CONGRESSIONAL RESPONSE REPORT

Employer Feedback on the Social Security Administration's Verification Programs

A-03-06-26106

December 2006

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SOCIAL SECURITY

December 14, 2006

The Honorable Jim McCrery
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. McCrery:

I am pleased to provide you with the enclosed report addressing your April 7, 2006 letter, requesting information related to the employee verification programs administered by the Social Security Administration (SSA) and the Department of Homeland Security (DHS). This report contains information related to the experience of employers who have used the Social Security Number Verification Service and the Basic Pilot program.

Thank you for bringing your concerns to my attention. My office is committed to combating fraud, waste, and abuse in SSA's operations and programs. To ensure DHS is aware of the information provided to your office, we are forwarding a copy of this report to the Inspector General for DHS.

If you have any questions or would like to be briefed on this issue, please call me or have your staff contact H. Douglas Cunningham, Assistant Inspector General for Congressional and Intra-Governmental Liaison, at (202) 358-6319.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Enclosure

cc:
Jo Anne B. Barnhart

OBJECTIVE

Our objective is to assess employers' satisfaction with the Social Security Administration's (SSA) verification programs.

BACKGROUND

To assist employers with accurate wage reporting,[1] in June 2005 SSA implemented the Social Security Number Verification Service (SSNVS), which is an on-line program that allows employers to validate the names and Social Security numbers (SSN) of employees.[2] The purpose of SSNVS is to ensure employees' names and SSNs match SSA records prior to the submission of their *Wage and Tax Statements* (Form W-2) to SSA.[3] After applying to use SSNVS, employers can either verify up to 10 names and SSNs (per screen) on-line and receive immediate results or upload batch files of up to 250,000 names and SSNs and usually receive results the next Government business day. SSNVS allows employers to have multiple users registered to use the service on their behalf. As of Calendar Year (CY) 2005, there were approximately 21,000 registered users of SSNVS representing about 19,600 employers. In CY 2005, SSNVS processed over 25.7 million verifications for about 12,000 employers. See Appendix B for more information on SSNVS.

SSA also participates with the Department of Homeland Security (DHS) in the Basic Pilot program, a verification service that validates newly-hired employees' employment-authorization. Participating employers register on-line with DHS to use the automated system. The information the employer submits to DHS is sent to SSA to verify that the SSN, name, and date of birth (DoB) match SSA's records. SSA also provides DHS with U.S. citizenship information, as recorded in SSA records. When SSA records indicate U.S. citizenship and the employee has alleged U.S. citizenship, employment authorization is confirmed. DHS confirms the current employment-authorization for noncitizens. As of Fiscal Year (FY) 2005, there were about 14,000 registered users of the Basic Pilot representing about 8,000 employers. In FY 2005, the Basic Pilot processed about 980,000 verifications for approximately 3,700 employers. See Appendix C for more information on the Basic Pilot.

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[1] The Social Security Act § 205(c)(2)(A), 42 U.S.C. § 405(c)(2)(A), requires SSA to maintain records of wage amounts employers pay to individuals.

[2] SSNVS is one of the services offered by SSA's Business Services Online (BSO). BSO is a suite of Internet services for businesses and employers to exchange information with SSA. For further information, see the BSO homepage at www.socialsecurity.gov/bso/bsowelcome.htm.

[3] While our focus in this report is on-line verification programs, SSA also offers other forms of employee verification. For instance, employers can register for the Agency's Employee Verification Service (EVS) for Registered Employers, which allows employers to submit employee names/SSNs via paper or magnetic media. SSA also allows employers to verify up to 5 names/SSNs via a toll-free number, or submit a paper listing to the local Social Security office to verify up to 50 names/SSNs.

CHARACTERISTICS OF SAMPLE EMPLOYERS

We interviewed program users at 100 employers—50 each from SSNVS and the Basic Pilot—to assess their satisfaction with the 2 programs.[4] We concentrated on those employers that submitted a large volume of verification requests during 2004 and 2005.[5] The 100 employers were in industries such as temporary employment, service, food, retail, and government.[6] See Tables 1 and 2 for a complete listing of the industries.

Social Security Number Verification Service

During CYs 2004 and 2005, the 50 sample SSNVS employers submitted verification requests ranging from about 65,000 to 5.3 million.[7] In total, these employers submitted approximately 18.3 million of the 33 million verification requests, or 55 percent, during the 2-year period. Of the 18.3 million verification requests, about 1.8 million items could not be verified, and the employers received responses such as "SSN is not in file" or "Name does Not Match." Furthermore, the 50 employers had 1 to 12 users registered to use SSNVS on their behalf. We attempted to interview the registered user that submitted the largest volume of verification requests at each of the 50 employers.

