
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**CONTROLS OVER CHANGES
MADE TO DIRECT DEPOSIT
ROUTING NUMBERS**

March 2010

A-02-08-28052

AUDIT REPORT



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.

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SOCIAL SECURITY

MEMORANDUM

Date: March 26, 2010

Refer To:

To: The Commissioner

From: Inspector General

Subject: Controls over Changes Made to Direct Deposit Routing Numbers (A-02-08-28052)

OBJECTIVE

Our objective was to determine the effectiveness of the Social Security Administration's (SSA) controls over multiple direct deposit routing number changes made to the same beneficiary's account in a short period of time.

BACKGROUND

The *Debt Collection Improvement Act of 1996*¹ requires that certain Federal payments be processed by electronic fund transfers (direct deposit). This requirement applies to Title II benefit payments SSA makes to its beneficiaries. In addition, benefit payments that are direct deposited into a beneficiary's bank account are a cost-effective and secure method of disbursing Social Security payments to beneficiaries both within and outside the United States. Accordingly, SSA encourages beneficiaries to use direct deposit for their benefit payments. As of October 2009, approximately 87 percent of all Title II payments were made through direct deposit.

When beneficiaries who have their benefits direct deposited change bank accounts, they can call or visit a field office or call the 800-number to request that their payments be deposited into their new bank accounts. In the past, a small number of SSA employees redirected beneficiary payments to their own bank accounts. To help prevent such instances of fraud, SSA put controls in place to detect certain changes made to beneficiaries' bank account information.

To meet our audit objective, we obtained a data extract from 1 segment of SSA's Payment History Update System (PHUS)² and identified 4,453 Title II beneficiaries with 3 or more changes made to their direct deposit account and routing numbers in

¹ Pub. L. No. 104-134, Title III, Rescissions and Offsets, Chapter 10, Debt Collection Improvements § 31001(x)(1); *see also* 31 U.S.C. § 3332.

² One segment of the PHUS represents 5 percent of the total population.

Calendar Year 2007. From this population, we selected a sample of 172 records for further review. Specifically, we selected all 22 records with 9 or more bank-related changes, 50 records with 5 to 8 changes, and 100 records with 3 or 4 changes. We provided SSA with our results to obtain additional information needed to complete our review. Additional details on our scope and methodology are found in Appendix B.

RESULTS OF REVIEW

While SSA had a control in place to detect when one or more beneficiaries' payments were diverted via direct deposit into the same bank account, it did not have a control to detect, or alert SSA staff of, multiple direct deposit routing number changes made for the same beneficiary over a short period of time. All 172 records we reviewed had multiple direct deposit account and routing number changes made within a 3-month period.

SSA was able to contact 130 of the 172 beneficiaries in our sample. Of the 130 beneficiaries contacted, 29 (22 percent) made reports of non-receipt of their benefit payments when these changes were made. While the combination of multiple routing number changes and non-receipt reports suggests a problem in delivering benefit payments to some beneficiaries, fraud did not appear to be involved with the changes made to any of the beneficiaries' bank information.³ Through the results of SSA contacts and our analysis of the beneficiaries' records, we were able to rule out the possibility of fraud as the cause of the bank information changes for these cases.

SSA was unable to contact 29 of the 172 beneficiaries to determine whether they were aware of the bank account information changes made to their accounts and ensure they were receiving their benefit payments.⁴ Accordingly, we could not determine whether changes made to the bank information for these 29 beneficiaries were proper.

DIRECT DEPOSIT ROUTING NUMBER CHANGES

As part of our review, we requested that SSA contact the 172 beneficiaries in our sample to determine whether they were aware that multiple changes had been made to the bank information used for their benefit payments. SSA was able to contact 130 of the 172 beneficiaries. Based on SSA's contact with these beneficiaries, we do not believe that fraud was a factor in the direct deposit changes. While fraud did not appear to be an issue, 29 of 130 beneficiaries contacted had made non-receipt claims at the time multiple changes were made to their bank information.

