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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**THE SOCIAL SECURITY ADMINISTRATION'S  
INFORMING BENEFICIARIES OF DOMESTIC  
ELECTRONIC BANKING OPTIONS**

**November 2010**

**A-15-09-19075**

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**EVALUATION  
REPORT**

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## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, 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**

**We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.**



## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** November 30, 2010 **Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** The Social Security Administration's Informing Beneficiaries of Domestic Electronic Banking Options (A-15-09-19075)

### **OBJECTIVE**

Our objective was to determine whether the Social Security Administration (SSA) informed beneficiaries of all their domestic electronic banking services options.

### **BACKGROUND**

In April 1996, Congress passed the *Debt Collection Improvement Act* (DCIA),<sup>1</sup> which requires that Federal payments, subject to certain exceptions, be made electronically as of January 1999.<sup>2</sup> The use of Electronic Funds Transfer (EFT) provides a more secure, reliable, and cost-effective method of payment than paper checks. For example, the Government spends \$1.03 to issue a paper check whereas it only costs \$.105 to issue an EFT.

As of November 2009, approximately 60 million beneficiaries were receiving Old-Age, Survivors and Disability Insurance (OASDI)<sup>3</sup> and/or Supplemental Security Income (SSI)<sup>4</sup> benefit payments. Of these beneficiaries, approximately 9.6 million (16 percent) received their payments in the form of paper checks.

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<sup>1</sup> Pub. L. No. 104-134, Title III, Chapter 10, § 31001, 110 STAT. 1321-358 to 1321-380.

<sup>2</sup> Pub. L. No. 104-134, supra at § 31001(x), 110 STAT. 1321-376, codified at 31 U.S.C. § 3332(f).

<sup>3</sup> The OASDI program, established under Title II of the *Social Security Act* (Act), § 201 *et seq.*, 42 U.S.C. § 401 *et seq.* provides benefits to wage earners and their families in the event the wage earner retires, becomes disabled, or dies. OASDI benefits are paid from the Social Security OASDI Trust Funds.

<sup>4</sup> The SSI program, established under Title XVI of the Act, § 1601 *et seq.* 42 U.S.C. § 1381 *et seq.* provides benefits to financially needy individuals who are aged, blind, and/or disabled. SSI payments are financed from general tax revenues.

The use of direct deposit and other electronic banking services provides many benefits to users, including (1) better protection against identity theft and fraud, (2) easier access to funds during emergencies and natural disasters, and (3) more control over their money.

This report focuses on domestic banking in the United States, American Samoa, Guam, the Northern Marianna Islands, Puerto Rico, and the Virgin Islands. We understand the three electronic transfer methods described in this report may not be available in all foreign countries.<sup>5</sup> For beneficiaries living outside the areas mentioned above, additional information on available transfer methods can be obtained from the respective U.S. Embassy or Consulate.

According to SSA, the Department of the Treasury (Treasury) supports the delivery of Federal benefit payments through three electronic transfer methods (listed in order of preference): (1) Direct Deposit Payments, (2) Direct Express® debit card, and (3) Electronic Transfer Account (ETA).