Table 1: Verification Statistics for 50 Sample SSNVS Employers
(Calendar Years 2004 and 2005)

Employer Industry	Number of Employers	Total Verifications	Total Verified Items	Total Unverified Items
Service	20	4,052,567	3,838,211	221,144
Retail	10	1,700,919	1,630,653	70,844
Government	7	9,062,335	8,610,926	1,237,385
Temporary Employment	5	2,440,850	2,188,842	257,098
Manufacturing	3	239,551	235,000	5,442
Restaurant	2	245,460	232,928	12,566
Transportation	2	166,019	164,355	2,519
Entertainment	1	369,007	363,913	5,231
Total	**50**	**18,276,708**	**17,264,828**	**1,812,229**

Note: *Total Verifications* do not equal the sum of *Total Verified Items* and *Total Unverified Items* since (a) death indicator responses are treated differently in the batch process versus the online process (only the batch process treats a death indicator as an unverified item) and (b) resubmissions are not included in the *Total Verifications* but are included in the other two totals.

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[4] We contacted two users employed at the same company, one using SSNVS and the other using the Basic Pilot, because the employer submitted a large volume of verification requests under each program.
[5] The verification data for the two programs covered two different periods since SSA captures SSNVS data by CY and DHS captures the Basic Pilot data by FY.
[6] Since the employers were selected based on volume of verifications, our findings in this report may not be representative of all SSNVS and Basic Pilot users.
[7] Prior to June 2005, SSNVS was a pilot that was restricted to a limited number of employers. We found that 8 of the 50 sample employers participated in the pilot.

Basic Pilot Program

During FYs 2004 and 2005, the 50 sample Basic Pilot employers submitted verification requests ranging from about 2,800 to 65,000. As shown in Table 2, these employers submitted approximately 485,000 of the 1.7 million verification requests, or 28 percent, during the 2-year period.[8] Of the 485,000 verification requests submitted by the 50 employers, SSA verified 384,000 individuals, or 79 percent, as authorized to work. SSA provided tentative nonconfirmation responses for about 70,000 individuals, or 15 percent. For these cases, the reported information did not match SSA records due to (1) invalid SSNs, (2) unmatched names and/or DoBs, (3) dates of death on file, or (4) citizenship status could not be confirmed. The remaining 31,000 items (6 percent) were referred to DHS for employment authorization. In these remaining cases, the names and SSNs matched SSA records, but DHS had to verify the noncitizens' current work authorization. Further, the 50 employers had more than one user registered under the Basic Pilot on their behalf. We found the number of registered users ranged from 3 to 2,433.[9] We attempted to interview the registered user that submitted the largest volume of verification requests at each of the 50 employers.

**Table 2: Verification Statistics for 50 Sample Basic Pilot Employers
(Fiscal Years 2004 and 2005)**

Employer Industry	Number of Employers	Total Verification Requests	Total Employment Authorized	Total SSA Tentative Non-Confirmation Responses	Total Referred to DHS
Temporary employment	27	285,045	223,398	45,164	16,483
Food industry	11	127,664	105,966	10,921	10,777
Service	4	14,830	11,327	2,412	1,091
Restaurant	3	29,458	19,809	8,922	727
Hotel	2	11,317	9,783	934	600
Agriculture	1	6,773	5,521	500	752
Construction	1	6,312	5,285	593	434
Government	1	3,452	2,884	368	200
Total	**50**	**484,851**	**383,973**	**69,814**	**31,064**
Percentage		**100%**	**79%**	**15%**	**6%**

Note: *SSA Tentative Nonconfirmation Responses* relate to SSA data only. If an *SSA Tentative Nonconfirmation Response* is later resolved by the employee and the work authorization is still in question, the employee's information is referred to DHS for further verification. We provide more information on the overall verification process in Appendix C. We discussed the employers' responses to SSA and DHS nonconfirmation responses in the body of the report.

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[8] See Appendix C for details on the verification statistics for the Basic Pilot for FYs 2004 and 2005.
[9] The employer with 2,433 registered users is a national temporary employment agency that has offices located throughout the United States.

Overall, a majority of the SSNVS and Basic Pilot users we interviewed rated their satisfaction with the programs as "Excellent," "Very Good," or "Good." In addition, many of the SSNVS employers verified their entire payroll, which SSA encourages to ensure accurate wage reporting. However, we found that approximately 42 percent of the Basic Pilot users we interviewed were not using the program as intended. While the Basic Pilot requires employers to verify the employment authorization of newly-hired employees within 3 days after they are hired, some users indicated their employers conducted the verifications before hiring individuals. Most of the users in our review stated their employers took the appropriate actions when they received unverified responses from SSNVS and nonconfirmation responses from the Basic Pilot, such as notifying affected employees about unverified results and terminating employees when they declined to contest tentative nonconfirmation responses or received final nonconfirmation responses from the Basic Pilot. However, a number of users reported problems in using each of the programs. Finally, at least 40 percent of the users interviewed under each program indicated their employers used multiple programs or services to verify the names and SSNs of their employees.

OVERALL SATISFACTION WITH THE PROGRAM

We found that 92 percent of the SSNVS users and 100 percent of the Basic Pilot users interviewed rated the programs as "Excellent," "Very Good," or "Good." In addition, at least 98 percent of the users from both programs indicated their employers were very likely to continue using the programs.

