



SOCIAL SECURITY

MEMORANDUM

Date: July 3, 2002

Refer To:

To: The Commissioner

From: Inspector General

Subject: Effectiveness of the Social Security Administration's Decentralized Correspondence Process (A-03-01-11034)

Attached is a copy of our final report. Our objective was to evaluate the effectiveness of the Social Security Administration's decentralized correspondence process, in terms of both the number of wage items reinstated under the process and the timeliness of these reinstatements.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in blue ink, appearing to read "James G. Huse, Jr.".

James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**EFFECTIVENESS OF THE SOCIAL
SECURITY ADMINISTRATION'S
DECENTRALIZED CORRESPONDENCE
PROCESS**

July 2002

A-03-01-11034

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.

Executive Summary

OBJECTIVE

Our objective was to evaluate the effectiveness of the Social Security Administration's (SSA) decentralized correspondence (DECOR) process, in terms of both the percentage of wage items reinstated under the process and the timeliness of these reinstatements.

BACKGROUND

Title II of the Social Security Act requires that SSA maintain the reported earnings records of individuals. SSA uses these reported earnings to determine whether an individual is entitled to receive retirement, survivors, disability and health insurance benefits and to calculate benefit payment amounts. The earnings records show the amount of earnings reported by the worker's employer (or the self-employed person) and the periods for which the earnings were reported. However, each year SSA processes millions of earnings items that cannot be posted to wage earners' records because the earnings lack a valid Social Security number (SSN) and/or name. These unmatched records accumulate in SSA's Earnings Suspense File (ESF).

The purpose of the DECOR process is to contact individuals to resolve SSN and/or name discrepancies on reported earnings. The correspondence provides the wage earner with information about the reported name/SSN and wage amount, and requests that the reported information be reviewed, verified or corrected where possible, and returned. While SSA sends most of the DECOR notices to employees, SSA sends a notice to the employer when an employee's address is unavailable.

Returned notices containing a reply are matched against SSA's internal records and the ESF. If the resubmitted name/SSN information matches SSA's records, the wage item is reinstated from the ESF to the earner's record. If the provided information is still invalid, no further correspondence is sent and items remain in the suspense file awaiting additional edit processes.

RESULTS OF REVIEW

While only 9.5 percent of our sample of Tax Year (TY) 1998 suspended wage items were reinstated through all reinstatement processes at the time of our audit, the DECOR process was one of the more effective means for identifying the owners of these suspended wage items. While our audit found that the DECOR process reinstated only 3.5 percent of the suspended items in our sample, it was the third most effective method for reinstating our sample items of SSA's seven primary manual and automated reinstatement processes. SSA data on reinstatement activity indicated that the DECOR process was the second most effective process for reinstating wage items during TYs 1994 through 1998. The overall effectiveness of the DECOR process

increases to 10 percent when based upon reinstated wages in our sample rather than reinstated wage items. Our review also indicated that it can take as long as 1 year to resolve suspended wages through the DECOR process.

We also found that the DECOR process currently overlaps with other validation processes, such as educational correspondence to employers. In addition, the DECOR process fails to follow-up on incomplete returned notices by informing individuals that their earnings issue remains unresolved. As a result, these individuals may erroneously infer that SSA has corrected the problem.

CONCLUSIONS AND RECOMMENDATIONS

SSA could further improve the effectiveness of the DECOR process by minimizing duplication with other validation techniques and following up with the earners on unresolved DECOR responses. If SSA eliminates the DECOR notices going to employers and, instead, utilizes these resources to follow up on incomplete or incorrect responses, the Agency could improve the overall effectiveness of the DECOR process. SSA could also monitor the continued effectiveness of the DECOR process by reviewing the annual DECOR reinstatements in relation to other reinstatement processes.

To improve the effectiveness of the DECOR process, we recommend that SSA:

- Remove employer notices from the DECOR process once the employer educational correspondence process has been fully implemented so employers are informed of all wage items with name/SSN mismatches.
- Improve follow-up on unresolved DECOR responses, such as sending a second notice requesting that individuals visit their local SSA field office to discuss the outstanding earnings issue. This would alert the individual that his or her wages remain in suspense and provide one more avenue for resolution of the suspended earnings.
- Periodically analyze annual reinstatement rates and volumes to assess the overall effectiveness of the DECOR process and its effectiveness in relation to other reinstatement processes. This information should be maintained for management information purposes.

AGENCY COMMENTS

Regarding Recommendation 1, SSA believes a more in-depth analysis should be conducted before the Agency stops sending DECOR notices to employers. Over the past several years, SSA has implemented a number of initiatives to enhance the earnings posting process, and beginning with TY 2001, SSA sent educational correspondence notices to all employers with name/SSN mismatches. SSA will

evaluate this recommendation in conjunction with their ongoing efforts to improve the earnings posting process and expects to make a final decision by the end of this calendar year.

Regarding Recommendation 2, SSA does not believe additional follow-up efforts are warranted at this time. The Agency's opinion is based on its experience with the follow-up efforts related to (1) thousands of letters sent to people whose DECOR responses provided the same information as the original reports and (2) attempts to call a sample of employees who had given telephone numbers on their DECOR responses. SSA considered both projects to be unproductive.

SSA agreed with Recommendation 3, and stated that the Agency should maintain DECOR reinstatement management information.

OFFICE OF THE INSPECTOR GENERAL RESPONSE

While we understand SSA plans to conduct more in-depth analysis of DECOR notices to employers, our recommendation related to these notices is consistent with previous reviews of the DECOR notices as well as SSA's own prior studies. We provide details related to these reviews in the body of the report. In addition, greater name/SSN mismatch reporting under educational correspondence to employers should further reduce the need for separate DECOR mailings to this same group. We look forward to receiving SSA's final decision in this area.

We continue to believe our recommendation related to additional follow-up efforts could assist SSA in resolving suspended wages. Although SSA has previously studied follow-up contacts with wage earners—and noted they were unproductive—it is unclear whether SSA actually determined if the letters led to later field office visits to correct the wage items. Furthermore, although SSA states its telephone calls led to a "small reinstatement rate," the sample was limited to individuals who provided their telephone numbers. We continue to believe a second notice requesting that the individual visit his or her local SSA field office to discuss the earnings issue would alert the individual that the wages remain suspended and provide one more avenue for resolution of the earnings.

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Acronyms

AWR	Annual Wage Reporting
DECOR	Decentralized Correspondence
ESF	Earnings Suspense File
FY	Fiscal Year
IRS	Internal Revenue Service
MEF	Master Earnings File
OIG	Office of the Inspector General
SSA	Social Security Administration
SSN	Social Security Number
TY	Tax Year
USPS	United States Postal Service
W-2	Wage and Tax Statement
WBDOC	Wilkes-Barre Data Operations Center

Introduction

OBJECTIVE

Our objective was to evaluate the effectiveness of the Social Security Administration's (SSA) decentralized correspondence (DECOR) process, in terms of both the percentage of wage items reinstated under the process and the timeliness of these reinstatements.