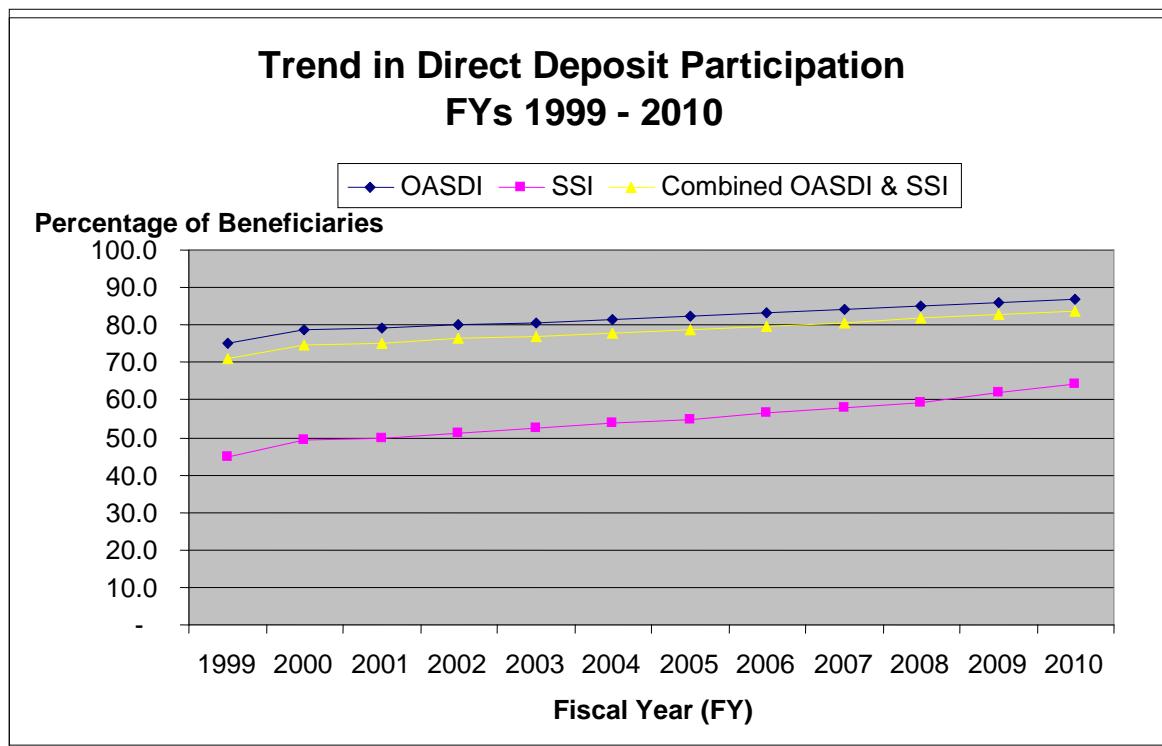
### **Direct Deposit Payments**

Since 1985, SSA has participated in Direct Deposit Payments. Before Congress passed the DCIA in April 1996, SSA electronically deposited 53.5 percent of the total number of OASDI and SSI payments in Fiscal Year (FY) 1995. In FY 1999, Treasury, on behalf of SSA, electronically deposited 71 percent of the combined OASDI and SSI benefit payments. Each year since FY 1999, SSA has increased its reliance on direct deposit as a method for issuing payments. As of November 2009, Treasury, on behalf of SSA, electronically deposited 83.8 percent of the combined OASDI and SSI benefit payments. A breakdown of direct deposit use by program shows that approximately 45 million (86 percent) OASDI beneficiaries electronically deposited their payments, whereas the total for SSI payments was approximately 5 million beneficiaries (64 percent).<sup>6</sup>

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<sup>5</sup> ETA is not available outside the United States and its territories.

<sup>6</sup> According to SSA, all types of bank accounts are included in the percentage statistics for direct deposit, including the ETA and Direct Express® debit card accounts.



While there are many benefits of using an existing bank account for direct deposit, including protection from lost or stolen benefit checks, many banks charge high fees. According to a September 2009 study conducted by Bankrate.com,<sup>7</sup> average automated teller machine (ATM) surcharges in 2009 were \$2.22, while the average fee to use the ATM that belonged to another bank was \$1.32; therefore, if a customer used another bank's ATM, the average surcharge would be \$3.54. One large bank announced in November 2009 that it would be charging its checking account customers \$7.50 per month unless they maintain a \$1,500 minimum balance. High account fees can contribute to financial hardships for those beneficiaries who depend on their monthly Social Security benefit as their main or only source of income. As stated in SSA's FY 2009 Performance and Accountability Report, among elderly Social Security beneficiaries, 20 percent of married couples and 41 percent of unmarried individuals rely on Social Security for 90 percent or more of their income.

#### **Direct Express® Debit Card**

The Direct Express® debit card is a prepaid debit card recommended by Treasury that is made available to Social Security beneficiaries and SSI recipients through Comerica Bank, as Treasury's financial agent. The debit card can be used 24 hours per day, 7 days per week to get cash at an ATM and at banks and make purchases at retail locations that honor MasterCard.