Social Security Number Verification Service

Of the 50 SSNVS users we interviewed, about 92 percent (46 users) rated the application, verification, and feedback phases of SSNVS as "Excellent," "Very Good," or "Good."[10] The users believed SSNVS was an effective and reliable tool for verifying employees' names and SSNs. For example, one user stated, "SSNVS was easy to use and it met their needs." The remaining 8 percent (4 users) rated the application or verification phases of SSNVS as "Fair." One user representing an employer in the retail industry explained that SSNVS would have been more beneficial to his company if it allowed batch submissions because his company employed over 100,000 employees. This user appeared to be unaware that SSNVS allowed employers to upload files containing up to 250,000 employee names and SSNs at a time for verification.[11]

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[10] These results were similar to those reported in a July 2004 study conducted by SSA's Office of Quality Assurance and Performance Assessment (OQA), now the Office of Quality Performance. In that study, 93 employers rated their experience with SSNVS as "Excellent," "Very Good," or "Good." See OQA, *Findings from the Social Security Number Verification Service (SSNVS) Users Survey-INFORMATION,* July 2004.
[11] The remaining three employers did not indicate why they rated the program as "Fair."

Furthermore, 49 of 50 users indicated they were very likely to continue using SSNVS. Only the user who was unaware that SSNVS accepted batch files indicated his employer might discontinue use of the program. We informed this user that SSA accepted batch files and he stated he would investigate the matter.

Although a majority of the users were satisfied with SSNVS, a few users suggested changes to the program. One user in the retail industry stated his company would like to be informed when a transposed SSN is submitted for verification. According to SSA staff, the Agency decided not to provide corrected SSNs through SSNVS because of the concern with disclosing a valid name/SSN combination on-line.[12]

Another user from a government agency commented that he would like to conduct a mass correction of employee records related to unverified responses received from SSNVS. The user explained his employer had received numerous unverified responses that could not be timely resolved because the employees were located overseas. Due to the location of the employees, they were not able to seek SSA assistance in resolving the unverified responses.[13] The user stated it would be beneficial for his employer to meet with SSA officials so they could develop a process to resolve these types of discrepancies.

Basic Pilot Program

All 50 Basic Pilot users we interviewed rated the application, verification, and feedback phases of the Basic Pilot as "Excellent," "Very Good," or "Good." One user commented the program was "great and it met their needs." While 98 percent (49 users) indicated they would continue using the program, only 1 user indicated his company had decided to stop using the Basic Pilot. The user could not explain why the fast food restaurant had decided to discontinue using the Basic Pilot, and we did not find any evidence that the employer was registered to use other SSA verification programs or services.

Furthermore, one user who had rated the Basic Pilot as "Excellent" indicated that a potential weakness of the Basic Pilot is the failure to detect identity fraud. The user noted that he did not always have assurance the individuals who walked into his office were in fact the individuals issued the employment authorization documents. The user suggested the Basic Pilot program provide employers with additional information, such as prior employment history, to assist employers in verifying that the person in front of them is actually the numberholder and is authorized to work.[14]

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[12] The Agency's Employee Verification Service (EVS) for Registered Users will inform employers, in some cases, when they have provided a transposed SSN by providing them with the correct SSN. Under this program, the Agency runs the Single Select edit process, which generates 89 possible SSNs based on the input SSN and then attempts to match the input data to the database of assigned SSNs. If only one item matches, EVS will provide the employer with the corrected SSN. If more than one item matches, then EVS informs the employer the name and SSN does not match SSA's records.

[13] To resolve the no-match responses, SSA instructs employers to tell their employees to visit a local field office.

[14] Such disclosure of prior employment history under the Basic Pilot would most likely be restricted under the Privacy Act of 1974 (5 U.S.C. § 552a as amended) and Section 6103 of the Internal Revenue Code (26 U.S.C. § 6103), which limit the amount of personal information that can be disclosed.

SSNVS EMPLOYER VERIFICATION PRACTICES

We found 45 of the 50 SSNVS users we interviewed, or 90 percent, indicated that their employers verified the names and SSNs of their entire payroll. About two thirds of these users (30 users) stated their employers conducted the verifications on a weekly, monthly, or quarterly basis.[15] SSA encourages employers to run their entire payroll to improve overall wage reporting. Moreover, by verifying the entire payroll, it allows SSA to properly credit employees' earnings records, which will be important information in calculating their future Social Security benefits. The remaining five users reported that their employers used SSNVS to verify the names and SSNs of new or existing employees, but not both. However, several of these employers used other SSA programs or services for employer verification, as discussed later in the report.

USE OF THE BASIC PILOT PROGRAM

We learned that a significant number of the Basic Pilot employers in our sample verified individuals outside the scope of the signed agreement between the employer, SSA and DHS. The agreement requires that employers use the program to verify the employment authorization of newly-hired employees within 3 days of being hired, but we found that 42 percent of users reported that their employers conducted verifications before hiring individuals, and 30 percent conducted verifications of existing employees.