³ In reviewing one case, an SSA employee concluded that fraud may have been involved. The suspected fraud was related to the beneficiary's report of non-receipt of paper checks before the beneficiary began receiving direct deposited payments.

⁴ In addition to these 29 beneficiaries, SSA was unable to contact 12 of the 172 beneficiaries because they were deceased and 1 because he was incarcerated.

Routing Number Changes and Non-Receipt of Payment Reports

While fraud did not appear to be a factor, some beneficiaries had problems receiving benefit payments. Of the 130 beneficiaries SSA was able to contact, 29 made non-receipt of payment claims at the time multiple changes to their bank information were made. In fact, seven beneficiaries made multiple non-receipt reports—with one beneficiary making eight non-receipt reports.

Once SSA staff receives a non-receipt claim, it takes certain steps to verify the validity of the claim.⁵ For example, staff checks the PHUS to determine whether the payment was issued. If the payment was not issued, staff determines why and takes necessary action. If the payment was issued, staff may also verify with the beneficiary that the direct deposit routing and account numbers are correct. If both numbers are correct, staff inquires whether the beneficiary contacted his or her bank to confirm it did not receive the funds in the beneficiary's account.

If the payment was issued, SSA staff records the non-receipt in its system. Per SSA's Program Operations Manual System (POMS), input of a non-receipt of a direct deposit would not result in an overpayment because, unlike paper checks, another payment is not automatically issued. The Department of the Treasury (Treasury) places a trace on the payment to determine whether the correct bank received it and, if so, what that bank did with the payment. In most cases, payments made to incorrect banks or bank accounts are returned to SSA.

Replacement Payments

While another payment is not automatically issued as a result of a non-receipt report for a direct deposit, SSA can issue a replacement payment to a beneficiary before Treasury completes its investigation if the beneficiary alleges dire need. In this situation, SSA staff can issue an immediate payment for up to \$999 and use the Critical Payment System (CPS) for any balance due.

Five of the 29 beneficiaries who made a non-receipt claim were overpaid because they received 2 payments when only 1 was due. Four of the five beneficiaries had actually received the payments they claimed were missing. Since they received these payments, they were not eligible for the replacement payments they received, which caused the overpayments. While the fifth beneficiary did not receive the payment he claimed was missing, he received two replacement payments—one more than he was eligible to receive. Two of these five beneficiaries were receiving their benefits by direct deposit at the time they made the non-receipt claims that resulted in overpayments. The other three beneficiaries did not have direct deposit at the time of the non-receipt reports that resulted in overpayments. They had reported a non-receipt of a paper benefit check. The total overpayment for these cases was \$6,005, though SSA was able to collect \$1,411 from one of the beneficiaries.

⁵ For a list of the steps SSA takes when a non-receipt claim is received see SSA, POMS GN 02406.007D and E.

STATUS OF 29 BENEFICIARIES NOT CONTACTED BY SSA

We were unable to determine whether the beneficiaries SSA did not contact were alive and receiving their benefit payments when multiple changes were made to their direct deposit account and routing numbers. We determined that 25 of the 29 beneficiaries were in current pay status at the time of our audit. Of the four not in pay status, SSA suspended one beneficiary's payments for failing to respond to its contact attempts and terminated two other beneficiaries' payments before its attempts to make contact.⁶ The fourth beneficiary had passed away. The 25 beneficiaries who were still receiving benefits were collecting a combined monthly benefit of \$22,957 at the time of our audit. These results were generated from one segment of the PHUS. When applied to the population, the estimated total monthly benefit amount is about \$11.8 million for 13,380 individuals whom SSA did not contact. When estimated over a 12-month period, SSA will pay these individuals over \$141 million.

