

Direct Deposit Auto-Enrollment Fraud Prevention Block

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Office of Audit Report Summary

Objective

To determine whether the Social Security Administration's (SSA) Direct Deposit Auto-Enrollment Fraud Prevention (DDFP) block worked as intended and prevented benefit payment diversion.

Background

Most Social Security beneficiaries are required to receive their payments through direct deposit rather than paper checks. Beneficiaries have a variety of methods available to change their direct deposit account information: they can call or visit an SSA office, call SSA's 800-number, use SSA's Website, or contact their financial institution (auto-enrollment).

Unauthorized direct deposit changes can occur when a perpetrator obtains enough personally identifiable information to redirect a payment from the beneficiary's account into an account they control.

To protect beneficiaries from unauthorized account changes, in November 2012, SSA introduced the DDFP block. Beneficiaries or their representative payees may request a DDFP block because of alleged fraud or as a preventive measure.

As of September 2014, SSA had established fraud blocks on approximately 120,000 beneficiaries' records.

Findings

The DDFP block worked as intended and reduced the risk of direct deposit fraud for those who used the block. We reviewed bank account change activity and reports of benefit non-receipt for approximately 38,000 beneficiaries with DDFP blocks on their accounts. We did not identify any instances where there was an auto-enrollment account change and a subsequent report of non-receipt of benefits after SSA placed a DDFP block on a beneficiary's record. We identified a small number of cases where fraudsters successfully diverted benefit payments through means other than auto-enrollment after SSA added the block to the beneficiaries' records. However, SSA was proactive in taking action to prevent similar errors from occurring in the future.

Beneficiaries we interviewed who had been victims of identity fraud before SSA added the block on their records were generally satisfied with the block and believed it was effective and worked as intended.

We made no recommendations for corrective action.