Potential Pre-Employment Screening of Individuals

According to 21 of the 50 Basic Pilot users, or 42 percent, their employers were conducting verifications before hiring individuals, which is a form of pre-employment screening. The Memorandum of Understanding (MOU) signed by employers, SSA and DHS when the employer agrees to participate in the Basic Pilot program, prohibits employers from using the Basic Pilot as a pre-screening tool. Specifically, it states, "the employer agrees not to use the Basic Pilot procedures for pre-employment screening of job applicants" and "employers are prohibited from initiating verification procedures before the employee has been hired." Seven users from the temporary employment industry and one user from the food industry admitted their companies would not hire individuals when their employment authorization could not be confirmed through the Basic Pilot. A similar finding was reported in a January 2002 Immigration and Naturalization Service (INS) evaluation of the Basic Pilot program.[16] The report noted that some employers were using the Basic Pilot to pre-screen job applicants. The report stated that 28 percent of individuals who had received a tentative nonconfirmation from the Basic Pilot program did not receive a job offer from the employers.

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[15] We did not independently verify these statements.

[16] The January 2002 report, *INS Basic Pilot Evaluation Summary Report,* was prepared by two INS contractors. The objective of the report was to evaluate whether the Basic Pilot was operating as intended and whether it had achieved its intended policy goals. In March 2003, the INS was transitioned to DHS and was renamed the United States Citizenship and Immigration Service.

Verification of Existing Employees

About 30 percent (15 users) of the Basic Pilot users we interviewed admitted they had verified the employment authorization of existing employees. Users in the temporary employment industry stated their companies' policies were to re-verify the employment authorizations of existing employees after a certain period of time (6 months to 2 years). A user in the service industry admitted his company verified the employment authorization of its clients' existing employees as part of background investigations. The MOU prohibits employers from verifying the employment authorization of existing employees. Specifically, it states that "the employers agree not to use the Basic Pilot for re-verification or for employees hired before the date of the MOU is in effect."

We could not determine whether these employers misunderstood the Basic Pilot requirements or just simply ignored the policy. DHS tried to address employers' confusion about the Basic Pilot requirements when they developed a web-based tutorial. As employers register for the Basic Pilot, they must review the tutorial to help them become familiar with the program's policies and procedures. However, to ensure compliance with the Basic Pilot requirements, DHS would need to monitor employers' use of the program.[17] If DHS determines this practice of verifying pre-employment individuals or existing employees should be allowable, DHS may need to seek legislative changes to include this practice.[18]

UNVERIFIED RESPONSES

Many of the users we interviewed stated their employers took appropriate actions when they received unverified responses from SSNVS and nonconfirmation responses from the Basic Pilot. We found 40 of the SSNVS users we interviewed, or 80 percent, indicated they verified unmatched data with employees, compared unmatched data with personnel records, or contacted SSA to resolve the unverified responses as instructed by SSA.[19] Additionally, 43 of the Basic Pilot users we interviewed, or 86 percent, asserted they notified employees about tentative nonconfirmation responses or contacted SSA to resolve tentative nonconfirmation responses.[20] In addition, the majority of the Basic Pilot users stated their employers terminated employees if the

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[17] In our September 2006 *Congressional Response Report: Monitoring the Use of Employee Verification Programs* (A-03-06-36122), we noted that the Basic Pilot program lacked effective monitoring controls. In the report, DHS staff stated that their Agency was planning to increase monitoring efforts over the Basic Pilot program.

[18] Section 403 of the *Illegal Immigration Reform and Immigrant Responsibility Act of 1996*, Pub. Law No. 104-208 as amended, 8 U.S.C. § 1324a note.

[19] The remaining SSNVS users stated their employers followed alternate procedures or did not answer the question. See Appendix E for a full explanation of employer steps under this program.

[20] The remaining Basic Pilot users stated their employers followed alternate procedures or did not answer the question. See Appendix E for a full explanation of employer steps under this program.

employees decided not to contest tentative nonconfirmation responses or if they received final nonconfirmation responses,[21] as is allowed by law.[22] See Appendix E for a full explanation of employer steps under each program.

PROBLEMS ENCOUNTERED WITH THE PROGRAMS

About 14 percent of the SSNVS users and 10 percent of the Basic Pilot users we interviewed reported they experienced minor problems using the two programs.[23] In most of these cases, the users reported that SSA and/or DHS staff were able to resolve their problems.

SSNVS users reported: (1) difficulties uploading response data into the company's system; (2) rejection of data files; and (3) erroneous expiration of passwords. For example, an SSNVS user in the service industry stated that he had received a message from SSNVS that his password would expire in 2 weeks, but in fact the password expired within a couple days. The user notified SSA about the problem and an SSA official informed him that this occurred because of a system glitch. According to the user, SSA immediately provided him with a new password and he was able to access the system.

Basic Pilot users reported: (1) periodic lack of access to the Basic Pilot system; (2) password problems; and (3) lack of a timely system response from DHS. For example, a user in the food processing industry stated that DHS had taken more than 14 days to confirm the work authorization of an employee. The user notified DHS about the delay and the issue was timely resolved.