BACKGROUND

Title II of the Social Security Act requires that SSA maintain the reported earnings records of individuals.¹ SSA uses these reported earnings to determine whether an individual is entitled to receive retirement, survivors, disability and health insurance benefits and to calculate cash benefit rates. The earnings records show the amount of earnings reported by the worker's employer or the self-employed person and the periods for which they were reported. However, each year SSA processes millions of earnings items that cannot be posted to wage earners' records in the Master Earnings File (MEF) because the earnings lack a valid Social Security number (SSN) and/or name. These unmatched records accumulate in SSA's Earnings Suspense File (ESF).

The purpose of the DECOR process is to contact individuals to resolve SSN and/or name discrepancies on reported earnings. The correspondence provides the wage earner information about the reported name/SSN and wage amount and requests that the reported information be reviewed, verified or corrected where possible, and returned. While SSA sends most of the DECOR notices to employees, SSA sends a notice to the employer when an employee's address is unavailable.² (See Appendix A for an example of a DECOR employee notice.)

Returned notices containing a reply are processed in the Wilkes-Barre Data Operations Center (WBDOC) and reviewed to determine whether the wage item can be removed from the ESF and reinstated to the appropriate earner's account on the MEF. If the provided information is still invalid, no further correspondence is sent and items remain in the suspense file awaiting additional edit processes. (See Appendix B for a flowchart of the DECOR process.)

¹ "On the basis of information obtained by or submitted to the Commissioner of Social Security, and after such verification thereof as the Commissioner deems necessary, the Commissioner of Social Security shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the periods in which such wages were paid and such income was derived and, upon request, shall inform any individual or his survivor, or the legal representative of such individual or his estate, of the amounts of wages and self-employment income of such individual and the periods during which such wages were paid and such income was derived, as shown by such records at the time of such request." 42 U.S.C. § 405(c)(2)(A).

² SSA mails three different types of notices: (1) Form SSA-L3365-C1 is sent to the employee; (2) Form SSA-L4002-C1 is sent to the employer; and (3) Form SSA-L2765-C1 is sent to a self-employed individual.

The ESF contains over 227 million *Wage and Tax Statements* (W-2) and \$328 billion in wages accrued between Tax Years (TY) 1937 and 1999 that could not be matched to individuals' earnings records. During TY 1999 alone, the ESF grew by 8.3 million W-2s and \$39.4 billion in wages.³ Approximately 96 percent of the ESF wages relate to TYs 1970 through 1999. Suspended wages can affect an individual's eligibility for retirement and disability benefits.

Prior Reviews of DECOR

We analyzed several prior reports and management letters involving the DECOR process. These reports and letters contained specific recommendations that are listed below.

Contractor Review of the ESF

A contractor hired by SSA to review the ESF issued its final report on July 18, 2001. The purpose of the contractor's review was to determine whether SSA should modify its existing practices in managing the ESF. Among a number of recommendations related to the ESF, the report recommended that SSA should redesign its DECOR notice and send the notice after employers are given an opportunity to fix wage errors.

SSA Workgroup on Error Notices

The Annual Wage Reporting (AWR) Error Notices Workgroup—an inter-component team—was chartered by SSA to review and improve notices to employers and employees about wage reporting problems. The workgroup was responsible for reviewing all name/SSN-related notices currently sent to employers and employees for their completeness, efficiency and effectiveness. This effort included a review of both content and language changes to the notices, the need for additional notices, and the possible need to discontinue notices. On December 30, 1999, the workgroup issued its report containing the following DECOR-related recommendations:

- Prepare a DECOR database after all other reinstatement activities and after the recommended 90 days that allows for the employer to respond to the educational correspondence⁴ has elapsed;
- Send DECOR notices to employees only; and

³ ESF figures provided by Office of System Design and Development as of October 1, 2001.

⁴ Under the educational correspondence process, a notice is sent to employers after the AWR process that includes SSNs for unmatched wage records. At the time the AWR Error Notices Workgroup conducted its study, SSA sent educational correspondence to employers if they filed a wage report with 11 or more W-2s in error and had name/SSN mismatches equal to 10 percent or more of the entire wage report filed. In addition, the correspondence included the first 250 name/SSN mismatches. A separate recommendation in its report stated that SSA should send educational correspondence with a full list of name/SSN mismatches to all employers.

- Add language to the notice directing the employee to contact the employer regarding corrected name/SSN information.

Previous Office of the Inspector General Audit

An earlier Office of the Inspector General (OIG) audit commented on the DECOR process.⁵ This review reported that DECOR was only marginally effective in correcting the name and SSN errors that prevented the earnings from being credited to the individual's earnings record. The 1991 OIG report made a number of recommendations, including:

- Screen undeliverable mail and remail notices with forwarding addresses;
- Design postcards or form letters with several different statements to follow up on incorrect employer and employee responses;
- Revise the DECOR forms, including adding instructions to the employee to notify the employer of the discrepancy and to request the employer make the necessary corrections; and
- Initiate an educational program to acquaint employers and the public about proper name reporting standards.

SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Visited WBD0C to perform a walk-through of the DECOR process and review available workload data to determine the overall effectiveness of the DECOR process.
- Visited two SSA field offices and the Philadelphia tele-service center to determine their involvement in the receipt and timeliness of DECOR earnings corrections input.
- Obtained a copy of the 1998 DECOR file from SSA, which contained 7,280,415 wage items, with a corresponding value of \$36.1 billion dollars. This file contains correspondence that was mailed to employees and employers related to wage reports submitted during the TY 1998 reporting period.⁶

⁵ *Better Controls Over Correspondence Process Would Help Post More Earnings to Wage Earner's Accounts*, (HHS/OIG A-13-89-00040), March 1991.

⁶ Although the majority of the DECOR file related to TY 1998 wages, some wages related to earlier tax years were also reported to SSA during the same period and placed in this file. However, for the purposes of this report, we are referring to the DECOR file as a TY 1998 file.

Earnings items identified as self employment income for TY 1998 were not included in this population since self employment data were contained in a separate file, and the data provided was determined to be incomplete.

- Selected a random sample from a population of 7,280,415 wage items, totaling over \$36.1 billion. Our sample consisted of 200 wage items with an associated dollar value of \$1,072,300.
- Determined for each sampled item whether the wages remained in suspense and, if reinstated, verified the amount and timing of any reinstated wages.
- Requested DECOR production statistics from the WBD0C staff to include: (1) correspondence generated and mailed; (2) processed receipts; (3) undeliverables; and (4) remainables.
- Requested an extract from SSA's ESF Reinstates File for TYs 1994 through 1998 showing earnings corrections due to the DECOR process. This file contains only the most recent reinstatement when multiple records are reinstated for the same Employer Identification Number, name and SSN. However, in this report we are using the most recent reinstatement activity, which tends to be more accurate than older reinstatements.
- Obtained an Epoxy Accounting Statistics Report showing summary DECOR reinstatement activity for TYs 1994 through 1998. Epoxy is a system designed to provide management information on the Earnings Record Maintenance System.
- Reviewed pertinent sections of SSA's Program Operations Manual System.
- Requested data on contractor expenses and other DECOR processing expenses.
- Requested prior studies or audits that have reviewed the DECOR process.
- Interviewed SSA staff to gain an understanding of the DECOR process.

