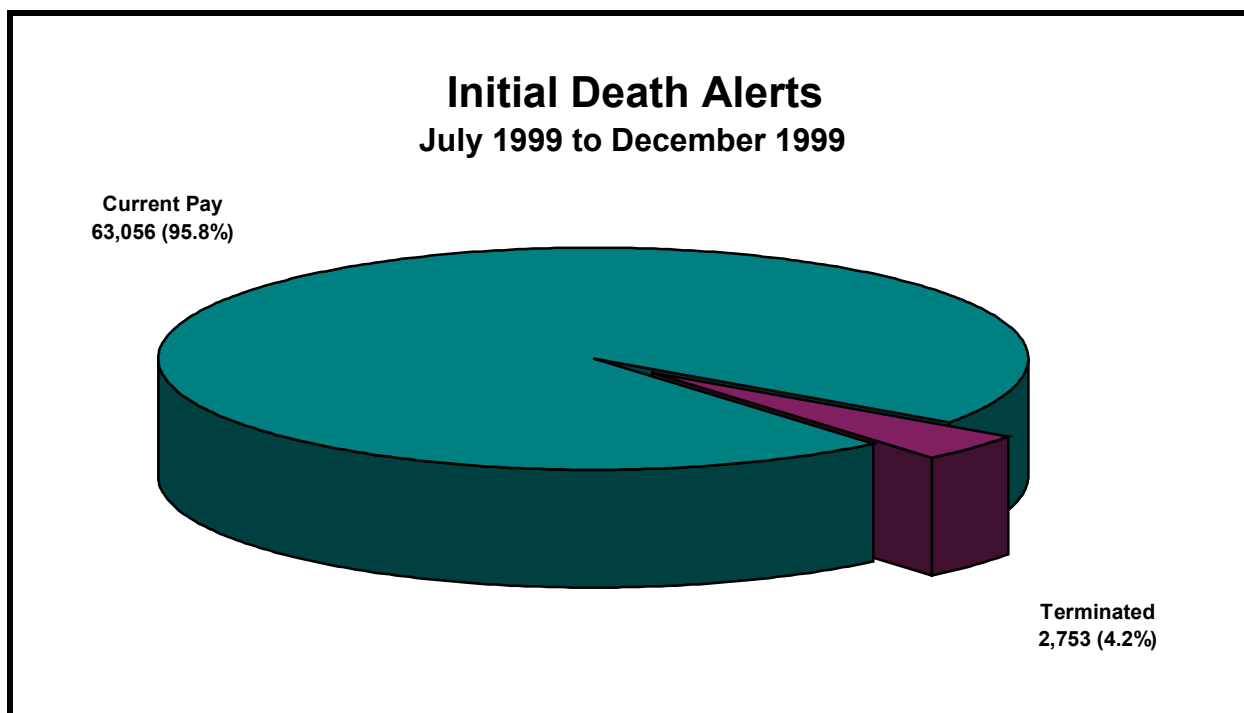
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<sup>5</sup> Payments after death are not legally-defined overpayments, except as follows: Payments to a representative payee after the death of a beneficiary are overpayments to the representative payee, payments to a bank account via direct deposit where the joint owner is entitled on the same earnings record as the deceased individual are overpayments to the joint owner, and checks payable to a deceased individual and survivor are overpayments to the survivor.

beneficiary's account. Thereafter, the responsibility for collecting any outstanding amounts shifts to SSA.<sup>6</sup>

## SCOPE AND METHODOLOGY

From July to December 1999, DACUS generated 65,809 initial death alerts for OASDI beneficiaries under title II of the Act. Of this amount, 63,056 alerts were for beneficiaries in current pay status, and 2,753 alerts were for beneficiaries in terminated pay status. From this population, we selected a random sample of 200 death alerts for our review. Although the individuals in terminated pay status were no longer receiving benefits when the death alert was generated, we did not exclude these individuals from our population because they could have previously received improper payments based on erroneous dates of death. The following chart summarizes the initial death alerts by payment status.



To accomplish our objectives, we:

- reviewed the applicable sections of the Act, Code of Federal Regulations, and POMS;
- interviewed SSA employees from the Offices of Program Benefits, Systems Requirements, Systems Design and Development, Financial Policy and Operations, and Quality Assurance and Performance Assessment;

<sup>6</sup> POMS, sections GN 02408.001 and GN 02230.020.

- performed site visits at selected FOs in SSA's Region IX and interviewed employees responsible for processing death alerts;
- obtained electronic copies of initial death alerts generated by DACUS from July to December 1999;
- extracted a random sample of 200 death alerts from the population; and
- obtained queries from the MBR, SSR, Numident, Payment History Update System, Modernized Development Worksheet, and Recovery of Overpayments, Accounting, and Reporting system.