<sup>7</sup> "2009 Checking Study," September 30, 2009, Bankrate.com  
<http://www.bankrate.com/finance/checking/2009-checking-study.aspx>.

The Direct Express® debit card began as a pilot project. On December 27, 2006, Treasury mailed a letter and brochure to 35,000 OASDI and SSI paper check recipients residing in the Chicago area and rural areas of southern Illinois to determine whether paper check recipients would be interested in signing up to receive their monthly payment via a Direct Express® card.<sup>8</sup> Treasury selected its financial agent, JP Morgan Chase, as the financial institution to participate and oversee the pilot debit card.

On January 4, 2008, Treasury announced the selection of Comerica Bank to replace JP Morgan Chase as the operating bank for the Direct Express® card program. The program with Comerica Bank began in April 2008 and went nationwide in June 2008. Individuals enrolled in the Direct Express® card program before April 1, 2008 (the pilot project) were given the options of (1) signing up for a new Direct Express® card by calling a toll-free number or visiting [www.USDirectExpress.com](http://www.USDirectExpress.com); (2) signing up for direct deposit to their personal checking or savings account; or (3) signing up for a different card from their JP Morgan Chase account. JP Morgan Chase continues to operate the Direct Express® card program for approximately 3,000 accounts where cardholders never left the program after several letters offering them options.

In April 2008, OASDI and SSI recipients outside the pilot group began receiving informative inserts with their paper benefit checks introducing the Direct Express® card. Enrollment for the Direct Express® debit card was no longer limited to the pilot group. Individuals from any State who inquired about the debit card could also enroll in the debit card program.

As of November 2009, Treasury reported that 803,321 OASDI and SSI recipients had signed up for the Direct Express® debit card. We were not able to independently verify the number of beneficiaries enrolled in Direct Express® as reported by Treasury. However, based on our analysis of data from 1 segment of SSA beneficiaries, we estimate that approximately 343,342 (43 percent) of the 803,321 recipients were OASDI beneficiaries, and approximately 459,979 (57 percent) were SSI recipients. Please refer to Table 1 for our estimated distribution of the number of OASDI and SSI beneficiaries.

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<sup>8</sup> The Direct Express® card allows individuals who do not have a bank account to access their funds with a debit card. Unlike most checking and savings accounts, the Direct Express card allows beneficiaries to perform most of their banking services free of service charges. There are fees for a limited number of optional transactions and services, most of which are at minimal cost to the beneficiary.

Table 1: Number of SSA Beneficiaries by Payment Method as of November 2009

	<u>Direct Express®</u>	<u>Direct Deposit</u> <sup>9</sup>	<u>Paper Checks</u>	<u>Total</u>
<b>OASDI</b>	343,342	44,875,905	6,879,914	52,099,161
<b>Percentage</b>	0.66%	86.14%	13.20%	100.00%
<b>SSI</b>	459,979	4,542,644	2,769,321	7,771,944
<b>Percentage</b>	5.92%	58.45%	35.63%	100.00%
<b>Total</b>	803,321	49,418,549	9,649,235	59,871,105
<b>Percentage</b>	1.34%	82.54%	16.12%	100.00%

The Direct Express® debit card provides the same safety benefits as using an existing bank account for direct deposit. Although the beneficiary cannot write checks, the debit card can be used to purchase everyday necessities and pay bills. Comerica Bank does not charge a sign-up fee or a monthly account fee for debit card users. Many of the program's services are provided free of charge, while other service fees range from \$.50 to \$1.50 each.

## ETA

In September 1999, Treasury introduced ETA, which is a low-cost, direct deposit option for beneficiaries who either do not have a bank account or do not wish to use their own bank account for direct deposit of benefit payments. Individuals who receive a Federal benefit, wage, salary, or retirement payment (including OASDI and SSI) may be eligible to open an ETA regardless of whether they have an existing account at a financial institution. An ETA is not a checking account, and there are no required minimum balances unless required by law. Participants receive a monthly statement that lists all deposits and withdrawals. In December 2008, Treasury reported on its Website that the ETA costs approximately \$3.00 or less per month. Financial institutions enroll with Treasury to participate in this program. Many small area banks and a few large national banks participate in this program.<sup>10</sup> As of February 2009, the top 10 participating financial institutions<sup>11</sup> were as follows.