Our audit did not include a test of information systems to verify the completeness and accuracy of the DECOR or Reinstates File data provided by SSA. However, we expanded our analytical procedures to assess the reasonableness of the data presented in TY 1998. Our review of DECOR timeliness was limited since the process was modified after TY 1998. Our work was conducted at SSA's Data Operations Center in Wilkes-Barre, Pennsylvania and at SSA Headquarters in Baltimore, Maryland. The fieldwork was conducted between March 2001 and December 2001. The SSA entity responsible for the maintenance of the ESF is the Office of Central Operations within the Office of the Deputy Commissioner of Operations. Our review was conducted in accordance with generally accepted government auditing standards.

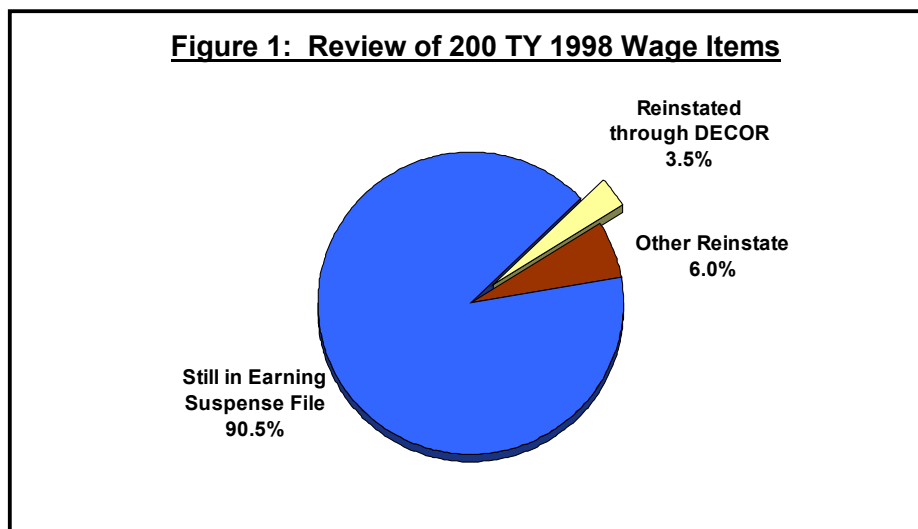
Results of Review

While only 9.5 percent of our sample of TY 1998 suspended wage items were reinstated through all reinstatement processes at the time of our audit, the DECOR process was one of the more effective means for identifying the owners of these suspended wage items. Approximately 3.5 percent of the items and 10 percent of the associated wages in our sample were reinstated through the DECOR process. Our review also demonstrated that it can take as long as 1 year for SSA to resolve suspended wages through the DECOR process. Both the results of our sample and our review of previous year reinstatements indicated that the DECOR process remains one of the most effective processes SSA has for reinstating wages. However, we found that the DECOR process currently overlaps with other validation processes and fails to follow-up on incomplete returned notices.

EFFECTIVENESS OF THE DECOR PROCESS

Our review of 200 suspended wage items in the TY 1998 DECOR file found 19 wage items (9.5 percent) were reinstated through SSA's validation techniques (see figure 1), including:

- 7 items (3.5 percent) reinstated through the DECOR process, representing \$105,070 in wages;⁷ and
- 12 items (6 percent) reinstated through processes other than DECOR,⁸ representing \$181,141 in wages.



⁷ Although 10 percent of the DECOR notices in our sample were sent to employers, none of the DECOR reinstatements related to employer notices.

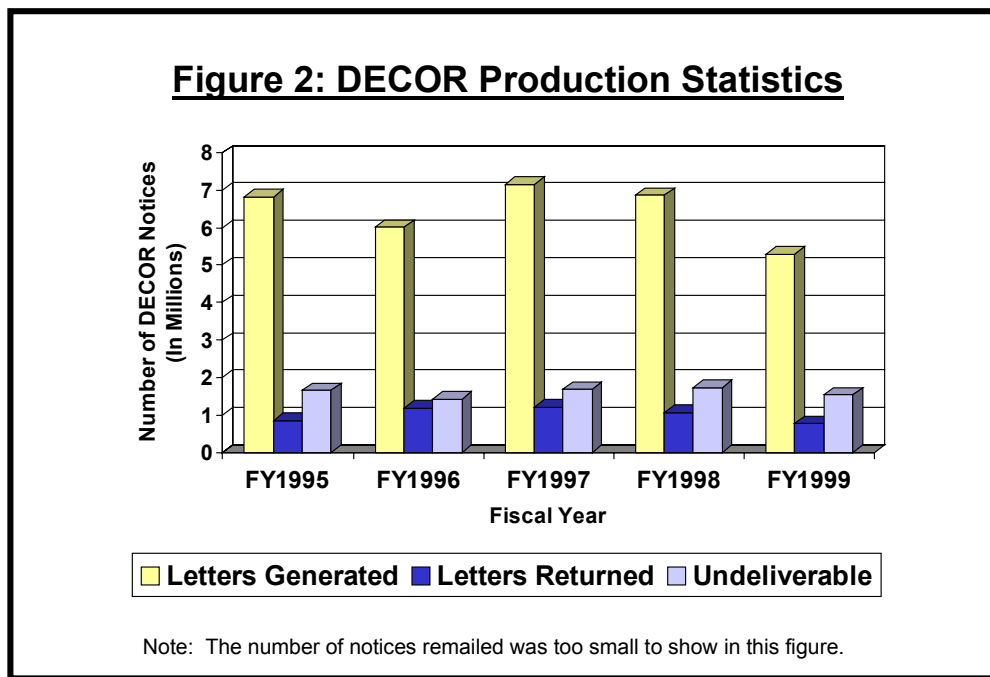
⁸ Other processes included reinstatements from the IRS, earnings after death, and the SWEEP operation. These operations are defined later in this report.

We also found the average wage reinstated through DECOR was almost 3 times greater than the average wage in our sample. While DECOR reinstatements averaged \$15,010 in wages, the 200 items in our sample averaged \$5,362 in wages. As a result, while the 7 DECOR reinstatements represented 3.5 percent of the wage items in our sample, they represented 10 percent of the wages. Hence, for our sample, DECOR was more effective in reinstating wages (i.e., dollars) than in reinstating wage items.

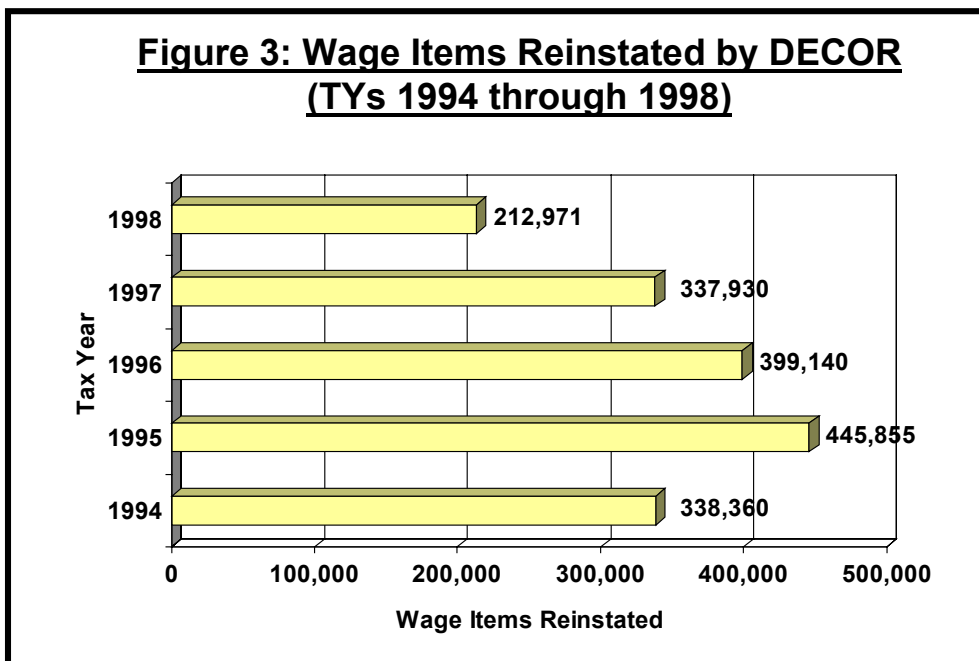
DECOR Effectiveness Over the Past 5 Years