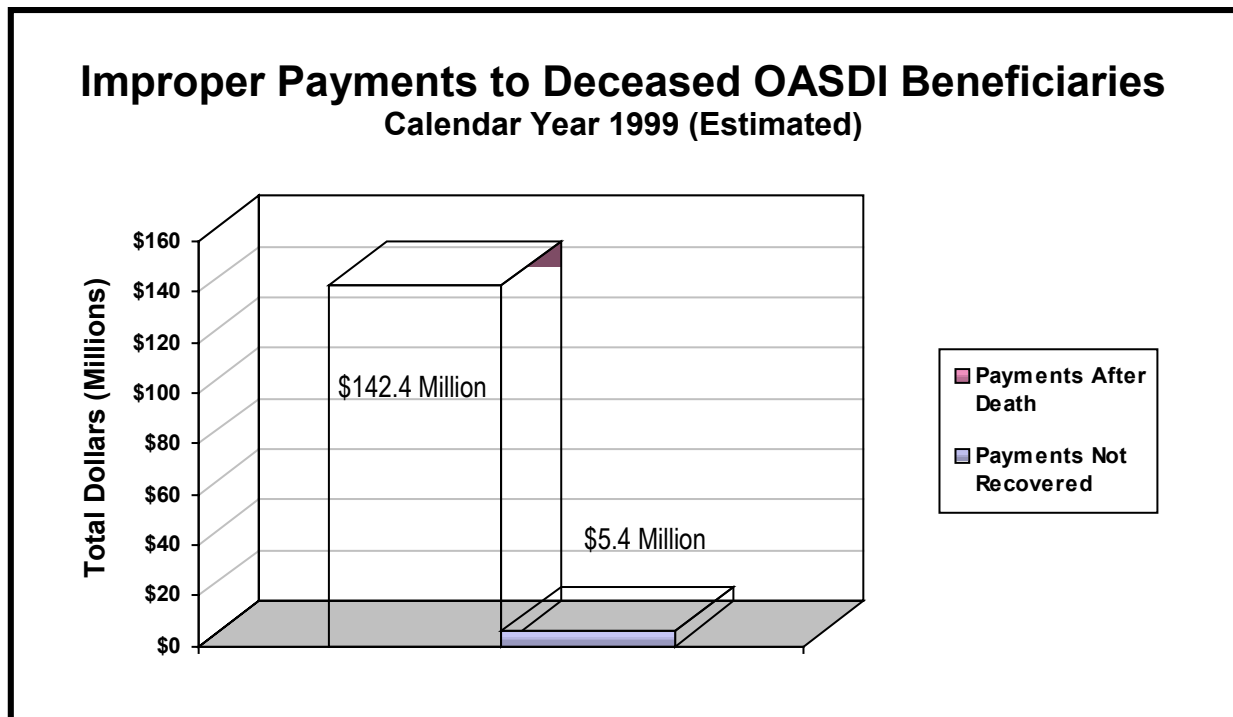
As part of our review, we verified the information on the death alerts against SSA's beneficiary and payment records. For the individuals who were deceased, we determined the amount of payments after death and reviewed the actions taken by SSA to recover these amounts over a period of time. In addition, we determined whether the payments after death were disbursed before receipt of a death report, within 30 days of the initial death alert, or over 30 days after the initial death alert.

We performed audit work in Baltimore, Maryland, and Richmond, California, between November 2001 and April 2002. The entity audited was the Office of Program Benefits within the Office of the Deputy Commissioner for Disability and Income Security Programs. We conducted our audit in accordance with generally accepted government auditing standards.

# Results of Review

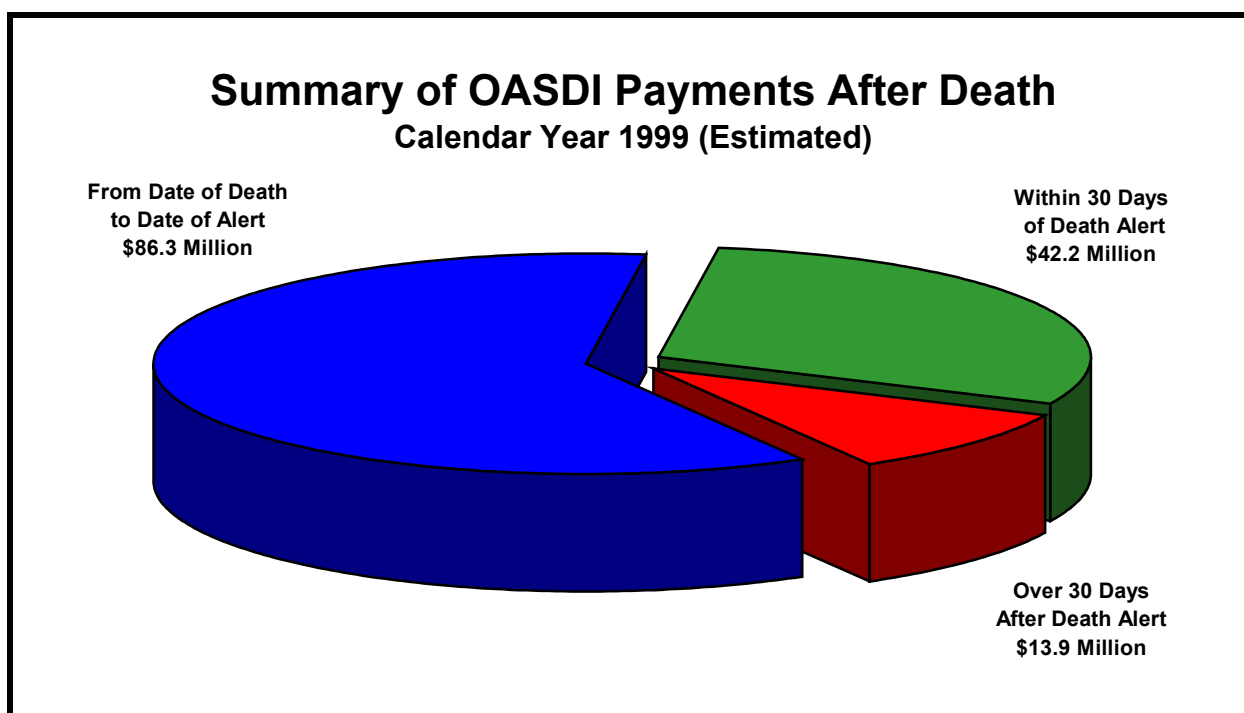
SSA needs to improve its controls and procedures to ensure that (1) death alerts are resolved in a timely and consistent manner, and (2) improper payments are recovered after the death of a beneficiary. Because of delays in receiving death reports from Federal and State agencies and processing reclamation actions with Treasury, SSA is vulnerable to individuals who negotiate payments received after the death of a beneficiary.

