

Summary of Controls over Direct Deposit Changes Initiated in Field Offices

A-06-12-22101



January 2013

Objective

Our objective was to determine the effectiveness of controls over direct deposit account changes initiated in Social Security Administration (SSA) field offices.

Background

SSA encourages beneficiaries to use direct deposit for their benefit payments. The Department of the Treasury issues about 94 percent of Social Security benefit payments and 83 percent of Supplemental Security Income payments via direct deposit. Pursuant to recent changes in Federal regulation, beginning March 1, 2013, most beneficiaries will be required to receive their payments through direct deposit rather than paper checks. Because of this new requirement, SSA expects the volume of direct deposit-related requests from beneficiaries to increase.

SSA beneficiaries have a variety of ways to initiate a direct deposit change. Beneficiaries can request changes by calling or visiting an SSA field office, by calling SSA's 800-number, through SSA's Internet and automated 800-number applications, or through their financial institution (auto-enrollment). Beneficiaries can also receive their monthly payments via Direct Express.

To reduce fraudulent changes, in November 2011, SSA revised its policy for verifying the identities of callers who request to establish, change, or cancel direct deposit payments. In addition, SSA issued reminders to its staff on how to properly process callers' 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.

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 August 27, 2012, we had received over 18,000 reports concerning an unauthorized change or a suspected attempt to make an unauthorized change to an SSA beneficiary's record.

For this review, we identified 2,190 instances where a beneficiary's payment record reflected a direct deposit change initiated in a field office in September or October 2011, followed by a report of a non-receipt of payment, followed by another direct deposit change before December 31, 2011. We selected a focused sample of 30 beneficiaries to discuss the direct deposit change activity on their records. We interviewed 27 of the 30 sampled beneficiaries.

Our Findings

Controls over direct deposit account changes were not fully effective and did not prevent field office staff from processing direct deposit account changes requested by someone other than the beneficiary or his/her authorized representative.

All 27 beneficiaries we interviewed indicated that someone redirected their benefit payments without their knowledge or approval. In each of these cases, SSA annotated its records to reflect the fraudulent activity. Once SSA recorded fraud-related warnings on the beneficiaries' payment records, there were no additional instances where the beneficiaries' funds were redirected based on direct deposit changes made by field office staff members. However, several beneficiaries were subsequently the victims of additional benefit diversion through unauthorized bank account changes made outside a field office (for example, auto-enrollment).

Agency officials informed us that SSA developed an application that will help prevent future fraudulent direct deposit/Direct Express auto-enrollments from updating to a beneficiary's record. With the application, beneficiaries can elect to prevent future automated enrollment changes from updating SSA payment records as an added safeguard against potentially unwanted direct deposit changes. In November 2012, SSA issued an emergency message providing implementing instructions to its field offices.

Based on our interviews, we also determined that SSA inappropriately classified some of the diverted payments as overpayments and established and/or initiated collection of \$22,597 in overpayments from 10 beneficiaries.

Our Conclusion

SSA's controls over direct deposit account changes did not always prevent field office staff from processing direct deposit account changes requested by someone other than the beneficiary or his/her authorized representative. Also, based on our beneficiary interviews, SSA improperly classified some of the diverted payments as overpayments and established and/or initiated collection action against 10 sampled beneficiaries.

We recommended that SSA strengthen identity verification procedures when beneficiaries call an SSA field office to request direct deposit account changes, and reevaluate the overpayments established against 10 beneficiaries who stated they were victims of identity theft. SSA agreed with our recommendations.

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