During Fiscal Years (FY) 1995 through 1999, SSA mailed over 32 million DECOR notices to the public. Of the mailed DECOR notices, SSA reported:

- the WBDOP received and processed responses on approximately 5 million notices (15 percent);
- approximately 8 million notices (25 percent) were deemed "undeliverable" due to an incomplete address or no forwarding address;
- about 230,000 notices (1 percent) were re-mailed based on a new forwarding address from the United States Postal Service (USPS); and
- approximately 19 million notices (59 percent) were never returned to SSA (see figure 2 below).



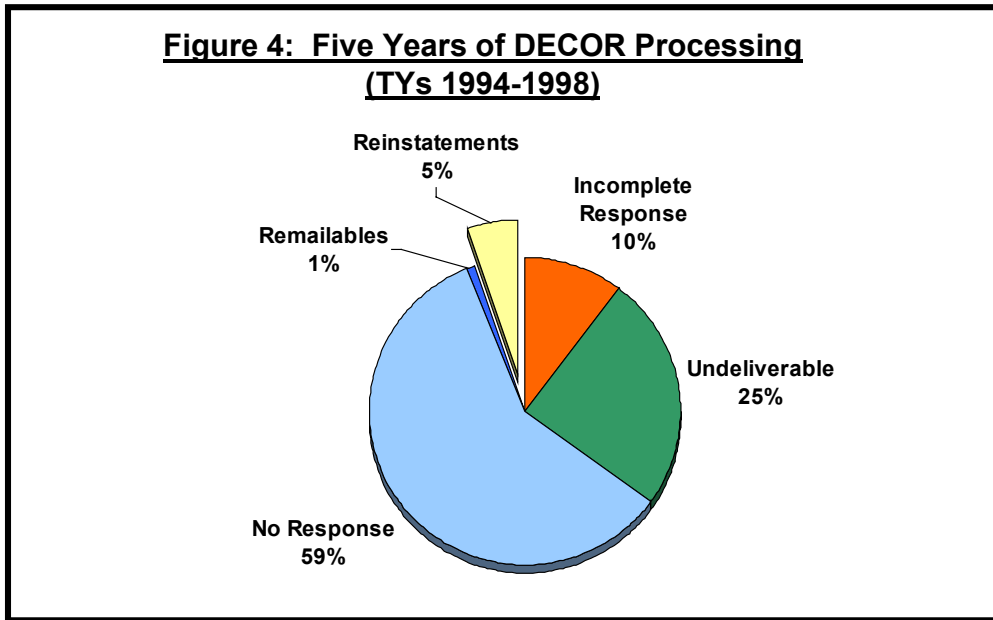
Although SSA was unable to provide similar statistics for the reinstated items by FY, we reviewed the last 5 years of DECOR reinstatements on SSA's Reinstates File to determine whether the volume of reinstates was consistent with previous years. For TYs 1994 through 1998, the DECOR process was able to reinstate an average of 346,000 wage items annually (see figure 3). The DECOR process was more successful in associating earners with suspended wages in earlier years. In TY 1998, DECOR reinstatements were below the 5-year average.⁹ SSA staff was unable to determine why TY 1998 reinstatements were below the 5-year average.



Although our sample results showed a 3.5 percent reinstatement rate for the items we examined in the TY 1998 DECOR file, SSA's Reinstates File indicates the average reinstatement rate over the past 5 years has been 5 percent. SSA records also indicate that of the approximately 32 million DECOR notices for TYs 1994 through 1998, about 1.7 million (5 percent) resulted in a reinstatement of wages.¹⁰ A summary of SSA's reported results for 5 years of reinstatement efforts is included in figure 4 below.

⁹ The TY 1998 DECOR figure from SSA's Reinstates File is consistent with our sample results. The figures indicate that the effectiveness of DECOR in reinstating items has declined over time. SSA staff could not explain the reason for the reduction in DECOR reinstates since TY 1995. We discuss this issue later in the report under the section entitled "DECOR Versus Other Validation Techniques."

¹⁰ Although figures 2 and 3 represent slightly different time periods, each TY is generally processed in the first 9 months of the following calendar year. Hence, in the above example TY 1994 DECOR notices were processed in the last 9 months of FY 1995. SSA also provided Epoxy accounting data on DECOR reinstatements for the same period, indicating the reinstatement rate could be higher. However, we were unable to confirm this data for the period covered. As a result, we decided to use the Reinstates File data here, as we did throughout the report, to compare the DECOR process with other edit processes.



TIMELINESS OF THE DECOR PROCESS

Our review indicated that SSA required as long as 1 year to resolve TY 1998 suspended wages through the DECOR process. Our analysis of the DECOR reinstatements in our sample indicated that five of the TY 1998 wage items were posted between September 1999 and January 2000. Two additional items were not posted until August 2001, but it is unclear whether this reinstatement was due to a DECOR notice sent in TY 1998 or TY 1999.¹¹ Assuming the employers reported their wages to SSA by February 1999 and most of the wages were posted by September 1999, it took anywhere from 5 months to 1 year to post all of the DECOR reinstatements in our sample.¹² We performed a limited review of DECOR timeliness since the process has been modified since TY 1998, as we explain below.

New DECOR Notice Contractor

The timeliness and effectiveness of DECOR notices may increase due to recent changes in the overall process. In 2000, SSA hired a contractor to assist the Agency in improving the overall timeliness of the DECOR notices. Up until TY 1999, DECOR notices (including those in our audit) were printed in large runs and mailed by SSA staff located in the WBD0C. However, SSA hired a contractor to perform the printing and

¹¹ To avoid overestimating the DECOR processing time, our timeline assumes the sixth and seventh reinstatements related to TY 1999 DECOR notices.

¹² This period does not include the time prior to a company reporting wages to SSA. Considering the time between an individual earning his or her first wages and the ultimate correction of an incorrect name/SSN, it can take as long as 25 months before earned wages are identified with the proper MEF account. For example, in one sample case, an individual's January 1998 wages were not correctly posted until February 2000.

mailing process beginning in TY 2000 (see table 1 for estimated contract volume).¹³ Although the transition to the new contractor actually delayed TY 1999 DECOR mailings, SSA staff noted that the new process is working well and DECOR notices are now going out on a weekly basis. We did not verify an improvement in timeliness since this change in SSA's process occurred after the period we reviewed. In addition, while more timely notices may improve the overall DECOR process, a direct correlation with increased reinstatements may be hard to prove. Nonetheless, additional earners may respond to the DECOR notices if they are received earlier. For example, since earners may move over time, an earlier notice may locate more individuals and lead to fewer notices coming back as undeliverable.