1. Banco Popular de Puerto Rico
2. J.P. Morgan Chase Bank
3. U.S. Bank

<sup>9</sup> According to SSA, beneficiaries who use ETAs are included in the direct deposit numbers outlined below.

<sup>10</sup> The ETA is available at nearly 400 banking institutions located throughout the United States, Puerto Rico, the Virgin Islands, and the Pacific Territories. These ETA providers offer more than 11,000 branch locations nationwide. ETA is not available internationally.

<sup>11</sup> "Electronic Transfer Account Reports & Statistics," January 11, 2010, Financial Management Service <http://www.fms.treas.gov/eta/reports.html>.

4. Union Bank of California
5. Doral Bank
6. Fifth Third Bank
7. UMB Bank
8. Ponce De Leon Bank
9. Banco Santander
10. Liberty Bank & Trust

Treasury provides an 800-number and Website<sup>12</sup> for beneficiaries to determine whether there is a financial institution offering ETA service near the beneficiary's residence. As of February 2009, there were 106,570 reported active ETAs nationwide.<sup>13</sup>

To determine whether SSA was informing beneficiaries of all domestic electronic banking services options, we reviewed

1. SSA's Program Operations Manual System (POMS),
2. interviews during the FY 2009 financial statement audit<sup>14</sup> field office visits,
3. data from SSA's payment systems, and
4. information obtained from the "Direct Express® Cardholder Survey" conducted by the Treasury from March through May 2009.

## RESULTS OF REVIEW

We determined SSA was consistently informing beneficiaries of the direct deposit payment option. However, we found that SSA was not consistently informing beneficiaries of the Direct Express® debit card. Specifically, we found SSA's (1) Direct Express® Publication<sup>15</sup> did not make the debit card available to every applicant; (2) field offices were inconsistently informing new applicants about the Direct Express® debit card; and (3) Online Retirement Application (iClaim) did not offer the Direct Express® debit card to any individual applying for retirement benefits online. In contrast, we found that the majority of beneficiaries using the Direct Express® debit card were satisfied with the program. During our review, we also determined that SSA did not inform beneficiaries about ETAs.

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<sup>12</sup> <http://eta-find.gov/searchzip.cfm>.

<sup>13</sup> The 106,570 reported active ETAs nationwide included all accounts that receive direct deposit of Federal funds including Federal wages and salaries, Social Security, SSI, Black Lung, Railroad Retirement Board Retirement and Annuity, Department of Veterans Affairs, Compensation Pension and Educational Benefits, Thrift Savings distributions, and any retirement payments made by the Office of Personnel Management or any other Federal agency.

<sup>14</sup> *Social Security Administration's Fiscal Year 2009 Financial Statement Audit (A-15-09-19124)*, November 2009.

<sup>15</sup> Publication No. 05-10073 "Get Your Payment Through the Direct Express® Card," September 2008.

## **SSA Publication Did Not Make the Direct Express® Debit Card Available to Every Applicant**

SSA Publication No. 05-10073<sup>16</sup> states, "If you already have an account with a financial institution, ask us about Direct Deposit. Direct Deposit is the easy, convenient way for your benefits to go automatically into your account." Also, this publication states, "If you don't have a bank account and you wait anxiously every month for the mail carrier to deliver your check from Social Security, the Direct Express® card is for you." Even though an applicant may already have his or her own bank account, given the opportunity, he or she may choose to use a Direct Express® debit card to eliminate the risk for an improper garnishment and/or reduce banking fees associated with a bank account.

In a July 2008 report,<sup>17</sup> we determined whether financial institutions (FI) were deducting service fees and garnishments from beneficiaries' direct deposit, personal accounts. We determined that 25 sampled FIs garnished \$30,379,490 associated with 7,852,408 beneficiaries. Assuming all Social Security beneficiaries and FIs in the United States exhibit similar characteristics, we estimate about \$177.7 million in total garnishments for the population of 45.9 million direct deposit beneficiaries in the United States (as of February 2008). In addition, some in the banking industry expect banks that rely heavily on overdraft fees to reintroduce monthly maintenance fees on checking accounts for most customers. If customers keep a high balance, they may not incur the new fees; otherwise, their banks may require them to pay a \$5 to \$10 monthly fee to maintain a checking account.<sup>18</sup> These fees tend to fall disproportionately on low-income or elderly customers who can least afford them.

