

Non-receipt of Social Security Benefits Due to Unauthorized Direct Deposit Changes

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Office of Audit Report Summary

Objective

To quantify the cost of replacing missing Social Security benefit payments due to unauthorized direct deposit changes.

Background

Beginning March 1, 2013, most beneficiaries are required to receive their payments through direct deposit rather than paper checks. Because of this new requirement, the Social Security Administration (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 May 2013, we had received over 36,000 reports concerning an unauthorized change or a suspected attempt to make an unauthorized change to a beneficiary's direct deposit information in SSA's records.

Congressional staff requested that we determine the cost of replacing missing Social Security benefit payments due to unauthorized direct deposit changes and whether beneficiaries who had their payments misdirected received the payments they were due.

Our Findings

We identified 23,192 beneficiaries who had multiple changes to their direct deposit information and who reported that they did not receive 25,728 Social Security payments, totaling \$28.3 million, between September 2, 2011 and June 11, 2012. SSA sent replacement payments to many beneficiaries, but not all of them had their missing payment replaced. In total, SSA sent replacement payments totaling \$17.4 million to 13,380 individuals.

When SSA issues a replacement payment, it also initiates a teletrace request with the Department of the Treasury to determine the status of the initial non-received payment. In cases that involve unauthorized changes to direct deposit information, the Department of the Treasury often determines that the new financial account that received the initial payment was in the beneficiary's name because fraudsters used the beneficiary's identity to establish the bank account they control. Since the payment was deposited into an account under the beneficiary's name, the Department of the Treasury does not return a credit to SSA, and SSA establishes an overpayment on the beneficiary's record.

SSA charged 2,452 of the beneficiaries who received replacement payments with overpayments totaling \$3 million.

Our Recommendations

1. Provide beneficiaries replacement payments for missed payments due to unauthorized changes to their direct deposit information.
2. Implement a consistent policy to refund overpayments collected from beneficiaries for replacement payments received after unauthorized changes to their direct deposit information.
3. Ensure beneficiaries with outstanding overpayments for replacement payments after unauthorized changes to their direct deposit information are not held liable for repaying them.

The Agency disagreed with Recommendation 1 and 2, and agreed with Recommendation 3.