Table 1: Estimated TY 2000 DECOR Notice Volume Under New Contract

Type of Notice	Volume	Percent of Total Volume
Employee	6.3 million	75 percent
Employer	1.8 million	22 percent
Self-Employed	250,000	3 percent
Total	8.35 million	100 percent

DECOR VERSUS OTHER VALIDATION TECHNIQUES

Our sample showed that the DECOR process was the third most effective for reinstating wages in TY 1998, while SSA's records indicate DECOR was the second most effective over the 5-year period from TY 1994 through TY 1998 when compared to SSA's seven primary manual and automated reinstatement processes. Based on SSA's Reinstates File data for TYs 1994 through 1998, Single Select¹⁴ validation appears to be the most successful reinstatement process. Single Select is the first process performed on wage items after they go into the ESF. While DECOR was able to resolve about 1.7 million wage items over the 5-year period, Single Select was able to reinstate approximately 9.3 million items. In TY 1998 both Single Select and the Internal Revenue Service (IRS) Reconciliation process¹⁵ surpassed DECOR. In the next section we note the role of DECOR versus validation techniques in the TY 1998 sample.

¹³ The contract, which includes four SSA workloads, runs from December 1, 2000 to November 30, 2001, with two optional 12-month extension periods.

¹⁴ Single Select assumes that the individual's reported name is correct but some mistake has been made with the SSN. For each SSN presented, "ghost records" are created for submission to Numident for verification. If only one single record of the many "ghost records" sent verifies to the Numident, the presumption is accepted that the SSN on the verified record belongs with the reported item. Single Select is the first edit process performed, and only the unresolved suspended items are sent through the DECOR process. As a result, none of the reinstatements cited in our sample relate to the Single Select process.

¹⁵ The IRS reconciliation process is a comparison of IRS resolved wage items to unresolved wage items in SSA's ESF.

Order of Reinstatement

By analyzing the order of reinstatement in our TY 1998 sample items, we found that the DECOR process was able to resolve suspended items not corrected through other validation techniques. For example, of the seven items reinstated through the DECOR process, five (71 percent) were reinstated after SSA had performed annual edit processes such as reconciliation with the IRS data (see table 2). It is possible that the IRS Reconciliation process resolved some items that would have otherwise been resolved through DECOR.¹⁶ Hence, the order of SSA's edits in relation to each other may impact each edit's effectiveness.

Table 2: Order of Reinstatement Among 19 Wage Items

Order of Reinstatement	Edit Process Per Coding in Reinstates File	Associated Suspended Wages
04/1999	Unsolicited Reinstatement	\$10,270
06/1999	Unknown	\$68,400
09/1999	DECOR	\$27,134
11/1999	DECOR	\$56
12/1999	IRS Reinstatement	\$47,780
12/1999	IRS Reinstatement	\$768
12/1999	IRS Reinstatement	\$2,668
12/1999	Earnings After Death (1)	\$1,584
12/1999	IRS Reinstatement	\$360
12/1999	IRS Reinstatement	\$1,394
12/1999	IRS Reinstatement	\$216
12/1999	IRS Reinstatement	\$27,170
01/2000	IRS Reinstatement	\$940
02/2000	DECOR	\$1,087
02/2000	DECOR	\$68,400
03/2000	DECOR	\$132
08/2000	Prior Reinstatement (2)	\$19,591
08/2001	DECOR	\$3,873
09/2001	DECOR	\$4,388
	Total	\$286,211

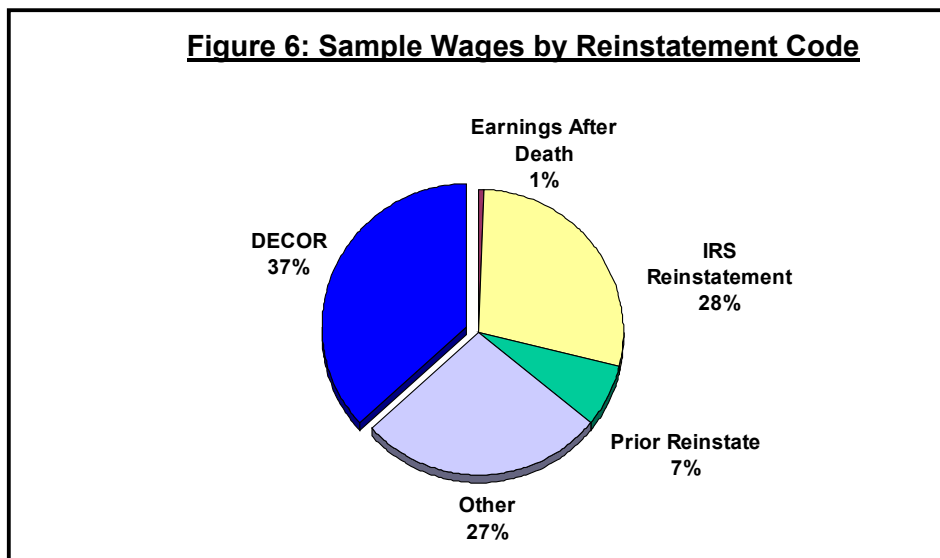
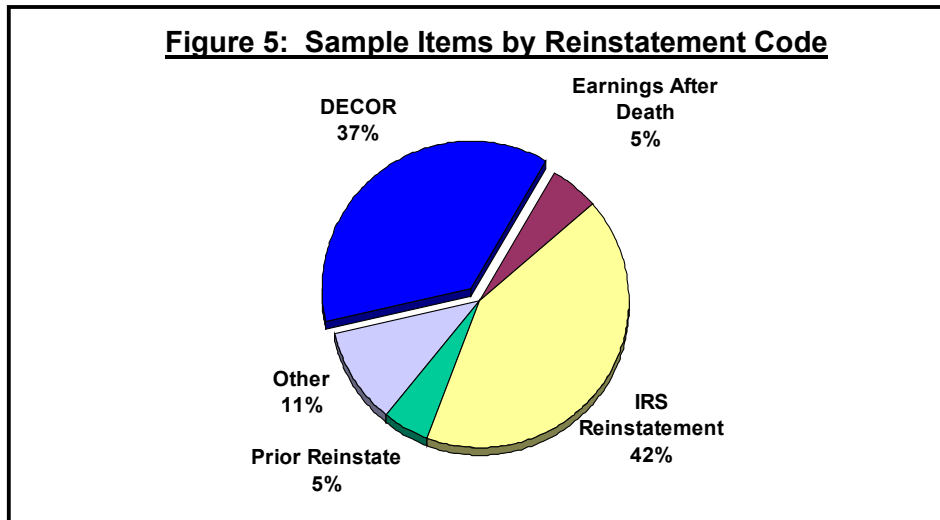
Note 1: An Earnings After Death reinstatement indicates SSA believed the individual was deceased and put the wages in suspense until it could verify the status of the individual.

Note 2: A Prior Reinstatement is when a current mismatch is assumed to be repetitive and therefore automatically resolved in the same way as a similar mismatch in an earlier TY.