EMPLOYERS USING OTHER VERIFICATION SERVICES

Many of the users stated their employers used more than one type of program or service to verify employee identity and/or employment authorization. Of the 50 employers using SSNVS, 30 used SSNVS exclusively while the remaining 20 used 1 or more additional verification services (i.e. SSA's EVS for Registered Users, telephone or fax service, and/or third-party providers for employee verification). For example, an SSNVS user at a temporary employment agency located in Oklahoma indicated his company also used EVS for Registered Users, the Basic Pilot, and SSA's telephone service for employee verification. Of the 50 employers using the Basic Pilot, 30 used the Basic Pilot exclusively while the remaining 20 used 1 or more additional verification services. The use of multiple verification services could increase the number of employees subject to verification. Whereas the Basic Pilot is limited to the verification of new hires, SSNVS is able to verify all existing employees.

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[21] We did not independently verify this information.

[22] Section 403 of the *Illegal Immigration Reform and Immigrant Responsibility Act of 1996*, Pub. Law No. 104-208 as amended, 8 U.S.C. § 1324a note.

[23] We were unable to confirm these statements with SSA or DHS, but we plan to provide both agencies with more details on each problem so they can appropriately review and, if necessary, modify their systems.

Conclusion

The vast majority of the users interviewed were very satisfied with the two on-line verification programs. The users stated these two programs were reliable and effective tools to verify employees' identity and employment authorization. Furthermore, 90 percent of the SSNVS users stated their employers verified the entire company payroll, which should ensure improved accuracy of reported wages. Nonetheless, we discovered that a significant number of Basic Pilot employers may not have been using the program in accordance with their agreements. If DHS determines this practice of verifying pre-employment individuals or existing employees should be allowable, DHS may need to seek legislative changes. In addition, most of the users indicated their employers were taking the appropriate actions when they received feedback from either program that an employee's information could not be verified. Finally, we learned that a considerable number of these employers were using multiple programs to conduct employee verifications, which may increase the verification coverage of all employees.

Appendices

Acronyms

BSO	Business Services Online
CY	Calendar Year
DHS	Department of Homeland Security
DoB	Date of Birth
EIF	Employer Identification File
EIN	Employer Identification Number
EVS	Employee Verification Service
FY	Fiscal Year
INS	Immigration and Naturalization Service
MEF	Master Earnings File
MOU	Memorandum of Understanding
NWALIEN	Nonwork Alien
OIG	Office of the Inspector General
PIN	Personal Identification Number
SSA	Social Security Administration
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
U.S.C.	United States Code

Forms

"A" Number	*Alien Registration Number*
I-94 Number	*Arrival/Departure Number*
Form I-551	*Alien Registration Receipt Card*
Form I-9	*Employment Eligibility Verification Form*
Form I-94	*Arrival/Departure Record*
Form SS-5	*Application for a Social Security Number*
Form W-2	*Wage and Tax Statement*
Forms I-766 and I-688B	*Employment Authorization Document*

Social Security Number Verification Service

The Social Security Number Verification Service (SSNVS) is a free, on-line program available to employers and third party submitters to verify employees' names and Social Security numbers (SSN). The purpose of SSNVS is to ensure employees' names and SSNs match the Social Security Administration's (SSA) records prior to the submission of their wage reports to SSA.[1] Employers and third parties must first register on-line at SSA's Business Services Online (BSO) website to use this service. Employers may allow multiple users to register to use SSNVS on their behalf. Following registration, SSA will mail an activation code[2] directly to the company's address shown in SSA's Employer Identification File (EIF).[3] Once the registered employers activate SSNVS using their Personal Identification Number (PIN)[4] and the activation code, they can start submitting verifications. Registered employers can:

- Submit up to 10 employee names and SSNs (per screen) via the on-line SSNVS and receive immediate results; and

- Upload files containing up to 250,000 employee names and SSNs and usually receive verification results the next Government business day. This bulk procedure allows employers to verify an entire payroll database or verify in one submission the names and SSNs of a large number of newly-hired workers.

SSA will return a verification code to the employer for each employee whose information does not match SSA's records. In addition to the verification code, SSA provides a death indicator if the employee's Numident[5] record includes a date of death.[6] Table B-1 provides descriptions for the SSNVS verification codes.

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[1] Prior to June 2, 2005, SSNVS was a pilot that was restricted to a limited number of employers.

[2] The activation code is an alphanumeric code sent by SSA to the employer or registered PIN holder (if self-employed) when access to certain services is requested. This code must be entered on the *Activate Access to BSO Service* web page to enable the employer to access the requested service.

[3] The EIF is an Internal Revenue Service file that contains the Employer Identification Number (EIN) of a business and the employer name and address associated with each EIN.

[4] The PIN is a unique value issued by SSA to the applicant at registration, which must be entered to gain access to SSNVS.

[5] The Numident is a record of identifying information (such as name, date of birth, date of death, mother's maiden name, etc.) provided by the applicant on his or her *Application for a Social Security Number* (Form SS-5) for an original SSN and subsequent applications for replacement SSN cards. Each record is housed in the Numident Master File in SSN order.

[6] In our September 2006 report, *Effectiveness of the Young Children's Earnings Records Reinstatement Process (A-03-05-25009),* we recommended SSA modify SSNVS to detect SSNs for children under age 7 to provide appropriate notice to employers and potentially reduce the number of future Young Children's Earnings Record notices. The Agency agreed to implement this recommendation.

