Office of the Inspector General

August 27, 1999

John R. Dyer
Principal Deputy Commissioner
 of Social Security

Acting Inspector General

Management Advisory Report - Analysis of Social Security Number Misuse Allegations
Made to the Social Security Administration's Fraud Hotline (A-15-99-92019)

Attached is a copy of our subject final management advisory report. The objectives
of our review were to identify the different types of Social Security number misuse
allegations or contacts and to estimate the number of occurrences for each category
during the period of our review. In addition, we determined whether the elderly were
being targeted for identity theft activities. Our review covered the period
October 1, 1997 through March 31, 1999.

This report is intended for informational purposes only. We are not making any
recommendations at this time. Therefore, no action is required on the part of the Social
Security Administration. If you have any questions or comments, please call me or
have your staff contact Daniel R. Devlin, Acting Assistant Inspector General for Audit,
at
(410) 965-9700.

                                        James G. Huse, Jr.

Attachment

OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

ANALYSIS OF SOCIAL SECURITY NUMBER MISUSE ALLEGATIONS MADE TOTHE SOCIAL SECURITY ADMINISTRATION'S FRAUD HOTLINE

August 1999   A-15-99-92019

MANAGEMENT ADVISORY REPORT

Office of the Inspector General

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Management Advisory Report – Analysis of Social Security Number Misuse Allegations
Made to the Social Security Administration's Fraud Hotline (A-15-99-92019)

INTRODUCTION

This management advisory report presents the results of our analysis and projection of
400 sample Social Security number (SSN) misuse allegations or contacts made to the
Social Security Administration's (SSA) Fraud Hotline from October 1, 1997 through
March 31,1999. The objectives of our review were to identify the different types of SSN
misuse allegations and to estimate the number of occurrences for each category during
the period of our review.

Unlike most Federal agencies, SSA has a unique responsibility to attend to the
interests of the aged. Therefore, we also reviewed available data to determine whether
the elderly were being targeted for identity theft activities.

Our analysis showed that SSN misuse allegations could be placed in five categories,
with the largest being identity theft. In addition, our analysis of age data for alleged
identity theft victims showed that the elderly were not subjected to this type of activity
more so than other age groups.

BACKGROUND

The expanded use of the SSN as a national identifier has given rise to individuals using
counterfeit SSNs and SSNs belonging to others for illegal purposes. Stolen and
counterfeit SSNs have been used to gain employment, obtain benefits and services,
establish credit, and hide identity to commit various types of crimes. The illegal use of
SSNs impacts both private business and Federal agencies. Financial industries, such
as banks and credit card companies, have incurred significant losses resulting from the
misuse of SSNs to borrow money and purchase goods and services under credit.

Consumers have also experienced monetary loss and impaired credit ratings because others have amassed debts using their identities.

In SSA, unlawful use of the SSN has equally important implications. For example, wages reported using improper SSNs cannot be posted to individual earnings records and are placed in suspended status. Suspended wages are a growing problem at SSA. As of 1997, over 212 million wage items were held in the Earnings Suspense File. The items represented over $265 billion in covered wages. Wages reported using another's SSN may result in excess earnings recorded to an individual's wage records and can cause overpayment of SSA benefits. Lastly, individuals using false identities to gain entitlement to SSA benefits are violating the law and stealing public funds. These practices create enormous workloads for SSA as employees try to prevent this fraudulent activity from occurring and to resolve the issues at hand.

Victims of SSN misuse often experience frustration in seeking recourse and assistance. The varying ways in which an SSN may be misused and the lack of a single Federal agency to respond to these concerns complicate addressing the practice of SSN misuse. All the same, to ensure that American citizens are not victimized through SSN misuse, SSA must demonstrate that it is working to safeguard the SSN against these abusive practices.

Congress enacted the *Identity Theft and Assumption Deterrence Act of 1998* (Act) on October 30, 1998, to provide citizens some recourse in resolving instances where their SSN has been misused. The Act sets forth criminal penalties for any person who knowingly transfers or uses, without lawful authority, the means of identification of another person with the intent to commit, or to aid or abet, any unlawful activity that constitutes a violation of Federal law or that constitutes a felony under any applicable State or local law. The Act defines "means of identification" to include name, SSN, date of birth, official State or Government issued driver's license or identification number, alien registration number, Government passport number, and employer or taxpayer identification number. This Act is the first to officially declare the SSN as an identifier.

Before Congress passed the Act, it was unclear which Federal agency should investigate identity theft allegations. SSA had not made significant efforts to fight identity theft because it did not believe this activity significantly affected its finances or workloads. The Act requires the Federal Trade Commission (FTC) to establish a centralized complaint and consumer education service for victims of identity theft. The FTC may refer complaints to appropriate law enforcement agencies for potential law enforcement actions.