We also found that while the IRS Reinstatement process was the second most effective process (after Single Select) for reinstating wage items in TY 1998, the DECOR process

¹⁶ A review of the TY 1998 Reinstates File indicates an overall increase in IRS Reinstates when compared to other edits. IRS Reinstates increased by 161,000 items compared to TY 1997, while DECOR reinstates declined by approximately 125,000 items compared to TY 1997.

was the second most effective for reinstating wages during the same period. Figures 5 and 6 show the DECOR process relative to the other validation processes in terms of items and wages reinstated.



IMPROVING THE DECOR PROCESS

SSA has made improvements to the DECOR process over the years. In addition to hiring a new contractor to print and mail the notices, SSA has: (1) updated the language in the DECOR notices; (2) remailed undeliverable notices with new forwarding addresses; and (3) offered education programs to employers to emphasize the importance of proper name reporting standards. However, the DECOR process currently overlaps with other validation processes, such as educational correspondence with employers, and fails to follow-up on incomplete returned notices.

SSA's Changes to the DECOR Process

Earlier reviews of the DECOR process noted a need for more information to assist the employee in resolving name/SSN errors. For example, SSA's AWR Error Notices Workgroup¹⁷ recommended SSA add notice language directing the employee to contact the employer regarding corrected name/SSN information. SSA has since updated the DECOR notices. The notices now state "If you have been using an incorrect name or Social Security number, or your employer has been reporting earnings for you under an incorrect name or Social Security number, you must correct this information by contacting both your employer and your local Social Security office." (See Appendix A for a copy of the DECOR notice.)

The 1991 OIG audit¹⁸ also recommended that SSA remail all letters with forwarding addresses provided by the USPS. SSA now remails all undeliverable DECOR with a USPS forwarding address. Between 1995 and 1999, SSA remailed approximately 230,000 previously undeliverable DECOR notices.

Finally, the 1991 OIG report also recommended that SSA initiate an education program to acquaint employers and the public with proper name reporting standards. SSA provides a number of services to employers to educate them on the importance of the name/SSN combination in their wage reporting. SSA, in conjunction with the IRS, offers joint year-end training for employers. SSA also maintains an employer website with an interactive presentation explaining the correct name and SSN formats for the W-2. Furthermore, SSA maintains Employee Liaison Service Officers in each of its regions to answer employer questions on wage reporting and other issues.

DECOR and Educational Correspondence

SSA may be able to transfer 10 percent of its DECOR workload to the employer educational correspondence process, or about 720,000 notices for TY 1998. Currently, in addition to sending the employer a DECOR notice, SSA also sends educational correspondence to employers with name/SSN mismatches and asks them to correct the information. While in the past SSA provided only 250 name/SSN mismatches for the employer to correct, beginning in TY 2000, SSA increased the number of reported mismatches to 500 employees. SSA staff told us that, beginning in TY 2001, the Agency started (1) sending educational correspondence to all employers, regardless of the number of name/SSN mismatches, and (2) providing employers with an SSA contact where they can obtain an electronic file listing all name/SSN mismatches submitted. With greater reporting under its educational correspondence program, SSA may have an opportunity to eliminate the duplicative process of employer DECOR mailings. In 1999, the AWR Error Notices Workgroup concluded that SSA could avoid duplication by sending DECOR notices to employees only.

¹⁷ *Report of the AWR Error Notice Workgroup*, SSA, December 30, 1999.

¹⁸ *Better Controls Over Correspondence Process Would Help Post More Earnings to Wage Earner's Accounts*, (A-13-89-00040), 1991.

Our review of 200 sample items also indicated that employers are less likely to respond to DECOR notices than employees. Although employer notices tend to be about 22 percent of the notices mailed by SSA (and represented 10 percent of our 200 sample items), none of the seven reinstated items in our sample related to employer notices. As far back as 1989, SSA acknowledged that employer DECOR notices have been less productive than the employee notices. In response to the 1991 OIG report on DECOR, SSA noted that "[DECOR] responses from individuals have been noticeably better than those from employers."

In terms of the earlier recommendations¹⁹ to SSA that the Agency send DECOR notices after employers are given an opportunity to fix errors, such a change would combine the problem of duplication with additional delays in mailing the DECOR notices. As already noted, SSA hired a new contractor for the purpose of ending this delay in notices.

Incomplete DECOR Notices

SSA has an opportunity to increase its efficiency by following up on unresolved DECOR responses. Over the past 5 years, approximately 650,000 DECOR notices (10 percent of the total notices mailed) were returned annually to WBDOC, but no reinstatement action was taken. Unlike the 59 percent of the notices never returned to WBDOC, these notices reached the intended parties but some of the reply information was either incomplete or incorrect. However, SSA made no attempt to inform these individuals that their earnings issue remained unresolved.

By failing to inform an individual that his or her wages remain in suspense, the individual may be under the assumption that their earnings record has been corrected. An additional step, such as a second notice requesting that the individual visit their local SSA field office to discuss the earnings issue, would alert the individual that the wages remain in suspense and provide one more avenue for resolution of the earnings.²⁰

The 1991 OIG audit made a similar observation, and recommended that SSA design a letter to follow up with the individual on incorrect employer and employee responses. In response, SSA noted that the DECOR notices had been redesigned to now request that the individual completing the notice provide a daytime telephone number to facilitate follow-up contact. However, when we discussed this issue with SSA staff, we were informed that current procedures do not include following up on incomplete and/or incorrect responses.

¹⁹ This recommendation was made by the private sector contractor in its report "Earnings Suspense File Review - Final Report 7/18/01" and by the 1999 AWR Error Notices Workgroup.

²⁰ Not every unresolved DECOR response can be easily resolved. Some of the responses relate to individuals who were never assigned SSNs.

Conclusions and Recommendations

While the DECOR process reinstated only 3.5 percent of the suspended items in our sample, it was one of the more effective means for identifying the owners of these suspended wage items. In fact, its overall effectiveness increases to 10 percent when ranking by wages rather than wage items. The recent contract for printing and mailing DECOR notices, as well as changes in the process resulting from prior reviews, may improve its overall effectiveness and timeliness. However, SSA could further improve the effectiveness of the DECOR process by minimizing duplication with other validation techniques and following up with the unresolved responses. SSA could also monitor the continued effectiveness of the DECOR process by reviewing the annual DECOR reinstatements in relation to other reinstatement processes. If SSA were to eliminate the DECOR notices going to employers and, instead, utilize these resources to follow up on incomplete or incorrect responses, it appears likely that the Agency could improve the overall effectiveness of the DECOR process.

To improve the effectiveness of the DECOR process, we recommend SSA:

1. Remove employer notices from the DECOR process once the employer educational correspondence process has been fully implemented so employers receive notices of all wage items with name/SSN mismatches.
2. Improve follow-up on unresolved DECOR responses, such as sending a second notice requesting that individuals visit their local SSA field office to discuss the outstanding earnings issue. This would alert the individual that his or her wages remain in suspense and provide one more avenue for resolution of the suspended earnings.
3. Periodically analyze annual reinstatement rates and volumes to assess the overall effectiveness of the DECOR process and its effectiveness in relation to other reinstatement processes. This information should be maintained for management information purposes.