Table B-1: SSNVS Verification Codes Provided to Employers

SSNVS Code	Description of Code
1	SSN not in file (never issued to anyone)
2	Name and date of birth match; gender code does not match
3	Name and gender code match; date of birth does not match
4	Name matches; date of birth and gender code do not match
5	Name does not match; date of birth and gender code not checked
Y	Death indicator

Basic Pilot Program

The Basic Pilot is an ongoing joint initiative between the Social Security Administration (SSA) and the Department of Homeland Security (DHS).[1] The purpose of the Basic Pilot is to assist employers in verifying the employment eligibility of newly-hired employees. The President signed *The Basic Pilot Program Extension and Expansion Act of 2003* (Public Law Number 108-156) into law on December 3, 2003. This law extended the operation of the Basic Pilot for an additional 5 years (to a total of 11 years) and expanded the operation to all 50 States not later than December 1, 2004.

Employers and third parties must register on-line to gain access to the Basic Pilot program. In addition, they must complete and sign a Memorandum of Understanding, which sets forth the points of agreement between SSA, DHS, and the employer regarding the employer's participation in the Basic Pilot. Employers and third parties may have multiple users registered to use the Basic Pilot on their behalf.

As discussed with SSA and DHS staff, the Basic Pilot involves using the information in government databases (SSA databases and, if needed, DHS databases) to determine the employment eligibility of new hires. The Social Security number (SSN) and Alien Registration Number ("A" Number)[2] or I-94 Number (Admission Number)[3] are used for these checks. When verifying a new employee, the employer must complete the DHS-issued *Employment Eligibility Verification Form* (Form I-9) for each employee and then enter elements of this data into the Basic Pilot within 3 days of hiring, including the employee's SSN, name, date of birth (DoB), and whether the new hire indicated he or she was a United States (U.S.) citizen and, if not, the "A" Number or I-94 Number.

The system first checks the information entered against SSA's database to verify the name, SSN, and DoB of newly-hired employees, regardless of citizenship.[4] When the Numident shows the U.S. as the place of birth for the newly-hired employee or a code indicating the number holder is a U.S. citizen and the new hire indicated that he/she is a U.S. citizen, the Basic Pilot confirms employment eligibility. If the Basic Pilot system

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[1] Sections 401 and 404 of the *Illegal Immigration Reform and Immigrant Responsibility Act of 1996*), Pub. Law No. 104-208 as amended, 8 U.S.C. § 1324a note.

[2] The "A" number is the 9-digit number following "A" which is shown on the "green card" or *Permanent Resident Card* (formerly the I-551 *Alien Registration Receipt Card*), the *Employment Authorization Document* (I-766 and I-688B), and on certain other immigration documents and notices. For newly admitted immigrants, the "A" number is shown on the machine-readable immigrant visa affixed to the foreign passport.

[3] The I-94 Number is the 11-digit number located on the *Arrival-Departure Record* (Form I-94). The Form I-94 shows the date the individual arrived in the United States, the "Admitted Until" date, and the date when his or her authorized period of stay expires.

[4] In our December 2006 audit, *Congressional Response Report: Accuracy of the Social Security Administration's Numident File (A-08-06-26100),* we addressed the accuracy of the Numident File. This file is relied on by the Basic Pilot for verification of identity and work authorization.
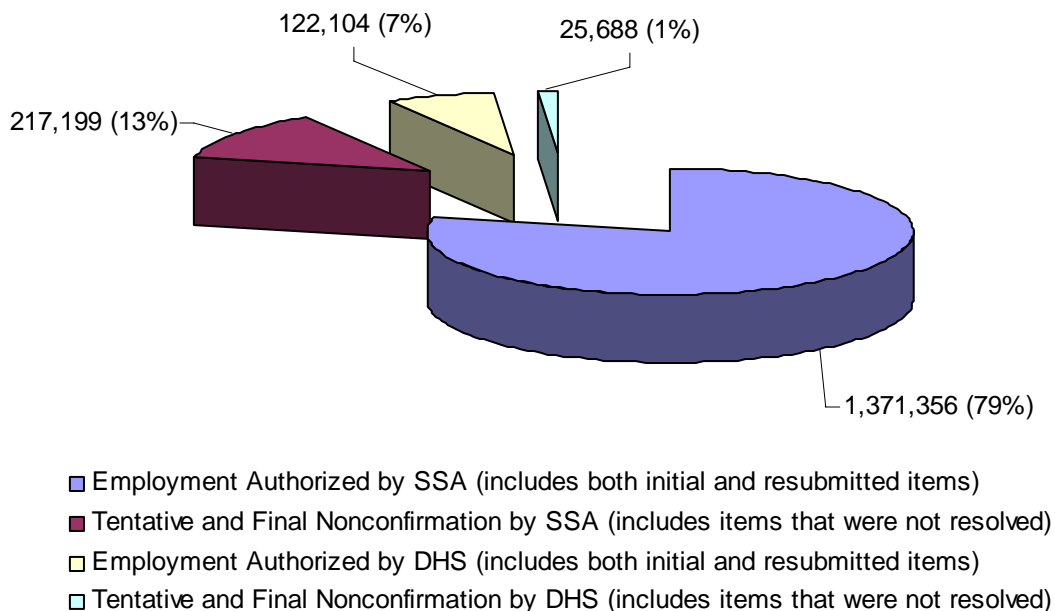
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cannot confirm employment eligibility based on the information in SSA's database or an "A" Number or I-94 Number was entered, the Basic Pilot system checks the data against DHS' database.