There is a risk that these beneficiaries' payments were unknowingly diverted by a third party through direct deposit account and routing number changes. There is an additional risk that these beneficiaries were deceased and a third party took control of their benefit payments. Accounts with a higher number of changes to their bank information within 1 year may indicate that some changes are being made by someone other than the beneficiaries. For example, a third party could attempt to reroute a benefit payment multiple times, as a beneficiary attempts to reroute the payments back to his account each time, raising the total number of changes made to the account. Also, older beneficiaries may be at greater risk of unknowingly having their benefit payments redirected. For example, older beneficiaries may be less able to care for their own finances because of the increased likelihood of the onset of dementia or Alzheimer's disease. Medical statistics state that up to 50 percent of individuals over age 85 may suffer from dementia or Alzheimer's disease. Lastly, some methods used to change a routing number may pose a higher risk if a third party is involved. For example, it may be easier for a third party to initiate a change by calling SSA's 800-number or using the Internet than visiting a field office where face-to-face contact with SSA staff would occur.

Risk Factors Related to the 29 Beneficiaries

We reviewed the 29 beneficiaries to determine whether some may be at a higher risk of having their benefit payments diverted from their bank accounts. Three of the 29 beneficiaries were age 80 or older; and 6 were age 70 or older. A breakdown of the ages of the beneficiaries follows.

⁶ One beneficiary's payments were terminated because of cessation of his disability, and the other beneficiary's payments were terminated because he attained age 18.

Age Group	Number of Beneficiaries
85 years or older	1
80 to 84 years	2
75 to 79 years	1
70 to 74 years	2
65 to 69 years	4
60 to 64 years	4
Under 60 years	15
Total	29

In total, the 29 beneficiaries had 125 changes made to their direct deposit account and routing numbers over a 3-month period. Two of the 29 beneficiaries had 10 or more changes made to their bank information in a short period of time. Eight of the 29 beneficiaries had 5 or 6 changes to their bank information, and 19 beneficiaries had 3 or 4 changes. Seven of 29 beneficiaries reported they did not receive a payment when multiple changes were being made to their bank account information.

In addition to the changes made in 2007, 17 of the 29 beneficiaries had 38 changes to their bank information after our review period. One of these individuals had 14 such changes. Only one of these beneficiaries made a report of non-receipt of his benefit payment when these later changes were made.

Of the 125 changes made in 2007, 70 were made through a call to SSA's 800-number, and 12 were made through the Internet—2 methods that do not involve face-to-face contact with an SSA employee. A breakdown of the methods used to initiate the routing number changes is included in the following table.

Method of Change	Number of Changes
SSA's 800-number	70
Initiated by a financial institution	24
Field office visit	19
Internet	12
Total	125

Without contact with the 29 beneficiaries or their representative payees, we could not determine whether they were receiving their benefit payments or a third party had inappropriately diverted their payments. We believe the inability to contact these beneficiaries, number of changes made to a beneficiary's routing number, beneficiary's age, and method used to initiate a change can affect the level of risk related to the appropriateness of a routing number change. Also, a combination of these factors can indicate a higher level of risk. For example, 1 of the 29 beneficiaries was an 80-year-old beneficiary who had 5 changes to his bank account information in a short period of time—all initiated through the Internet.

Lastly, while frequent direct deposit changes could indicate that an individual needs assistance in handling funds, only 2 of the 29 beneficiaries had a representative payee at the time of our review. They had representative payees because they were under 18 years of age.

PREVIOUS RECOMMENDATION ON NON-RECEIPT CLAIMS OF DIRECT DEPOSITED BENEFIT PAYMENTS

A regional Center for Security and Integrity staff previously recommended changes to the sections in SSA's POMS that address how to handle allegations of non-receipt of payment for beneficiaries with direct deposited benefit payments. Specifically, the regional team recommended in August 2006 that SSA staff who review such cases should be alert that some complaints of unauthorized changes to direct deposit information could be the result of fraudulent diversion of payments. The change was suggested because of a case that involved fraudulent diversions of Title II benefit payments from a legitimate direct deposit bank account to one controlled by an individual unknown to the beneficiaries. Per the regional staff, the suggested changes to the POMS were well received by SSA Headquarters staff, but they have not been implemented.

