

Good afternoon, everyone. Thank you for being here today as we discuss a very important issue— identity theft related Social Security fraud.

Today's hearing is the third in a series of investigations into fraudulent schemes that target seniors. In March, we examined the Jamaican phone scams. A month later we took on tax refund fraud. Today, we will get into Social Security fraud.

The Social Security Inspector General is here, and he has graciously agreed to bat cleanup for us this afternoon. He will tell us about how fraudsters are able to divert people's hard-earned Social Security benefits from their bank account to their own account or debit card.

Aside from financial cost to taxpayers, the worst thing about stolen Social Security benefits is the human cost. For more than 5.2 million seniors nationwide, and nearly a third in my home state of Florida, Social Security benefits are their only source of income. Without their monthly benefit, many would be unable to pay for basic necessities such as food, rent or medicines.

Today, we will hear from Alexandra Lane of Winter Haven Florida, who spent 50 days in and out of field offices, banks and the police department trying to recover three-months' worth of benefits that identity thieves had redirected into their own account.

We've heard from a number of other victims, as well.

There's Bob Rizzardi, an 87-year-old World War II veteran from Fort Myers, who was been victimized on five separate occasions, most recently in January. Despite SSA finally putting a block on his account, Mr. Rizzardi says he still walks down to his bank with baited breath every month to make sure the money has been deposited as expected.

Some didn't even know they had been victimized.

David Krant of Fort Lauderdale reached out to us with a simple suggestion because he received a notice from SSA telling him he requested his money be put in a bank account. The form was so plainly worded that he had no idea whether it was trying to tell him he had been a victim of fraud or if he had just moved his money to a new bank. The Social Security Administration is here, so we can hear from them about his idea to include on the form the dates of the switch and bank information – basically the kind of details that would actually raise a red flag for victims.

All these fraud victims deserve to be made whole in a timely manner. Yet, time and again, we are told by victims and advocates that unless they walk into a field office and say they are in dire need, they will walk out of that office without their money. SSA says this is not the policy, but from what we consistently hear, this is often the practice.

Ultimately, our goal is to prevent this fraud from happening. And, as we learned from our previous hearings on Jamaican lotto scams and tax refund fraud, we keep hearing about the use of private prepaid debit cards by fraudsters. These cards are ripe for criminals because there is still not enough work being done to authenticate that the people who set up these accounts are the actual Social Security recipients.

Treasury has its own debit card, which is much safer and has lower fees than most of these private cards, so it's curious why these private cards are even allowed to accept federal benefits. We're going to put that question to Treasury.

And we're going to also ask them why the contract for this government preferred Direct Express card has been amended after a competitive bidding process to give the bank running it more money, when they already agreed to do it for less. The Treasury Inspector General is in the midst of an audit on this, so they can't comment on it just yet, but I will: this is not how our government should be conducting business. Something does not add up here, and we are going to get to the bottom of this.

Lastly, no examination into this latest type of fraud would be complete without taking a look at the impact of the switchover from paper to electronic payments for all Social Security recipients. Treasury has run a very aggressive campaign to get people to switch to electronic payments, and the results are evident: almost 97 percent of recipients get paid electronically.

But in the run up to the March 1<sup>st</sup> deadline to switch, the amount of misinformation was staggering. Committee staff contacted the call center and were told on a variety of occasions that benefits would be suspended for people who failed to switch before the deadline.

Seniors were scared and not willing to risk giving up a good chunk of their income, so they switched. There was so much misinformation out there that Treasury had to remind the call center operators that checks would keep coming past the deadline, but this reminder was too late for most because it happened just 10 days before the deadline.

This transition has gone off without a hitch for millions of Americans, and Treasury should be applauded for the work it has done to save the government money. But just because electronic payments work well for many does not mean they are working for all.

First, there's the people who should still be receiving paper checks. People with health conditions. The very old. People who live far away from an ATM. Now, Treasury has allowed for waivers. But try getting one.

You can't find a form online, and even if you could, Treasury only accepts a form that is connected to your account. And although the agency said there's not a requirement for a notary to sign it, it is still on the form, which is very confusing.

So you try to contact a call center, and operators there are under direct orders to only transfer you to a waiver specialist as a last resort. It's no wonder that only a few thousand of these waivers have been granted.

Only 2.5 million people are still receiving paper checks today, yet Treasury remains adamant about targeting these individuals to switch. Given the media blitz, there is likely a very good reason why these people are still resisting electronic payments.

This group contains some of the most vulnerable and least tech savvy of our seniors, and at a certain point, it is hard to understand the value of getting them to switch. This is also a group that is sure to shrink as a percentage of the population as more and more of our seniors become comfortable with electronic banking and technology as a whole.

We have an excellent panel of witnesses today. I thank you all for being here, and look forward to hearing from each of you.