We believe SSA missed the opportunity to allow all applicants and existing beneficiaries the option to use the Direct Express® debit card.

## **Field Offices Were Inconsistently Informing Applicants**

During the FY 2009 financial statement audit, we observed 74 initial claims interviews in 14 field offices in SSA's Atlanta, Dallas, and Kansas City Regions. In 26 (35 percent) of the interviews, the claims representative asked the beneficiary whether they were interested in using the Direct Express® debit card. For the remaining 48 interviews (65 percent), the claims representative did not ask the beneficiary whether they were interested in using the Direct Express® program. In accordance with POMS, in 31 (65 percent) of these 48 interviews, the claims representative did not offer the Direct Express® program because the beneficiary chose to use an existing bank account for direct deposit. In the remaining 17 interviews, the claims representative did not offer the

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<sup>16</sup> Id.

<sup>17</sup> *Congressional Response Report: Financial Institutions Deducting Fees and Garnishments from Social Security Benefits* (A-15-08-28031), July 2008.

<sup>18</sup> Associated Press, *Say goodbye to traditional free checking*, October 19, 2010. The Wall Street Journal, *The New Bank Fees: How to Fight Back*, June 19, 2010.

applicant Direct Express® when he or she indicated he or she did not have a personal bank account available for direct deposit. Table 2 provides a summary of the results from our observations of claims interviews.

Table 2: FY 2009 Financial Statement Audit Claims Interview Results

	<b># of Claimants</b>	<b>Percentage</b>
<b><u>Yes, Direct Express® was offered:</u></b>		
<b>Number of Claimants Offered Direct Express®</b>	<b>26</b>	<b>35.14%</b>
<b><u>No, Direct Express® was not offered:</u></b>		
<b>Number of Claimants Not Offered Direct Express®</b>	<b>48</b>	<b>64.86%</b>
Claimants not offered because already had an existing bank account for direct deposit	31	41.89%
Remainder of claimants not offered Direct Express®	<b>17</b>	<b>22.97%</b>
<b>Number of Claimants Observed</b>	<b>74</b>	<b>100.00%</b>

POMS guidance indicates that Direct Express® should be offered to an applicant if they fail to provide information for direct deposit into an existing account. Based on the results of our field office observations, we determined field offices employees were not consistently informing applicants of the Direct Express® debit card option, as required.

### **The Online Retirement Application Lacked the Option to Enroll in Direct Express®**

We reviewed SSA's online retirement application (iClaim)<sup>19</sup> and determined the program did not offer Direct Express® to individuals applying for retirement benefits online. There was an option in the application for the applicant to indicate he or she did not have a bank account available for direct deposit; however, applicants who selected this option were not offered the option of enrolling for the Direct Express® debit card. Applicants who did not provide bank account information during the application process and who did not require follow-up adjudication would receive their benefit payments in the form of paper checks. Based on our review of iClaim, we determined that SSA was neither informing its online applicants about nor giving them the opportunity to enroll in the Direct Express® debit card.

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<sup>19</sup> iClaim is SSA's online tool that allows individuals the opportunity to complete and electronically sign an online application for benefits.

### **Majority of Users Were Satisfied with the Direct Express® Debit Card**

In a July 21, 2009 press release, Treasury announced it had conducted a telephone survey of a random sample of 614 Direct Express® debit cardholders from March through May 2009.<sup>20</sup> The survey found that 95 percent of surveyed cardholders were satisfied with the debit card. Further, 67 percent of the cardholders surveyed cited convenience as why they were most satisfied with the card.