PERSONAL IDENTIFICATION NUMBER ANALYSIS

Each SSA employee with access to the Agency's electronic records has a personal identification number (PIN). An employee who makes a change to a beneficiary's direct deposit routing number has to enter his or her PIN to complete the transaction. SSA's systems retain the employees' PINs for such transactions.

To determine whether any SSA employees were involved in multiple routing number changes to the cases in our sample, we reviewed the PINs involved with the routing number changes for the 172 beneficiaries. We did not find any questionable trends. Most of the employees reviewed only made one routing number change. Only 61 employees were responsible for more than 1 direct deposit account and routing number change: 55 made 2 routing number changes; 5 made 3 such changes; and 1 made 4. However, many of the employees who made more than one direct deposit account and routing number change only made one change per beneficiary.

CONCLUSION AND RECOMMENDATIONS

SSA's automated controls over bank account routing number changes do not detect or alert SSA staff of multiple bank information changes made to the same beneficiary's account over a short period of time. All 172 beneficiaries we reviewed had multiple direct deposit account and routing number changes made within a 3-month period. SSA was able to contact 130 of these beneficiaries. Through the results of those contacts and our analysis of the beneficiaries' records, we were able to rule out the possibility of fraud as the cause of the bank information changes. However, SSA was unable to contact 29 of the 172 beneficiaries to determine whether they were aware of

the bank information changes made. Of these 29 beneficiaries, 25 were still being issued payments. Accordingly, we could not determine whether changes made to the direct deposit account and routing numbers for these 25 beneficiaries were proper.

Accordingly, we recommend that SSA:

1. Contact the 25 beneficiaries who were not located and are still receiving benefit payments to determine whether they authorized the changes made to their routing numbers and whether they should continue to receive their benefits. For the beneficiaries who cannot be contacted, SSA should suspend and/or terminate their benefit payments.
2. After concluding the status of the 25 beneficiaries, determine whether an automated control alerting SSA staff of multiple direct deposit routing number changes made to the same beneficiary's account in a short period of time would assist in identifying unauthorized changes to a beneficiary's direct deposit information.
3. Modify POMS to alert its employees that allegations of non-receipt for directly deposited benefit payments and unauthorized changes of direct deposit routing numbers could possibly be the result of fraud and, if fraud is suspected, referrals to the Office of the Inspector General, Office of Investigations, should occur.

AGENCY COMMENTS

The Agency agreed with our recommendations. See Appendix D for the full text of the Agency's comments.



Patrick P. O'Carroll, Jr.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Sampling Methodology and Results

[APPENDIX D](#) – Agency Comments

[APPENDIX E](#) – OIG Contacts and Staff Acknowledgments

Acronyms

BOAN	Beneficiary's Own Account Number
CPS	Critical Payment System
OIG	Office of the Inspector General
PHUS	Payment History Update System
PIN	Personal Identification Number
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSN	Social Security Number
Treasury	Department of the Treasury
U.S.C.	United States Code

Scope and Methodology

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and other relevant legislation, as well as the Social Security Administration's (SSA) regulations, rules, policies and procedures.
- Obtained a data file of 26,869 Title II records from 1 segment of SSA's Payment History Update System¹ with 2 or more bank changes to the beneficiaries' information in Calendar Year 2007. The records were identified by the beneficiary's own account number (BOAN) and were sorted by the number of changes to their respective bank account information. From this population, we identified 4,453 Title II beneficiaries with 3 or more bank changes in Calendar Year 2007. We ensured the changes were direct deposit changes and directly related to changes under the BOAN.
- Selected a sample of 172 records. Specifically, we selected all records from the population with 9 or more bank-related changes—22 records total. We also selected 50 random records with 5 to 8 changes and 100 random records with 3 or 4 changes.
- Interviewed personnel from the Center for Security and Integrity to determine whether any Social Security numbers (SSN) in our data matched any of their misdirected payments on Teletrace.² Of the 172 cases in our review, only 5 matched SSNs in the Teletrace database. None of the matches resulted in fraudulent activity. There were a total of seven Teletraces included for five SSNs because one SSN produced three Teletrace reports.
- Requested assistance from SSA to obtain necessary information to complete our review, which included SSA staff attempting to contact the beneficiaries in our sample to discuss their knowledge of the transactions on their records. SSA conducted telephone interviews with 130 of the 172 claimants. SSA was unable to contact 13 of the 172 beneficiaries because they were deceased or incarcerated. SSA was unable to contact the remaining 29 beneficiaries.