Based on a random sample of 200 death alerts from July to December 1999, we found that SSA disbursed \$216,327 in payments after death. Of this amount, SSA had not recovered \$8,141 as of March 2002. Projecting these results to our population of 65,809 death alerts, we estimate that SSA disbursed about \$71.2 million in payments after death, of which SSA was unable to recover about \$2.7 million. During our review, we found no evidence to indicate that the nature and extent of death alerts in the second half of 1999 were not representatives of those in the first half of 1999. Therefore, our estimates for calendar year (CY) 1999 are twice as much as our projections for the second half of 1999. Accordingly, we estimate that SSA disbursed about \$142.4 million in payments after death in CY 1999, of which SSA had not recovered about \$5.4 million as of March 2002 (see Appendix A). The results of our review are summarized below.



## IMPROPER PAYMENTS TO DECEASED BENEFICIARIES

In CY 1999, we estimate that SSA disbursed about \$86.3 million (60.6 percent) before it received a death report (that is, between the date of death and date of alert). This occurred because of delays in receiving death reports from Federal and State agencies. We also estimate that SSA disbursed about \$42.2 million (29.6 percent) during the 30-day period for processing death alerts. This occurred because of timing differences between the dates in which SSA processed the alerts and disbursed the payments. In addition, we estimate that SSA disbursed about \$13.9 million (9.8 percent) over 30 days after death alert was generated. This occurred because of delays in processing death alerts by FOs. The following chart provides a breakdown of the total payments after death.



### Prior to Receipt of Death Report

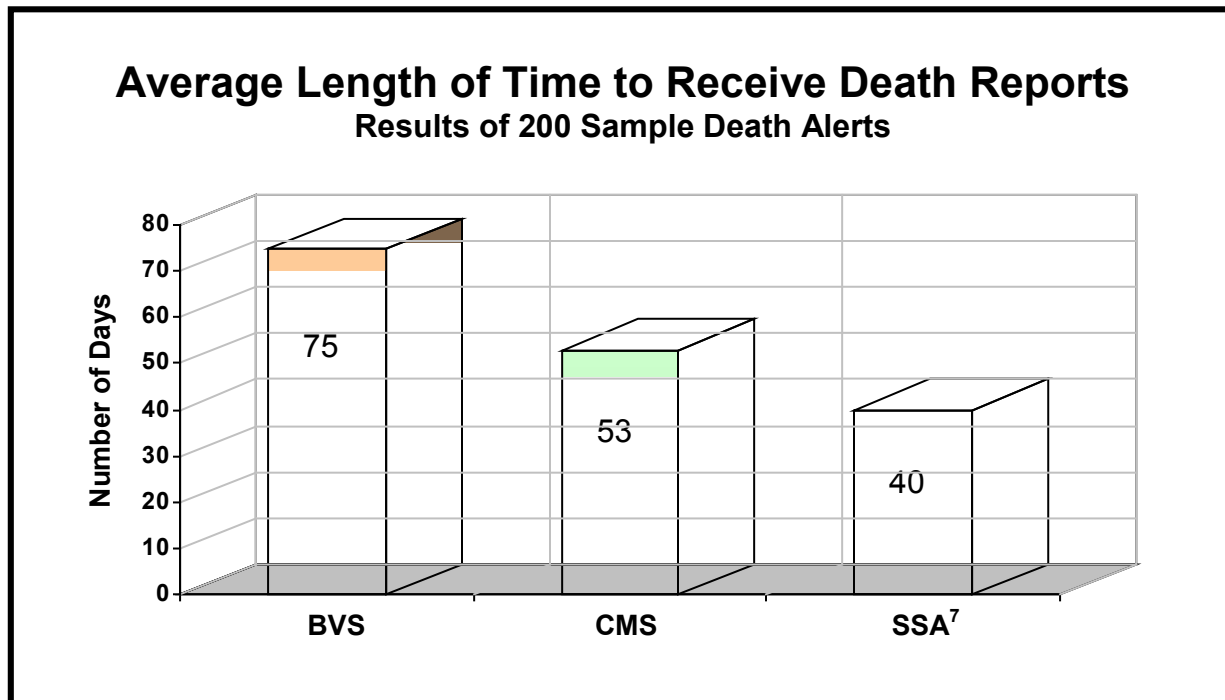
***60 Percent of Death Reports Were Not Received Timely***

Of the 200 death alerts in our sample, 160 alerts resulted in improper payments to deceased beneficiaries. In 40 of the 160 cases, SSA promptly received the death reports from Federal and State agencies before any payments after death were disbursed. However, in 120 cases, SSA did not receive the death reports in a timely manner. As a result, these individuals received \$131,184 in payments to which they were not entitled.