Regarding the fees charged by the Direct Express® program for certain transactions, 74 percent of cardholders said the fees were about the same or less than what they paid in bank fees before switching to the card. Of the cardholders who cited higher bank fees than what they had paid in the past, 9 of 10 were satisfied with the card, and 8 of 10 would recommend the card to a friend or family member. The survey also stated that 14 percent of cardholders applied for Direct Express® when they applied for SSA benefits.<sup>21</sup>

### **ETAs Were Not Offered to Beneficiaries**

Because of the limited number of program participants, we only examined SSA's ETA policy for informing beneficiaries. The ETA banking option is not included on the applicant interview screen as a part of the initial claims interview process. SSA's policy states, "If individuals call with questions about ETA, you may assist them by accessing the ETA website at <http://www.eta-find.gov>. The ETA website provides basic consumer information about the ETA program and allows you to search for ETA providers by financial institution name or geographic location. After a beneficiary has chosen an FI [participating Financial Institution] and opened an ETA account, direct deposit can be initiated using normal direct deposit procedures."<sup>22</sup>

Since a beneficiary must open an ETA by visiting a participating FI, SSA claims representatives are not able to assist them in enrolling in the program. Because applicants are apparently not informed about ETAs during the initial application process, it is likely that few SSA beneficiaries are aware that this program exists. Per SSA, ETAs are not universally available to all applicants. There is emphasis by Treasury for SSA to offer Direct Express® over ETAs to individuals who do not have their own bank account since there is a lack of consumer interest in ETAs due to their limited availability, the inability to write checks, and a difficult enrollment process.

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<sup>20</sup> Direct Express® Research Summary conducted by KRC Research, released June 2009.

<sup>21</sup> Guidance for enrolling claimants in the Direct Express® debit card was released to field offices in September 2008 under POMS, GN 02402.007 Direct Express®.

<sup>22</sup> POMS, TC 16001.075 Electronic Transfer Account.

## CONCLUSION AND RECOMMENDATIONS

Overall, SSA had not consistently informed its beneficiaries about the Direct Express® electronic banking option. Also, beneficiaries are not informed about ETAs during the application process. Treasury provided the following comment to our draft audit report, “our position is that SSA offer direct deposit to those beneficiaries with bank accounts, as the first and preferred electronic payment option. The Direct Express® debit card and ETA accounts are targeted more to those individuals who do not have bank accounts.” Since Treasury emphasizes applicants using their own bank account for direct deposit before they are offered Direct Express®, most applicants will not be informed of the alternate banking options. Therefore, we recommend that SSA:

1. Update SSA Publication Number 05-10073, *Get Your Payment Through the Direct Express Card®*, to allow all applicants and existing beneficiaries the option of selecting Direct Express.
2. Ensure recipients of Social Security benefit payments are informed of the three electronic banking options.
3. Update iClaim to include the option of applying for Direct Express® in the application.

## AGENCY COMMENTS AND OIG RESPONSE

SSA disagreed with Recommendation 1 and agreed with Recommendations 2 and 3. With regard to Recommendation 1, SSA stated that the Agency worked with Treasury to develop Direct Express® for beneficiaries who do not have bank accounts. SSA does not discourage others who may select this banking option but maintains that direct deposit is the better choice for beneficiaries with bank accounts. The full text of SSA’s comments can be found in Appendix C.

Although the Agency disagreed with our first recommendation, we continue to believe that all individuals receiving benefit payments should be educated about all available banking options so they can make the best decision for their circumstances.

In response to SSA’s comments, we do not agree that information on bank fees is speculative or anecdotal. There have been several recent articles on banks increasing revenue by charging more and higher fees for example, “...nearly \$1.5 million a month in fees by charging California welfare recipients to withdraw their benefits using ATMs and debit cards.”<sup>23</sup> Further, several banks have established or increased monthly service fees in the past year. For example, starting in February 2010, Citibank assessed a monthly service fee of \$7.50 on customers’ balances that averaged less than \$1,500 during the month. Similarly, Bank of America also raised its monthly fee on

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<sup>23</sup> Chronicle Sacramento Bureau, *Welfare recipients pay banks millions in fees*, October 15, 2010.

its checking accounts from \$5.95 to \$8.95 in June 2009. Wells Fargo also charges its customers between \$5 and \$15 in monthly service fees.