The employer will receive notification of "SSA tentative nonconfirmation" of employment eligibility when the SSN, name, or DoB does not match the information in SSA's database or if a death indicator is present. Also, employers will receive an "SSA tentative nonconfirmation" if the new hire indicated he or she was a U.S. citizen and SSA's records did not show that the person was a U.S. citizen. The employer will receive notification of "DHS tentative nonconfirmation" of employment eligibility when DHS' database does not show the newly-hired noncitizen as authorized for employment. In these cases, the employer asks the employee whether he or she wishes to contest the tentative nonconfirmation. If contested, the employee must contact SSA or DHS within 8 Government working days of the notification. After the employee contacts SSA or DHS to correct the record, the employer resubmits the query through the Basic Pilot system. If the system does not confirm employment eligibility after the employer resubmits the query, the employer may terminate the new hire's employment.

Basic Pilot Verification Statistics

The Basic Pilot processed approximately 1.7 million verification requests during Fiscal Years 2004 and 2005. The figure below shows the results of this verification process.

Basic Pilot Verification Statistics for Fiscal Years 2004 and 2005

- 122,104 (7%)
- 25,688 (1%)
- 217,199 (13%)
- 1,371,356 (79%)

- ▪ Employment Authorized by SSA (includes both initial and resubmitted items)
- ▪ Tentative and Final Nonconfirmation by SSA (includes items that were not resolved)
- ▫ Employment Authorized by DHS (includes both initial and resubmitted items)
- ▫ Tentative and Final Nonconfirmation by DHS (includes items that were not resolved)

Scope and Methodology

To accomplish our objective, we:

- Reviewed pertinent sections of the Social Security Administration's (SSA) policies and procedures, as well as, other relevant Federal laws and regulations.

- Reviewed Office of the Inspector General, Government Accountability Office, and Department of Homeland Security (DHS) reports, and other relevant documents.

- Established accounts with the Social Security Number Verification Service (SSNVS) and the Basic Pilot program to gain an understanding of the registration process.

- For SSNVS, we:
  - ✓ Obtained a list of registered employers as of May 2006;
  - ✓ Obtained employer feedback data;
  - ✓ Identified the number of registered employers using the service in Calendar Years (CY) 2004 and 2005; and
  - ✓ Identified the number of verifications submitted in CYs 2004 and 2005.

- For the Basic Pilot program, we:
  - ✓ Obtained a list of registered employers as of July 2006;
  - ✓ Obtained employer feedback data;
  - ✓ Identified the number of registered employers using the service in Fiscal Years (FY) 2004 and 2005; and
  - ✓ Identified the number of verifications submitted in FYs 2004 and 2005.

- For both SSNVS and the Basic Pilot, we selected a sample of 50 employers from each program to assess their satisfaction with the programs. We concentrated on those employers that submitted a large volume of verification requests during 2004 and 2005.

- We obtained the following for the 100 sample employers:
  - ✓ Data extract from SSA's Nonwork Alien (NWALIEN) file for Tax Years (TY) 2003 and 2004;[1]
  - ✓ Data extract from SSA's Earnings Suspense File for TY 2003;[2] and
  - ✓ Data extract of earnings reporting data for TYs 2003 and 2004.

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[1] The NWALIEN file contains wage items for individuals who have worked with a nonwork SSN. SSA issues nonwork SSNs to individuals who lack DHS work authorization, but have valid reasons for the SSNs. SSA sends the NWALIEN file to DHS on an annual basis.

[2] The Earnings Suspense File is a repository of unmatched wage items that could not be posted to individuals' earnings records.

- After reviewing the summary verification results and earnings data associated with each of the 100 employers, we interviewed 100 program users on issues related to their experiences with the application, submission, and feedback processes under the programs. In addition, we asked questions related to (1) the employer component responsible for verification, (2) the type of employee documents reviewed, (3) experiences with resolving unverified employee information, and (4) use of other verification services.

We did not perform a full review of internal controls and data reliability due to the limited scope of our review. The purpose of our review was to assess employers' satisfaction with SSNVS and the Basic Pilot programs. The entities audited were the Office of Earnings, Enumeration and Administrative Systems under the Deputy Commissioner for Systems; the Office of Central Operations under the Deputy Commissioner for Operations; and the Employer Wage Reporting and Relations Staff under the Deputy Commissioner for Budget, Finance, and Management. We conducted the audit between April and November 2006 in Philadelphia, Pennsylvania. We conducted our audit in accordance with generally accepted government auditing standards.

