



Report Summary

Social Security Administration
Office of the Inspector General

Direct Deposit Changes Initiated by the Social Security Administration's National 800-Number Staff (Limited Distribution) (A-02-12-21272)

Our objective was to determine the effectiveness of controls over direct deposit routing number changes initiated by the Social Security Administration's (SSA) national 800-number staff.

BACKGROUND

SSA encourages beneficiaries to use direct deposit for their benefit payments. SSA uses direct deposit to make 91 percent of Social Security benefits and 76 percent of Supplemental Security Income payments. Because of a Federal regulation, on March 1, 2013, SSA will stop issuing paper checks and require that all beneficiaries receive their payments through direct deposit. Because of this new requirement, SSA expects the volume of direct deposit-related requests from beneficiaries to increase.

In October 2011, we began tracking allegations that indicated individuals other than the beneficiaries or their representatives had redirected benefit payments away from the beneficiaries' bank accounts to accounts the individuals controlled. As of June 6, 2012, we had received over 13,000 reports concerning direct deposit changes to an SSA beneficiary's record. Some of these allegations, which were from various sources, could date back further than 18 months. These reports involved either an unauthorized change or a suspected attempt to make an unauthorized change. In May 2012, we received approximately 45 new allegations per calendar day from various sources.

Staff members who answer calls to SSA's national 800-number can process requests to begin, change, or cancel direct deposit payments. To reduce the possibility of fraudulent changes, SSA issued specific guidance in August 2011 to assist staff handling requests for direct deposit enrollments and changes and reports of an unauthorized direct deposit change. In November 2011, SSA revised its policy for verifying the identities of individuals who request to establish, change, or cancel direct deposit payments. In addition, SSA issued reminders to its staff on how to properly process requests to change direct deposit information, especially if the related record in SSA's systems had notations indicating the beneficiary's direct deposit information was previously changed fraudulently.

To determine the effectiveness of SSA's controls over changes to direct deposit information initiated by 800-number staff, we reviewed SSA's policies and procedures on direct deposit changes as well as the systems used to make the changes. We identified 3,386 records with a direct deposit change to a Social Security account that was initiated by 800-number staff in September or October 2011, followed by a report of a non-receipt of payment, and another direct deposit change for the same beneficiary before the end of December 2011. From this population, we selected a focused sample of 35 beneficiaries with whom to speak about the direct deposit changes in SSA's records.

RESULTS OF REVIEW

The controls over direct deposit routing number changes initiated by SSA's national 800-number staff were not fully effective. Recent investigations by our Office of Investigations and the interviews we completed with 33 beneficiaries for this audit confirmed that there were unauthorized changes to records, and SSA's control environment did not prevent them. SSA primarily relies on its staff to verify the identity of callers before changing a beneficiary's direct deposit information. Instructions for how to process requests to change direct deposit information were not always current or complete.

We identified a sample of 35 beneficiaries who had multiple changes to their direct deposit routing numbers in SSA's records and who reported that they did not receive a benefit payment around the time SSA changed the routing numbers. We interviewed the beneficiaries to determine whether they had authorized the changes to their direct deposit information, and if not, how someone may have gained the personally identifiable information needed to pose as them when calling SSA's 800-number.

We were able to locate and speak with 33 of the 35 beneficiaries. Of the 33 we spoke with, 5 reported they had authorized the direct deposit changes, and 28 reported they did not authorize them. The five beneficiaries who authorized the changes reported they had requested direct deposit changes, but their direct deposit routing numbers were incorrectly entered. When we asked the 28 beneficiaries who did not authorize the changes how someone might have gained their private information, they gave the following possible methods:

- 19 reported they were told they had won a lottery, but they needed to provide some private information before receiving their prize;
- 4 said they provided their private information to someone reporting to be an official from a bank, government agency, or cellular telephone company;
- 3 reported their wallets or credit cards had been lost or stolen; and
- 2 reported they were unsure how someone might have acquired their private information.

The 28 beneficiaries who told us they did not authorize the direct deposit changes reported to SSA that they did not receive 42 direct deposit payments, totaling \$45,376, between September 1 and December 31, 2011. SSA reimbursed \$30,851 of the \$45,376 the beneficiaries reported they did not receive. SSA replaced all the missing payments for 16 of the beneficiaries. The remaining beneficiaries had not been fully reimbursed and were due \$14,525.

CONCLUSION

Our interviews with a sample of beneficiaries demonstrated that their benefit payments were directed away from their bank accounts without their knowledge by individuals calling the 800-number. With SSA moving toward all beneficiaries receiving their Social Security payments through direct deposit, the number of beneficiaries whose payments are vulnerable to this type of fraud is increasing.

To prevent fraudulent changes in the future, we made six recommendations to SSA. SSA agreed with four of our six recommendations.

This report contains restricted information for official use. Distribution is limited to authorized officials.