## OTHER MATTERS

In the June 17, 2010 Federal Register, Treasury proposed making most Social Security and other Federal benefit payments by direct deposit by 2013. Americans who file claims for benefit payments on or after March 1, 2011 will receive them by direct deposit or be enrolled in the Government's Direct Express® debit card program if they do not provide bank account information. Beneficiaries who file claims before this date will have to switch to direct deposit or the debit card by March 1, 2013. This plan should save taxpayers about \$400 million in processing, postage, and paper costs for Federal benefit payments in the first 5 years. SSA will need to assist recipients of Social Security payments in transitioning to electronic banking by educating individuals on the differences of each banking option.

In September 2010, Treasury announced that it will launch a new pilot program to help capitalize on tax refund season as an opportunity to provide unbanked and underbanked Americans with access to safe, low-cost financial accounts. This pilot will deliver targeted offers to certain low- and moderate-income individuals to sign up for new accounts with debit card access at tax time to receive their refunds through direct deposit. It will also test offering accounts that can be used year-round to deposit other sources of income, store money safely, make purchases, pay bills, withdraw cash, and build savings. This pilot will build on the President's continuing efforts to assist the unbanked and underbanked, as well as empower Americans to make informed financial decisions. While this pilot relates to Internal Revenue Service refund recipients, it demonstrates the initiative to help low- and moderate-income Americans obtain access to safe and appropriate financial services and products.

In addition to providing a draft of this report to SSA for comment, we provided a copy to Treasury for comment. During its review of our report, Treasury provided the following information, after our evaluation.

In August 2010, Treasury sponsored Direct Express® research conducted by an independent firm, KRC Research. The firm conducted 15-minute telephone surveys of a random sample of 600 Social Security check recipients and 600 adults soon to retire and be eligible for Social Security. The results of the survey demonstrated that those surveyed trust SSA to provide them information; however, 4 in 10 new unbanked SSA recipients said they did not sign up for the Direct Express® card initially because they did not know it was available or know enough about the program.



Patrick P. O'Carroll, Jr.

# **Appendices**

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[\*\*APPENDIX A\*\*](#) – Acronyms

[\*\*APPENDIX B\*\*](#) – Scope and Methodology

[\*\*APPENDIX C\*\*](#) – Agency Comments

[\*\*APPENDIX D\*\*](#) – OIG Contacts and Staff Acknowledgments

## **Appendix A**

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### **Acronyms**

Act	<i>Social Security Act</i>
ATM	Automated Teller Machine
DCIA	<i>Debt Collection Improvement Act</i>
EFT	Electronic Funds Transfer
ETA	Electronic Transfer Account
FI	Financial Institution
FY	Fiscal Year
iClaim	Online Retirement Application
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
SSA	Social Security Administration
SSI	Supplemental Security Income
Treasury	Department of the Treasury
U.S.C.	United States Code

### **Scope and Methodology**

Our objective was to determine whether the Social Security Administration (SSA) was informing beneficiaries of all domestic electronic banking services options. Specifically, we reviewed (1) SSA's Program Operations Manual System (POMS), (2) claimant interviews during the Fiscal Year (FY) 2009 financial statement audit field office visits, (3) data from segment 11 of the Master Beneficiary Record and Payment History Update System, and (4) information obtained from a survey conducted by the Department of the Treasury (Treasury) entitled "Direct Express Cardholder Survey," which was conducted from March through May 2009.

To accomplish our objective, we:

- Reviewed applicable Federal laws and regulations and SSA's POMS.
- Observed SSA field office staff during initial claims interviews between April and June 2009 as a part of the FY 2009 financial statement audit, to determine whether they were informing beneficiaries of the Direct Express banking option.
- Obtained and analyzed statistical data from Treasury and SSA for the number of beneficiaries enrolled in the three electronic banking options.
- Obtained and analyzed the Treasury telephone survey results for cardholder satisfaction with the Direct Express debit card.

We determined that the computerized data used during our review were sufficiently reliable given our evaluation objective, and the intended use of the data should not lead to incorrect or unintentional conclusions.