¹ One segment of the Payment History Update System represents 5 percent of the total population.

² Teletrace is a database used by the Department of the Treasury to generate a monthly report of all misdirected payments.

- Completed additional analysis of the 29 beneficiaries SSA was unable to contact. We reviewed the beneficiaries' demographics and benefit payment histories to determine whether they were at risk of having their benefit payments redirected because of an unauthorized change to their bank routing numbers. We determined the beneficiaries who were in current pay status were receiving monthly benefits totaling \$22,957. We assumed our findings from this segment would be representative of the other 19 segments. Therefore, for the sample group with 9 or more bank related changes, we multiplied the findings of our dollar value by 20 for an overall estimate to the entire population. Regarding the sample group with five to eight changes, we employed a straight-line estimate to the segment population since there were few cases that fell into this category. We then computed an overall estimate to the entire population of 20 segments. To project a dollar value of monthly benefits for the sample group with three or four changes, we made projections through the use of our statistical software RAT-STATS. Our projections for the segment we reviewed were then estimated to all 20 segments.

We conducted our audit in the New York Audit Division between September 2008 and October 2009. A significant portion of this time was because of the time SSA took to contact the 172 beneficiaries. We provided SSA with the list of beneficiaries to contact in September 2008. However, SSA did not send its final response on its contacts with the beneficiaries to us until September 2009.

We found the data used for this audit were sufficiently reliable to meet our objective. The entities audited were SSA's field offices and teleservice centers under the Deputy Commissioner for Operations. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sampling Methodology and Results

We obtained a data file of 26,869 Title II records from 1 segment of SSA’s Payment History Update System (PHUS) with 2 or more bank changes to the beneficiaries’ information in Calendar Year 2007. From this population, we identified 4,453 Title II beneficiaries with 3 or more bank changes in Calendar Year 2007. From this data file, we selected a sample of 172 records. Specifically, we selected all records from the population with 9 or more bank related changes—22 records total. We also selected 50 random records with 5 to 8 changes and 100 random records with 3 or 4 changes.

As part of our review, we asked SSA to contact the 172 beneficiaries. SSA was unable to contact 25 of the beneficiaries in our sample who were in current pay status to ensure they were receiving their benefits. We determined these beneficiaries were receiving monthly benefits totaling \$22,957, which were at risk. The total monthly benefit amount received by the beneficiaries as of October 2009 for each of the three samples is included in Table C-1.

Table C-1 – Sample Results

Sample Group	Sample Size	Population Size	Number of Non-Contacted Beneficiaries from Each Sample	Monthly Benefit Amount
9 or more changes	22	22	2	\$2,387
5 to 8 changes	50	289	8	\$7,448
3 to 4 changes	100	4,142	15	\$13,122
Total	172	4,453	25	\$22,957

Since beneficiaries were reviewed from a sample from one segment of the PHUS, we developed an estimate of beneficiaries, and corresponding monthly payments at risk, to the one segment for individuals with five to eight changes and a projection to the segment for individuals with three or four changes. As previously mentioned, we reviewed all 22 individuals in the segment with 9 or more changes. We also developed estimates for the entire PHUS based on our analysis of the one segment.

Using a straight-line estimation methodology, we estimate that 46 beneficiaries with 5 to 8 changes were at risk in the segment under review. The 8 individuals in our sample had an average monthly benefit amount of \$931; therefore, we estimate \$42,826 in monthly benefits were at risk for the estimated 46 individuals in the segment under review. For the entire PHUS (all 20 segments), we estimate \$856,520 in monthly benefits for approximately 920 beneficiaries were at risk.