Our review disclosed that delays in receiving death reports contributed significantly to the total payments after death. As depicted in the chart below, the elapsed time from the date of death to the date of alert varied considerably based on the source of



the death report. For the individuals in current pay status, we determined that the average length of time to receive death reports from Federal agencies and State agencies was 53 and 75 days, respectively.



The death registration process requires that hospitals, medical examiners, coroners, and funeral homes submit reports of death to local registrars (for example, county recorder's offices). Each State BVS consolidates death data from local registrars before reporting such information to SSA. This process is susceptible to errors and delays because of the manual processing of paper records and limited systems interface between these entities.

In September 1999, SSA contracted with NAPHSIS to develop standards and guidelines for a nationwide EDR system, including the on-line verification of SSNs. This system would enable SSA to receive death reports within 5 days of death and 24 hours of receipt in the State BVS. Under EDR, SSA verifies the SSN with the State BVS at the beginning of the death registration process. For death reports with verified SSNs, SSA may take immediate termination action upon receipt of the report. For death reports with unverified SSNs, SSA must independently verify the accuracy of the report before initiating termination action.

This system would automate the death registration process and enable SSA to receive more timely and accurate death reports, resulting in significant program and workyear savings. In addition, EDR provides the infrastructure for other Federal and State

<sup>7</sup> These alerts originated from death reports received by FO employees from a variety of sources, including family members, funeral homes, and SSA's payment records.

agencies that rely on such information to detect and prevent erroneous payments to deceased individuals. These agencies include the Department of Defense, Office of Personnel Management, Railroad Retirement Board, Veterans Administration, and State food stamp agencies.

SSA recently included EDR as part of its key initiative for information exchange to support the strategic goals and objectives of the Agency. The purpose of this initiative is to increase electronic access to information needed to administer SSA's programs and improve service delivery to the public. We commend SSA for its commitment to develop, support, and implement EDR and reduce the potential for payments after death.

However, SSA needs to implement a number of systems modifications to realize the benefits of EDR. For example, SSA's automated systems are not equipped to support the on-line verification of SSNs. Such a system is necessary for SSA to take immediate termination action without independent verification of the death report. SSA should also modify its title II and title XVI software programs to automatically terminate benefits when it receives a verified State death report. In addition, SSA should modify DACUS to differentiate between a verified and unverified State death report.

Furthermore, SSA needs to encourage State BVS agencies to establish EDR systems. To achieve the projected savings from EDR, it is imperative that SSA obtain broad participation of State BVS agencies on a nationwide basis. Unless SSA demonstrates that the benefits of EDR outweigh its costs, State BVS agencies may be unwilling to adopt such a system. Although SSA provided partial funding to New Hampshire and Washington, DC, additional funding is necessary to establish EDR in the remaining States. SSA needs to work with other Federal and State agencies to obtain funding for EDR, especially since many of these agencies rely on death information to detect and prevent erroneous payments to deceased individuals.

### **Within 30 Days of Initial Death Alert**

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#### ***Timely Processing of Alerts Resulted in Improper Payments***

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Of the 200 death alerts in our sample, 160 alerts resulted in improper payments to deceased beneficiaries. In 69 cases, SSA did not disburse any payments after the death alert was generated. However, in 91 cases, SSA disbursed payments within 30 days of the initial death alert. Although SSA generally resolved the alerts in a timely manner, our review disclosed that the termination actions were not initiated or completed until after the monthly payments had already been disbursed. As a result, these individuals received \$64,046 in payments to which they were not entitled.

POMS states that FOs should take prompt action to clear all death alerts, including initial and follow-up alerts, within 30 days to minimize incorrect payments.<sup>8</sup> For the 91 cases in our sample, we commend SSA for its corrective actions to resolve the death

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<sup>8</sup> POMS, section GN 02602.065.