We performed our evaluation at SSA Headquarters from March through May 2010 in Baltimore, Maryland. The entity reviewed was the Office of Budget, Finance and Management. In addition, during the FY 2009 financial statement audit, we observed interviews during our site office visits at five field offices in the Atlanta Region, five field offices in the Dallas Region, and four field offices in the Kansas City Region. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspections*.

## **Appendix C**

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### **Agency Comments**



## SOCIAL SECURITY

### MEMORANDUM

Date: October 8, 2010

Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.  
Inspector General

From: James A. Winn /s/  
Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "The Social Security Administration Informing Beneficiaries of Domestic Electronic Banking Options" (A-15-09-19075)--  
INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. Please direct staff inquiries to  
Rebecca Tohero, Acting Director, Audit Management and Liaison Staff, at (410) 966-6975.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “THE SOCIAL SECURITY ADMINISTRATION INFORMING BENEFICIARIES OF DOMESTIC ELECTRONIC BANKING OPTIONS”**  
**(A-15-09-19075)**

Thank you for the opportunity to review the subject report. We offer the following comments.

**SUBSTANTIVE COMMENTS**

We do not agree with your observation that someone selecting Direct Express would necessarily avoid banking fees. Financial institutions may impose fees with both direct deposit and Direct Express. It is speculative to state, “some in the banking industry expect banks … to reintroduce monthly maintenance fees” and “there is a good chance their bank will soon ask them to pay \$5 to \$10 per month for the privilege of keeping a checking account.” Your evidence is anecdotal and does not support your implication that beneficiaries would necessarily be disadvantaged by selecting direct deposit over Direct Express.

**On page 7, 1<sup>st</sup> paragraph, 4<sup>th</sup> sentence, you state in part:**

“Even though an applicant may already have his or her own bank account, given the opportunity, he or she may choose to use a Direct Express debit card to eliminate the risk for an improper garnishment and/or reduce banking fees associated with a bank account.”

Pending regulatory actions will likely mitigate your concerns about garnishment of benefits. On April 19, 2010, the Department of Treasury issued a proposed rule (Federal Register/Vol. 75, No. 74, 20299) titled “Garnishment of Accounts Containing Federal Benefit Payments.” The rule would “implement statutory restrictions on the garnishment of Federal benefit payments” and “establish procedures that financial institutions must follow when a garnishment order is received for an account …”

**COMMENTS ON RECOMMENDATIONS**

**Recommendation 1**

“Update SSA Publication No. 05-10073, *Get Your Payment Through the Direct Express Card*, to allow all applicants and existing beneficiaries the option of selecting Direct Express.”

**Comment**

We disagree and do not plan to revise the publication. We worked with Treasury and developed it specifically for beneficiaries who do not have bank accounts. We offer Direct Express as an option for those beneficiaries, but we do not prevent or discourage others who may select that option. We maintain that direct deposit is the better choice for beneficiaries with bank accounts. Reasons include: they are already familiar with their financial institutions; it is easier for them to enroll; and they are able to write checks – a service not offered with Direct Express.

## **Recommendation 2**

“Ensure recipients of Social Security benefit payments are informed of the three electronic banking options.”

### **Comment**

We agree. We currently provide information about the three banking options on our website [www.socialsecurity.gov](http://www.socialsecurity.gov). In addition, Treasury regularly informs the public about electronic payment options when it sends out checks; and for all new beneficiaries, we provide a publication explaining all three options. As a reminder, and in anticipation of the upcoming direct deposit mandate, we will provide information on all electronic payment options to field offices prior to the end of the calendar year.

## **Recommendation 3**

“Update the Online Retirement Application (iClaim) to include the option of applying for Direct Express in the application.”

### **Comment**

We agree. We are adding the option for Direct Express to the Online Retirement Application (iClaim). We expect to implement this in fiscal year 2011.

## ***Appendix D***

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# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Victoria Vetter, Director, Financial Audit Division

Mark Meehan, Audit Manager, Financial Audit Division

### ***Acknowledgments***

In addition to those named above:

Lori Lee, Auditor

Florence Wolford, Auditor

For additional copies of this report, please visit our Website at  
[www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-15-09-19075.

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## **Overview of the Office of the Inspector General**

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

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OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

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