For beneficiaries with three or four changes, the following projection was developed.

Table C-2 – Projected Results for Sample of Beneficiaries with 3 or 4 Changes

Description	Number of Individuals	Monthly Benefit Amount
Sample Results	15	\$13,122
Point Estimate	621	\$543,513
Projection-Lower Limit	395	\$293,736
Projection-Upper Limit	914	\$793,291

Note: All statistical projections are at a 90-percent confidence level.

The results discussed above are for one segment of the PHUS. For all 20 segments of the PHUS, we estimate approximately 12,420 beneficiaries with 3 or 4 changes had \$10,870,260 in monthly benefits at risk.

Please see Table C-3 for the total estimated number of beneficiaries at risk and Table C-4 for the total estimated monthly benefit amount at risk.

**Table C-3 - Total Estimated Number of Beneficiaries at Risk
(for all 20 segments of the PHUS)**

Sample Group	Number of At-Risk Beneficiaries in One Segment	Number of At-Risk Beneficiaries in 20 Segments
9 or more changes	2	40
5 to 8 changes	46	920
3 to 4 changes	621	12,420
Total	669	13,380

**Table C-4 - Total Estimated Amount of Monthly Benefit Payments at Risk
(for all 20 segments of the PHUS)**

Sample Group	Amount of At-Risk Monthly Benefit Payments in One Segment	Amount of At-Risk Monthly Benefit Payments in 20 Segments
9 or more changes	\$2,387	\$47,740
5 to 8 changes	\$42,826	\$856,520
3 to 4 changes	\$543,513	\$10,870,260
Total	\$588,726	\$11,774,520

In total, 13,380 beneficiaries who receive \$11,774,520 in monthly benefits are at risk. If SSA does not contact these individuals to determine whether they or their authorized representative payees are still receiving and benefiting from their monthly benefit payments, we estimate that an additional \$141,294,240 will be at risk over the next 12 months.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: March 22, 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, "Controls over Changes Made to Direct Deposit Routing Numbers" (A-02-08-28052)--INFORMATION

Thank you for the opportunity to review and comment on the subject draft report. We appreciate OIG's efforts in conducting this review. Attached is our response to the report findings and recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “CONTROLS OVER CHANGES MADE TO DIRECT DEPOSIT ROUTING NUMBERS” (A-02-08-28052)

Below please find our comments to the draft report findings and recommendations.

Recommendation 1

Contact the 25 beneficiaries who were not located and are still receiving benefit payments to determine whether they authorized the changes made to their routing numbers and whether they should continue to receive their benefits. For the beneficiaries who cannot be contacted, SSA should suspend and/or terminate their benefit payments

Comment

We agree. We will contact the 25 beneficiaries who were not located and determine whether the beneficiary authorized the changes made to the routing numbers. We will determine, on an individual basis, whether the beneficiary should continue to receive benefits.

Recommendation 2

After concluding the status of the 25 beneficiaries, determine whether an automated control alerting SSA staff of multiple direct deposit routing number changes made to the same beneficiary’s account in a short period of time would assist in identifying unauthorized changes to a beneficiary’s direct deposit information.

Comment

We agree. After we review the 25 cases, we will determine whether an automated control can assist us in identifying unauthorized changes to a beneficiary’s direct deposit information.

Recommendation 3

Modify POMS to alert its employees that allegations of non-receipt for directly deposited benefit payments and unauthorized changes of direct deposit routing numbers could possibly be the result of fraud and, if fraud is suspected, referrals to the Office of the Inspector General, Office of Investigations should occur.

Comment

We agree. We will incorporate the change in our next Program Operations Manual System update, which we plan to complete by May 28, 2010.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Tim Nee, Director, New York Audit Division

Christine Hauss, Audit Manager

Acknowledgments

In addition to those named above:

Abe Peters, Auditor

Vincent Huang, Program Analyst

Brennan Kraje, Statistician

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