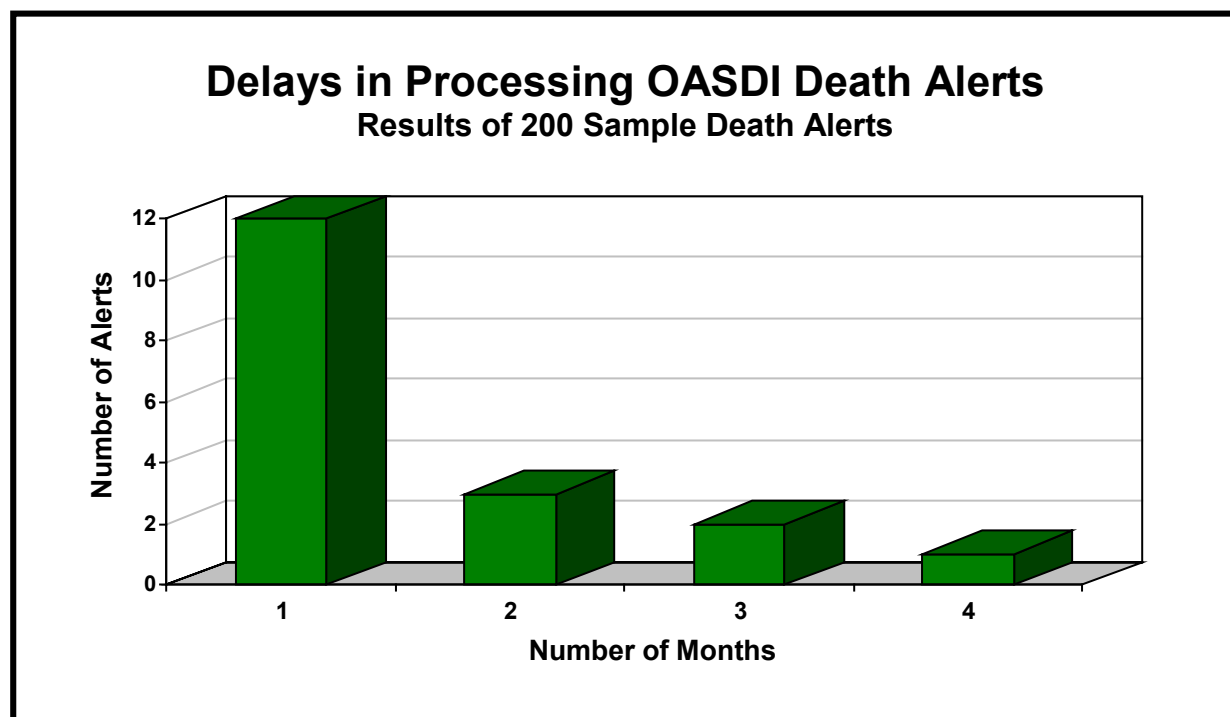
alerts in accordance with these time frames. However, because of timing differences between the dates in which SSA processed the alerts and disbursed the payments, these actions were not always sufficient to prevent improper payments to deceased beneficiaries.

In some instances, SSA initiated termination actions at the beginning of the 30-day period but was unable to complete such actions before the payment for the month was disbursed. In other instances, SSA did not initiate termination actions until the end of the 30-day period and had already disbursed the payment for the month. By processing these alerts as expeditiously as possible, SSA could minimize the payments after death, thereby alleviating the workload necessary to establish and recover improper payments.

### Over 30 Days After Initial Death Alert

#### ***Death Alerts Were Not Always Processed Within 30 Days***

Of the 200 death alerts in our sample, 160 alerts resulted in improper payments to deceased beneficiaries. In 142 cases, SSA resolved the death alerts in a timely manner. However, in 18 cases, SSA did not take prompt corrective action to resolve the alerts within 30 days. As depicted in the chart below, the amount of time required to resolve the death alerts range from 1 to 4 months. During this period, these individuals remained in current pay status until the termination actions were subsequently processed. As a result, these individuals received \$21,097 in payments to which they were not entitled.



SSA's procedures state that FOs should resolve death alerts within 30 days to minimize incorrect payments. Specifically, POMS states that FOs should initially attempt one telephone contact to the beneficiary's residence. If the telephone contact is unsuccessful, the FO should mail a "come-in" letter to request a face-to-face interview. If the beneficiary does not respond within 20 days, the FO should suspend benefits. POMS requires FOs to obtain a death certificate only when the beneficiary is alleged to be alive.<sup>9</sup>

However, our review disclosed that FOs were not fully aware of, and did not always comply with, the applicable procedures for resolving death alerts. For example, two FOs informed us that they initially contacted the local registrar rather than the beneficiary's residence to resolve the alert. In fact, the FOs usually did not contact the beneficiary's residence at all. In addition, two FOs informed us that they did not suspend benefits after 20 days if there was no response to the "come-in" letter. Instead, the FOs allowed the beneficiaries to remain in current pay status.

Under current procedures, the FO mails the "come-in" letter only after DACUS generates the death alert and the FO contacts the beneficiary's residence. The FO suspends benefits only after the beneficiary does not respond to the "come-in" letter within 20 days. During our review, we noted that these actions may require several months to complete, especially if the FO does not process the death alert, contact the beneficiary, mail the "come-in" letter, and/or suspend benefits in a timely manner.

Although EDR may provide a solution for the long term, we believe that SSA needs to evaluate other alternatives for the short term. SSA employees<sup>10</sup> informed us that systems modifications could reduce the potential for errors and delays. For example, SSA could modify its automated systems to simultaneously issue the "come-in" letter to the beneficiary along with the death alert to the FO. In addition, SSA could modify its automated systems to automatically suspend benefits after 20 days if there is no response to the "come-in" letter. Such modifications should improve the death reporting system and prevent payments after the death of a beneficiary.