Employer Handling of Unverified Employees

Based on our interviews with Social Security Number Verification Service (SSNVS) and Basic Pilot users, we found that many of the employers appeared to have taken appropriate actions when they received indications of verification problems from SSNVS and the Basic Pilot. We found 40 of the SSNVS users we interviewed indicated when they received the unverified response, they verified the unmatched data with employees, compared the unmatched data with personnel records, or contacted SSA to resolve the unverified responses as outlined in the SSNVS user manual. Additionally, we found 43 Basic Pilot users we interviewed asserted they notified employees about tentative nonconfirmation responses or contacted SSA to help resolve tentative nonconfirmation responses. In addition, as authorized by the Basic Pilot program, at least 26 users admitted their employers terminated employees if the employees decided not to contest the tentative nonconfirmation responses.

SSNVS Unverified Responses

Table E-1 summarizes the actions taken by SSNVS employers, as explained to us by the 50 users, to resolve unverified responses.[1] As shown in the table, 40 employers stated that to resolve unverified responses, they (1) verified the unmatched data with the affected employees, (2) compared the unmatched data with information included in the employer's personnel records, or (3) contacted a SSA field office for assistance. These actions appeared consistent with SSA's guidance to employers on what to do if a SSN fails to verify.[2]

While 12 users indicated their employers did not take any actions against affected employees if the unverified responses could not be resolved, 6 users asserted their company had terminated employees in certain instances. SSA advises employers that an unverified response from SSNVS is not a basis, in and of itself, to take any adverse action against employees, such as termination. Further, SSA cautions employers that if they use unverified responses to take inappropriate adverse actions against workers they may violate State or Federal law.

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[1] We were not able to confirm whether the employers took the actions noted in the table.
[2] The *SSNVS User Handbook* provides employers with the policies and procedures for using the service.

**Table E-1: Actions Taken by SSNVS Employers
for Unverified Responses**

Actions Taken by SSNVS Employers	Number of Responses
Actions taken to resolve unverified responses	
✓ Verified data with employee	37
✓ Referred cases to clients[(1)]	4
✓ Referred to another department for resolution	3
✓ Checked personnel records	2
✓ Contacted SSA	1
Total	**47[(2)]**
Actions taken if unverified responses were not resolved	
✓ No action taken	12
✓ Unknown to user	13
✓ Terminated employee	6
✓ Referred to another department	6
✓ Re-contacted employee	4
✓ Referred case to clients[(1)]	3
✓ Assigned dummy SSN (9s)	1
✓ Resubmitted the data	1
✓ Contacted SSA	1
Total	**47**

Notes: (1) These employers were third party providers that verify their clients' payroll.
(2) Three of the users did not respond to this question.

Basic Pilot Nonconfirmation Responses

Table E-2 summarizes the actions taken by Basic Pilot employers, as explained to us by the 50 users, when they received nonconfirmation responses.[3] Based on their responses, it appeared 42 employers were following the Basic Pilot requirements as they provided employees with the *Tentative Nonconfirmation Notice*, which informs employees of their rights under the program to contest the verification results.[4] Moreover, 26 of the users asserted their employers terminated employees if the employees decided not to contest the tentative nonconfirmation responses.[5] Furthermore, 28 of the users stated their employers terminated employees when they received the final nonconfirmation response from the program. Under the Basic Pilot program, employers can terminate an employee if the employee elects not to contest the tentative nonconfirmation results or if they receive a final nonconfirmation response.[6]

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[3] We were not able to confirm whether the employers took the actions noted in the table.
[4] As outlined in Appendix C, employers must provide employees with the *Tentative Nonconfirmation Notice* so the employees can decide whether they want to contest the verification results.
[5] If an employee decides not to contest a *Tentative Nonconfirmation Notice*, the Basic Pilot system automatically converts the response to a Final Nonconfirmation.
[6] Section 403 of the *Illegal Immigration Reform and Immigrant Responsibility Act of 1996*), Pub. Law No. 104-208 as amended, 8 U.S.C. § 1324a note.

Table E-2: Actions Taken by Basic Pilot Employers
for Nonconfirmation Responses

Action Taken By Basic Pilot Employers	Number of Responses
Action taken for tentative nonconfirmation responses	
✓ Provided referral notice to employee	41
✓ Referred case to clients[1]	2
✓ Provided referral notice to employee and contacted SSA	1
✓ Contacted SSA	1
✓ No action taken	1
Total	**46[2]**
Actions taken if tentative nonconfirmations were not contested	
✓ Terminated employee	26
✓ Resolved case while employee continued to work	1
Total	**27[2]**
Actions taken if final nonconfirmations were received	
✓ Terminated employee	28
✓ Denied employment [3]	8
✓ Referred employee to SSA	2
✓ Documented employee file	1
✓ Referred case to client[1]	1
Total	**40[2]**

Notes: (1) These employers were third party providers that verify their clients' payroll.
(2) The responses did not total 50 because some users did not answer all questions.
(3) We discussed earlier in the report that using the Basic Pilot as a pre-screening tool is prohibited.

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Office of the Chief Counsel to the Inspector General

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

Office of Resource Management

ORM supports OIG by providing information resource management and systems security. ORM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, ORM is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.