AGENCY COMMENTS

Regarding Recommendation 1, SSA believes a more in-depth analysis should be conducted before the Agency stops sending DECOR notices to employers. Over the past several years, SSA has implemented a number of initiatives to enhance the earnings posting process, and beginning with TY 2001, SSA sent educational correspondence notices to all employers with name/SSN mismatches. SSA will evaluate our recommendation in conjunction with their ongoing efforts to improve the earnings posting process and plans to make a final decision by the end of this calendar year.

Regarding Recommendation 2, SSA does not believe additional follow-up efforts are warranted at this time. The Agency's opinion is based on its experience with the follow-up efforts related to (1) thousands of letters sent to people whose DECOR responses provided the same information as the original report and (2) attempts to call a sample of employees who had given telephone numbers on their DECOR responses. SSA considered both projects to be unproductive.

SSA agreed with Recommendation 3 that the Agency should maintain DECOR reinstatement management information. SSA will explore options to determine the best approach to implement this recommendation in conjunction with its ongoing efforts to improve the earnings posting process and expects to make a final decision by the end of this calendar year.

OFFICE OF THE INSPECTOR GENERAL RESPONSE

While we understand SSA plans to conduct more in-depth analysis of DECOR notices to employers, our recommendation related to these notices is consistent with previous reviews of the DECOR notices as well as SSA's own past comments. In addition, greater name/SSN mismatch reporting under educational correspondence to employers should further reduce the need for separate DECOR mailings to this same group. We look forward to receiving SSA's final decision in this area.

We continue to believe our recommendation related to additional follow-up efforts could assist SSA in resolving suspended wages. Although SSA has previously studied follow-up contacts with wage earners—and noted they were unproductive—it is unclear whether SSA actually determined if the thousands of letters led to later field office visits to correct the wage items. Furthermore, although SSA states its telephone calls led to a "small reinstatement rate," the sample was limited to individuals who provided their telephone numbers. We continue to believe a second notice requesting that the individual visit his or her local SSA field office to discuss the earnings issue would alert the individual that the wages remain suspended and provide one more avenue for resolution of the earnings.

Finally, SSA's response to our recommendation regarding DECOR reinstatement management information adequately addresses our concerns. Such a management information system should assist SSA in assessing the overall effectiveness of the DECOR process and its effectiveness in relation to other reinstatement processes.

Appendices

Decentralized Correspondence Notice

Form Approved
OMB No. 0960-0508

Social Security Administration **Retirement, Survivors, and Disability Insurance** Request for Employee Information

Social Security Administration
Data Operations Center
P.O. Box 39
Wilkes-Barre, PA 18767-0039

Date:

Sequence Number:

Employer Number:

We need more information about earnings reported for you by the company for the tax year shown below. Please complete the information on the back of this letter and return to us promptly. We can't put these earnings on your Social Security record until the name and Social Security number reported agree with our records.

Company Name:

Employee's Name:

Social Security Number:

Reported Earnings:

Tax Year:

THIS IS WHAT YOU NEED TO DO

1. If your Social Security card does not show your correct name or Social Security number, or if you have lost your Social Security card, contact your local Social Security Office.
2. Compare the information shown above to your W-2(s) and your Social Security card.
3. If the name and number shown on the Social Security card:
 - **Do not agree** with the information shown above, fill in the requested information on the back of this letter. Then mail this letter to us in the enclosed envelope.
 - **Agree exactly** with the information shown above, contact your local Social Security office. Do not mail this letter back to us.
4. If you have been using an incorrect name or Social Security number, or your employer has been reporting earning for you under an incorrect name or Social Security number, you must correct his information by contacting both your employer and your local Social Security office.

This letter does not imply that you intentionally gave incorrect information about your name or Social Security number. It is not a basis, in and of itself, for your employer to change your job, lay you off, fire you or take other action against you.

Si usted necesita una traduccion de esta carta, por favor, llamenos al numero de telefono gratis, 1-800-772-1213, de 7:00 a.m. a 7:00 p.m. hora del este.

Visit our website at www.ssa.gov

(Please See Reverse)

Form SSA-L3365-C1 (2-00)

REQUEST FOR EMPLOYEE INFORMATION

1. Name shown on your Social Security card (Please Print-Use Black Ink or #2 Pencil):

First M.I. Last

2. Social Security number on your card:

- -

3. Does the **amount** of reported earnings on the front of this letter match any W-2 you received for the tax year shown? Yes No (Explain)

4. Have you ever used another name? No Yes (Give other names used)

5. Daytime phone number where you can be reached _____ - _____ - _____

NOTE: Do NOT send a copy, or original, of a Form W-2c with this letter.

Penalty: Under the Internal Revenue code, the IRS may charge an employee a \$50 penalty for each time the employee does not furnish his or her correct Social Security number to his or her employer. The IRS may impose this penalty unless you can show reasonable cause for not furnishing the correct number.

The Privacy Act/Paperwork Reduction Act Statement

Section 205(a) and (c) of the Social Security Act allows us to ask for the information on this form. The information you give us will be used to give the employee credit for earnings reported. You do not have to give us this information. However, without the information we may not be able to give the employee credit for wages earned.

We may give this information to the Internal Revenue for tax purposes or to the Department of Justice for investigating and prosecuting violations of the Social Security Act. Explanations about these and other reasons why information you provide us may be used or given out are available in Social Security offices. If you want to learn more about this, contact any Social Security office.

The **Paperwork Reduction Act of 1995** requires us to notify you that this information collection is in accordance with the clearance requirements of section 3507 of the Paper work Reduction Act of 1995. We may not conduct or sponsor, and you are not required to respond to, a collection of information unless it displays a valid OMB control number.

Time It Takes To Complete This Form

We estimate that it will take you about 10 minutes to complete this form. This includes the time it will take to read the instructions, gather the necessary facts and fill out the form. If you have comments or suggestions on this estimate write to the Social Security Administration, ATTN: Reports Clearance Officer, 1-A-21 Operations Bldg, Baltimore, MD 21235-0001. **Send only comments relating to our "time it takes" estimate to the office listed above. All requests for Social Security cards and other claims-related information should be sent to your local Social Security office, whose address is listed under Social Security Administration in the U.S. Government section of your telephone director.**

Visit our website at www.ssa.gov

Form SSA-L3365-C1 (2-00)

DO NOT RETURN THIS PAGE

If you think that any action against you based on this letter is related to labor union activities or union organizing activities, you may contact the National Labor Relations Board (NLRB), an agency of the U.S. government (<http://www.nlr.gov>). If you think that any actions against you are related to your race, color, sex religion or national origins, you may contact the Equal Employment Opportunity Commission (EEOC). Check your local directory for the telephone number for the nearest NLBR or the EEOC offices in your area. If you have questions or concerns about unfair practices by your employer that may be related to your national origin or citizenship status, you may call the Office of Special Counsel for Immigration-Related Unfair Employment Practices toll free at 1-800-255-7688, or 1-800-237-2515 (TDD for the hearing impaired). Within the Washington, D.C. metropolitan area, call (202) 616-5594.