## **IMPROPER PAYMENTS NOT RECOVERED**

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### ***Payments After Death Were Not Recovered After 27 Months***

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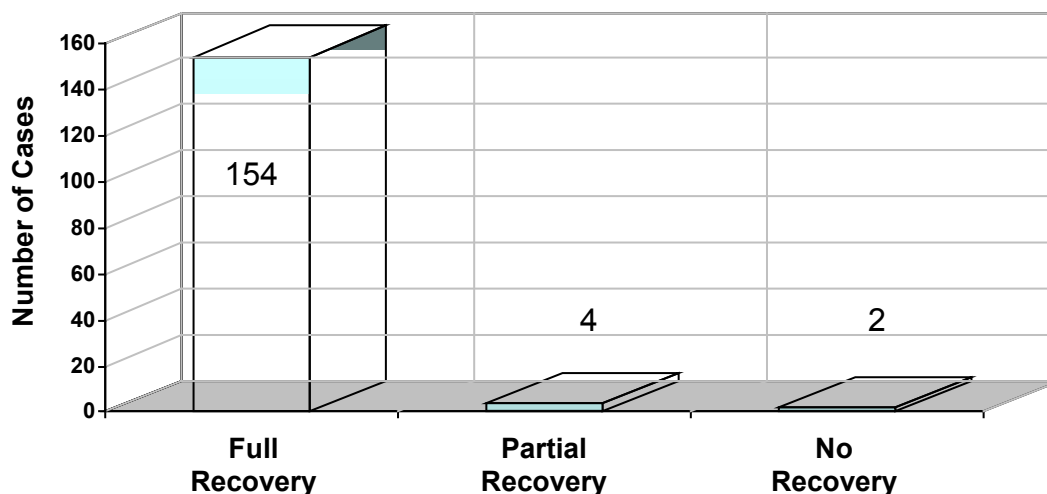
Of the 200 death alerts in our sample, 160 alerts resulted in improper payments to deceased beneficiaries. In 154 cases, SSA subsequently recovered the full amount of payments owed to the Agency. However, in six cases, SSA did not recover \$8,141 in payments after death. As of March 2002, our review disclosed that SSA made partial recoveries in four cases and no recoveries in two cases. These payments remained outstanding for at least 27 months after the date of death. The recovery of payments after death is summarized in the following chart.

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<sup>9</sup> POMS, section GN 02602.071.

<sup>10</sup> Staff members from the Offices of Program Benefits and Systems Design and Development.

## Recovery of OASDI Payments After Death Results of 200 Sample Death Alerts



Most payments after death are incorrect payments. For these cases, SSA electronically submits the Form SF-1184 to Treasury. Upon receipt of the Form SF-1184, Treasury attempts to reclaim payments from financial institutions. If the full amount of the payment is not recovered, Treasury provides SSA with the name of the individual who withdrew the funds from the beneficiary's account. Thereafter, the responsibility for collecting any outstanding amounts shifts to SSA.<sup>11</sup> Moreover, some payments after death are legally-defined overpayments (for example, payments to representative payees who receive benefits on behalf of deceased beneficiaries). For these cases, SSA attempts to obtain repayment or adjust current benefits to collect amounts owed to the Agency.<sup>12</sup>

In four of the six cases, Treasury was responsible for recovering the incorrect payments from the financial institutions. In addition, SSA was responsible for recovering any outstanding amounts from the individuals who withdrew the funds from the beneficiary's account. However, because of delays in processing reclamation actions with Treasury, SSA was unable to recover these payments. In some instances, PCs did not follow up on the Form SF-1184 in a timely manner. In other instances, PCs attempted to follow up but discontinued such efforts over a period of time.

In two of the six cases, SSA was responsible for recovering the overpayments from the representative payees. However, because PCs did not use the debt collection tools available to the Agency, SSA was unable to recover these payments. In one instance,

<sup>11</sup> POMS, sections GN 02408.001 and GN 02230.020.

<sup>12</sup> POMS, sections GN 02201.001 and GN 02201.013.

SSA contacted the representative payee but did not pursue other tools to collect the debt. In another instance, SSA established the overpayment but did not withhold a retroactive check to recover the amounts owed. To prevent future occurrences of similar problems, PCs should follow up on the status of reclamation actions with Treasury to ensure that payments after death are recovered.

*The Debt Collection Improvement Act of 1996* provided SSA with additional tools to maximize the collection of delinquent debts owed to the Agency. However, the General Accounting Office previously reported that SSA has not effectively used a number of debt collection tools, including tax refund offsets, administrative offsets, credit bureau reporting, collection agencies, interest and penalties, and administrative wage garnishment.<sup>13</sup> As a result, SSA did not recover as much in overpayments as it could have. We believe that PCs should maximize the use of these debt collection tools to recover payments after the death of a beneficiary.

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<sup>13</sup> *Supplemental Security Income: Action Needed on Long-Standing Problems Affecting Program Integrity* (GAO/HEHS-98-158), September 1998, and *“Debt Collection Improvement Act of 1996: Status of Selected Agencies’ Implementation of Administrative Wage Garnishment* (GAO-02-313), February 2002.

# Conclusions and Recommendations

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Based on a random sample of 200 death alerts from July to December 1999, we found that SSA disbursed \$216,327 in payments after death. Of this amount, SSA had not recovered \$8,141 as of March 2002. Projecting these results to our population of 65,809 death alerts, we estimate that SSA disbursed about \$71.2 million in payments after death, of which SSA was unable to recover about \$2.7 million. For CY 1999, we estimate that SSA disbursed about \$142.4 million in payments after death. Of this amount, SSA had not recovered about \$5.4 million as of March 2002 (see Appendix A).

Although SSA has undertaken a number of initiatives to improve its death reporting system, we believe that actions are necessary to strengthen program integrity and deter fraud, waste, and abuse. These actions should reduce the potential for errors and delays in receiving death reports, processing death alerts, and recovering payments after death. Therefore, we recommend that SSA:

1. Modify its automated systems to support EDR, including the on-line verification of SSNs, processing of verified and unverified State death reports, and termination of benefits upon receipt of verified State death reports.
2. Encourage State BVS agencies to develop and implement EDR systems.
3. Work with other Federal and State agencies to obtain additional funding for EDR.
4. Issue a memorandum to reiterate that FOs should process death alerts as expeditiously as possible to minimize improper payments to deceased beneficiaries.
5. Evaluate the feasibility of systems modifications to (1) simultaneously issue the “come-in” letter to the beneficiary when the death alert is sent to the FO, and (2) automatically suspend benefits if the beneficiary does not respond to the “come-in” letter.
6. Issue a memorandum to reiterate that PCs should follow up on the status of reclamation actions with Treasury to ensure that payments after death are recovered.
7. Encourage PCs to maximize the use of debt collection tools available to the Agency to recover payments after the death of a beneficiary.

## **AGENCY COMMENTS**

In its response, SSA agreed with six of the seven recommendations. Specifically, SSA agreed to obtain systems support for EDR and stated that full implementation is scheduled for September 2003. SSA is working with NAPHSIS to develop and implement EDR systems and plans to award additional contracts to States in September 2002. In addition, SSA is working with the National Centers for Health Statistics to obtain sources of funding for EDR.

By September 2002, SSA agreed to issue a memorandum to remind its employees to process all death alerts in a timely manner and follow up on reclamation actions with Treasury to ensure that payments after death are recovered. SSA also agreed that debt collection tools should be used to the extent possible. Furthermore, SSA initiated an Information Technology project to facilitate the use of authorized debt collection tools available to the Agency.

However, SSA disagreed with our recommendation to evaluate the feasibility of systems modifications to (1) simultaneously issue the “come-in” letter along with the death alert, and (2) automatically suspend benefits if there is no response to the “come-in” letter. SSA stated that the corrective actions for other recommendations in the report should address the concerns raised in this recommendation. SSA also provided technical comments that have been incorporated into the final report. The text of SSA’s comments is included in Appendix B.

## **OIG RESPONSE**

SSA’s planned actions generally addressed our recommendations. Although EDR may provide a solution for the long term, we believe that SSA should evaluate other alternatives for the short term. Therefore, we encourage SSA to reassess the feasibility of systems modifications to further automate the death reporting process.



# *Appendices*

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## **Sampling Methodology**

We obtained electronic copies of the initial death alerts generated by the Social Security Administration's (SSA) Death Alert, Control, and Update System from July to December 1999. For the beneficiaries who were deceased, we determined the amount of payments after death and reviewed the actions taken by SSA to recover these amounts over a period of time. In addition, we determined whether the payments after death were disbursed before receipt of a death report, within 30 days of the initial death alert, or over 30 days after the initial death alert.

Based on a random sample of 200 death alerts from July to December 1999, we found that SSA disbursed \$131,184 before it received a death report (that is, between the date of death and date of alert). In addition, SSA disbursed \$64,046 during the 30-day period for processing alerts and \$21,097 over 30 days after the death alert was generated. By adding these amounts, we found that SSA disbursed \$216,327 in payments after the death of a beneficiary. Of this amount, SSA had not recovered \$8,141 as of March 2002.

Projecting these results to our population of 65,809 death alerts, we estimate that SSA disbursed about \$43.2 million before it received a death report, \$21.1 million during the 30-day period for processing alerts, and \$6.9 million over 30 days after the death alert was generated. By adding these amounts, we estimate that SSA disbursed about \$71.2 million in payments after death from July to December 1999. Of this amount, we estimate that SSA had not recovered about \$2.7 million as of March 2002.

During our review, we found no evidence to indicate that the nature and extent of death alerts in the second half of 1999 were not representative of those in the first half of 1999. Therefore, our estimates for calendar year (CY) 1999 are twice as much as our projections for the second half of 1999. Accordingly, we estimate that SSA disbursed about \$86.3 million before it received a death report, \$42.2 million during the 30-day period for processing alerts, and \$13.9 million over 30 days after the death alert was generated. By adding these amounts, we estimate that SSA disbursed about \$142.4 million in payments after death in CY 1999. Of this amount, we estimate that SSA had not recovered about \$5.4 million as of March 2002. The following tables provide the details of our sampling results and statistical projections.

**Table 1 – Incorrect Payments Prior to Receipt of Death Report**

Description	Error Count	Error Dollars
Sample	120	\$131,184
Point Estimate	39,485	43,165,604
Lower Limit	35,521	35,025,650
Upper Limit	43,302	51,305,557
Annual Estimate	78,970	\$86,331,208

**Table 2 – Incorrect Payments Within 30 Days of Initial Death Alert**

Description	Error Count	Error Dollars
Sample	91	\$64,046
Point Estimate	29,943	21,074,016
Lower Limit	26,025	17,971,188
Upper Limit	33,928	24,176,844
Annual Estimate	59,886	\$42,148,032

**Table 3 – Incorrect Payments Over 30 Days After Initial Death Alert**

Description	Error Count	Error Dollars
Sample	18	\$21,097
Point Estimate	5,923	6,941,862
Lower Limit	3,883	3,634,497
Upper Limit	8,587	10,249,228
Annual Estimate	11,846	\$13,883,724

**Table 4 – Incorrect Payments Not Recovered by SSA**

Description	Error Count	Error Dollars
Sample <sup>1</sup>	6	\$8,141
Point Estimate	1,974	2,678,755
Lower Limit	866	694,781
Upper Limit	3,838	4,662,730
Annual Estimate	3,948	\$5,357,510

<sup>1</sup> In our sample, we originally found seven errors in the amount of \$17,238. However, we considered one error in the amount of \$9,097 to be a statistical outlier (that is, unusually large compared to the other errors) and excluded it from our analysis.