If you have any other questions, you may call us toll free at 1-800-772-1213. We can answer most questions over the phone. You can also write or visit any Social Security office. If you do call or visit an office, please have this letter with you. The office that serves your area is located at:

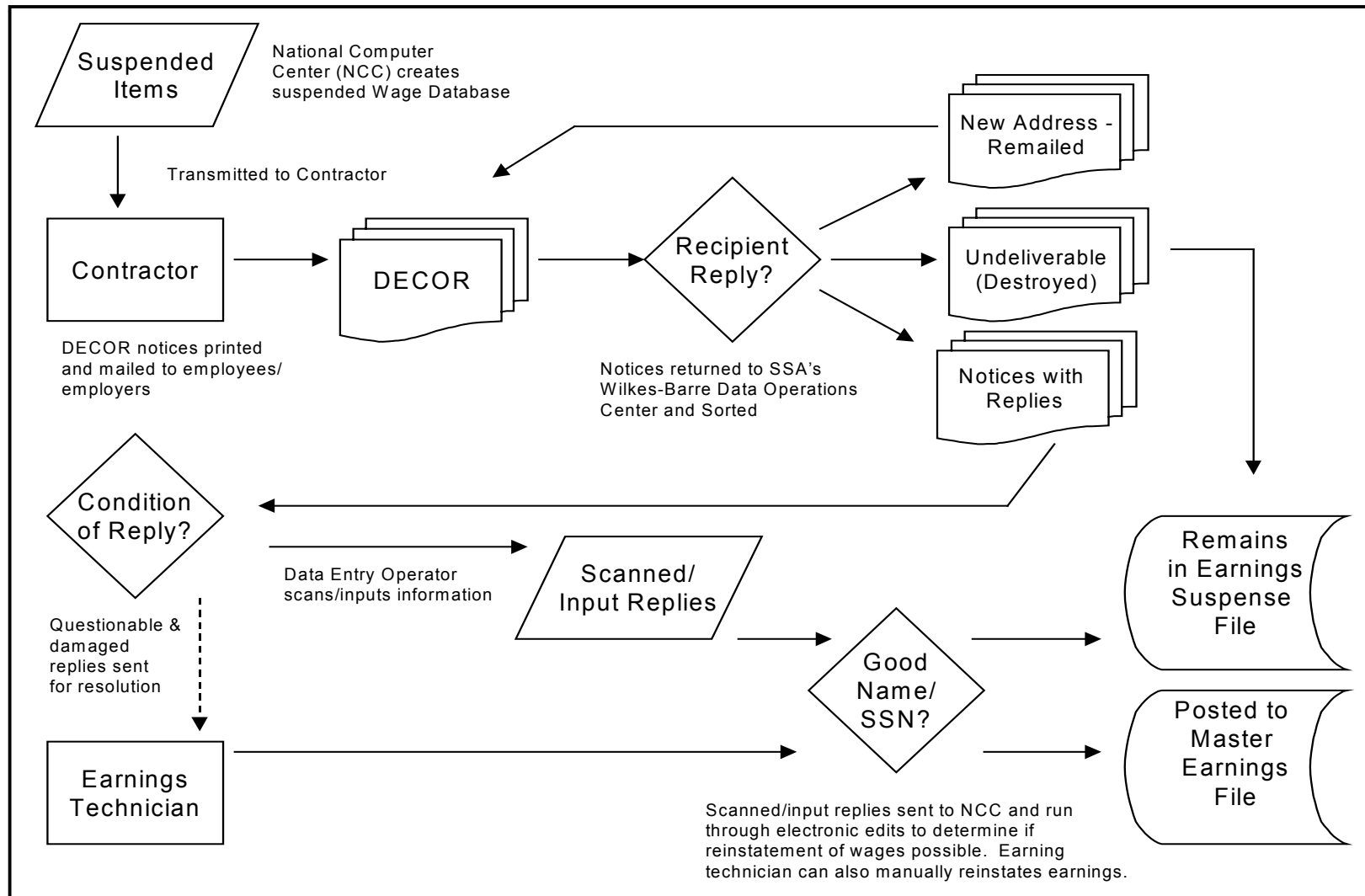
If you need an interpreter to conduct Social Security business, we will apply one on request, free of charge. If you want us to supply the interpreter, please call 1-800-772-1213 before you come to the office and tell us what language you prefer to speak.

/s/

W. Burnell Hurt
Associate Commissioner for
Central Operations

Enclosure:
Envelope

Decentralized Correspondence Flowchart



Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: June 10, 2002 **Refer To:** S1J-3

To: James G. Huse, Jr.
Inspector General

From: Larry Dye /s/
Chief of Staff

Subject: Office of Inspector General (OIG) Draft Report "Effectiveness of the Social Security Administration's Decentralized Correspondence Process" (A-03-01-11034)

We appreciate OIG's efforts in conducting this review. Our comments on the draft report content and recommendations are attached.

Staff questions may be referred to Laura Bell on extension 52636.

Attachment:
SSA Response

COMMENTS ON THE OIG DRAFT REPORT “EFFECTIVENESS OF THE SOCIAL SECURITY ADMINISTRATION’S (SSA) DECENTRALIZED CORRESPONDENCE (DECOR) PROCESS” (A-03-01-11034)

Recommendation 1

Remove employer notices from the DECOR process once the employer educational correspondence (EDCOR) process has been fully implemented so employers are informed of all wage items with name/Social Security number (SSN) mismatches.

SSA Comment

Although we agree with the intent of this recommendation, we believe a more in-depth analysis should be conducted before we stop sending DECOR notices to employers. It should be noted that in the past the Agency has implemented a number of initiatives to enhance the earnings posting process, and beginning with tax year 2001, we sent EDCOR notices to all employers with name/SSN mismatches. We will evaluate this recommendation in conjunction with our ongoing efforts to improve the earnings posting process and plan to make a final decision by the end of this calendar year.

Recommendation 2

Improve follow-up on unresolved DECOR responses, such as sending a second notice requesting that individuals visit their local SSA field office to discuss the outstanding earnings issue. This would alert the individual that his or her wages remain in suspense and provide one more avenue for resolution of the suspended earnings.

SSA Comment

In the past, SSA has conducted the following follow-up efforts:

- During a 4-year period, the Wilkes-Barre Data Operations Center (WBDOC) sent thousands of letters to people whose DECOR responses provided the same information as the original report. Despite the large volume of letters sent, WBDOC received only a few responses.
- The WBDOC also attempted to call a sample of employees who had given telephone numbers on their DECOR response. Based on the small reinstatement rate as a result of the follow-up calls, WBDOC found this process to be unproductive as well.

Based on our experience with the follow-up efforts cited above, we do not believe additional follow-up efforts are warranted at this time.

Recommendation 3

Periodically analyze annual reinstatement rates and volumes to assess the overall effectiveness of the DECOR process and its effectiveness in relation to other reinstatement processes. This information should be maintained for management information (MI) purposes.

SSA Comment

We agree that we should maintain DECOR reinstatement MI. We will explore options to determine the best approach to implement this recommendation in conjunction with our ongoing efforts to improve the earnings posting process and plan to make a final decision by the end of this calendar year.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Rona Rustigian, Director, Northern Audit Division, (617) 565-1819

Walter Bayer, Deputy Director, (215) 597-4080

Staff Acknowledgments

In addition to those named above:

Richard Devers, Auditor

Carol Ann Frost, Computer Specialist

Frank Trzaska, Auditor

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