The point estimate represents the statistical projection of the sample results to the population for the death alerts generated during the 6-month period from July 1999 to December 1999. All statistical projections are reported at the 90 percent confidence level.

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

**Date:** September 3, 2002 **Refer To:** S1J-3

**To:** James G. Huse, Jr.  
Inspector General

**From:** Larry Dye /s/  
Chief of Staff

**Subject:** Office of the Inspector General Draft Report, “Effectiveness of the Social Security Administration's Death Termination Process” (A-09-02-22023)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the report content and recommendations are attached.

Please let us know if we can be of further assistance. Staff questions can be referred to Dan Sweeney on extension 51957.

Attachment:  
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT,  
“EFFECTIVENESS OF THE SOCIAL SECURITY ADMINISTRATION'S DEATH  
TERMINATION PROCESS” (A-09-02-22023)

Recommendation 1

Modify the Social Security Administration's (SSA) automated systems to support Electronic Death Registration (EDR), including the on-line verification of Social Security numbers (SSN), processing of verified and unverified State death reports, and termination of benefits upon receipt of verified State death reports.

Comment

We will continue to work on systems support for EDR. EDR is an initiative under eVital, one of 24 governmentwide eGov initiatives. As noted in the report, SSA has been engaged in the EDR project since 1999. The Internet Verification "front-end" phase is scheduled for implementation in December 2002. The "backend" Planning and Analysis phase has already been completed and work is now being conducted on the Requirements phase. We expect full implementation by the end of September 2003, at which time SSA will accept verified EDR records for immediate termination.

Recommendation 2

Encourage State Bureau of Vital Statistics agencies to develop and implement EDR systems.

Comment

As indicated in the report, SSA is working with the National Association for Public Health Statistics and Information Systems (NAPHSIS) and the States to develop and implement EDR Systems. SSA began the nationwide rollout of EDR by awarding contracts to the District of Columbia and New Hampshire in September 2001.

In September 2001, SSA also awarded a contract to NAPHSIS to 1) develop a comprehensive educational plan for distribution to the various participants; 2) arrange marketing sessions with various Federal agencies that use death data to explain the value of more timely and accurate data and the program savings that could be realized; 3) serve as a consultant to States that are ready to implement EDR; and 4) serve as a technical advisor to States that are not ready to implement, providing advice and consulting services.

SSA plans to award additional State contracts in September 2002.

Recommendation 3

Work with other Federal and State agencies to obtain additional funding for EDR.

### Comment

The recommendation is already a part of our development and expansion of EDR as SSA continues to partner with National Centers for Health Statistics to encourage other sources of funding.

### Recommendation 4

Issue a memorandum to reiterate that field offices (FO) should process death alerts as expeditiously as possible to minimize improper payments to deceased beneficiaries.

### Comment

We agree and will issue a memorandum by the end of September 2002 reminding the FOs to expeditiously process all death alerts received.

### Recommendation 5

Evaluate the feasibility of systems modifications to 1) simultaneously issue the “come-in” letter to the beneficiary when the death alert is sent to the FO, and 2) automatically suspend benefits if the beneficiary does not respond to the “come-in” letter.

### Comment

We disagree. We believe that expansion of EDR, systems enhancements and the reminder to FOs noted above will address the concerns expressed in this recommendation. We also believe that further study by OIG on the recommendation may be needed to consider the workload impact of automated letters. FOs receive death reports from a variety of sources and confusion may result if a “come-in” letter is received following other actions that may have been taken by FOs.

### Recommendation 6

Issue a memorandum to reiterate that processing centers (PC) should follow up on the status of reclamation actions with Treasury to ensure that payments after death are recovered.

### Comment

We agree and will issue a memorandum by the end of September 2002 reminding the PCs to follow up on the status of reclamation actions with Treasury to ensure that payments after death are recovered.



### Recommendation 7

Encourage PCs to maximize the use of debt collection tools available to the Agency to recover payments after the death of a beneficiary.

### Comment

We agree in principle that debt collection tools (tax refund offset, administrative offset, credit bureau reporting and any subsequent tools) should be used whenever the criteria for their use are met. However, it should be noted that SSA uses its automated systems to select the debtors for inclusion in the debt collection programs: the PCs do not engage in any selection actions for the debt collection tools.

SSA has initiated an Information Technology project called Non-Entitled Debtors that will enable us to use authorized debt collection tools against representative payees of deceased beneficiaries and other debtors who are liable for benefit payments made after the death of beneficiaries. Scheduling for the project remains to be completed.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Bill Fernandez, Director, Western Audit Division, (510) 970-1739

Jack H. Trudel, Deputy Director, (510) 970-1733

### ***Acknowledgments***

In addition to those named above:

Joseph I. Robleto, Senior Auditor

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OEO supports the OIG by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act*. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

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