The SSA Fraud Hotline provides a means for reporting allegations of fraud, waste, and abuse in SSA programs. The Allegation and Case Investigative System (ACIS)

maintains a data base of information that tracks telephone calls and correspondence to the SSA Fraud Hotline. ACIS sorts data according to the different types of allegations made to the SSA Fraud Hotline. Through ACIS, we determined that a large portion (35 percent) of all allegations made to the Hotline were related to SSN misuse. Of those, 81.5 percent relate to identity theft. Because identity theft constituted a large number of the allegations, we chose to examine it in more detail.

SCOPE AND METHODOLOGY

The Office of Investigations provided us a universe of 16,375 SSN misuse allegations that were made to the SSA Fraud Hotline from October 1, 1997, through March 31, 1999. We statistically sampled 400 allegations from this universe for our analysis. We analyzed the 400 sample items and re-classified those items into more descriptive categories, developed ratios based on the number of items in each of these categories, and applied these ratios to the universe of the 16,375 SSN misuse allegations.

RESULTS OF REVIEW

Allegations or Contacts by Category

Our analysis showed that the sampled Hotline allegations or contacts could be placed in five categories. These categories are discussed below.

Identity Verification - External law enforcement entities contacted the Hotline requesting verification of SSN information so they could positively identify suspects. Hotline staff provided these entities the necessary information.

Sales - Complainants reported that their SSN was the primary source of information used by businesses to solicit a sales transaction with the SSN holder. Hotline staff reviewed these items and determined that they did not represent SSN misuse. Therefore, there was no action required of SSA.

Loss of Card - Individuals placed telephone calls and wrote letters to the SSA Fraud Hotline to report that their Social Security card had been lost or stolen. Hotline staff referred these contacts to the appropriate SSA component for resolution.

Problem with SSN - Individuals who claimed that their assigned SSN had been assigned to another individual. Hotline staff referred these contacts to the appropriate SSA component for resolution.

Identity Theft - Telephone calls and correspondence from complainants/victims who alleged that other individuals were using their SSN or the SSN of another for unlawful

purposes. Hotline staff referred these allegations to the Office of Investigations for further review.

Chart 1 shows the results of our analysis of 400 sampled items.

Chart 1: Sample Hotline Contacts Received--Actual
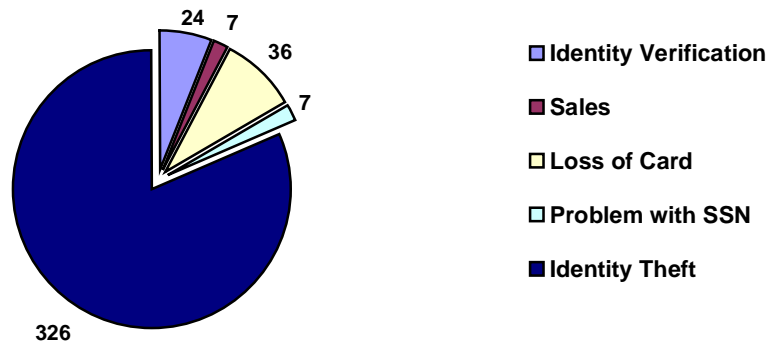
The largest of the 5 categories, identity theft, accounted for 326 (81.5 percent) of the 400 SSN misuse allegations the Hotline received during the review period. In addition, we projected ratios to the universe of 16,375 allegations or contacts. The results of that projection are displayed in the following chart.

Chart 2: Hotline Contacts Received—Projected
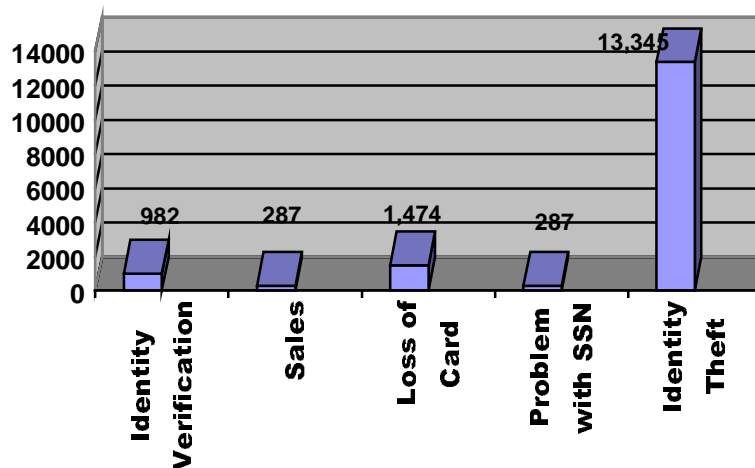
Further, we analyzed identity theft allegations to determine the types of activity that were reported. Our analysis showed that the activities could be grouped into 10 sub-categories. These sub-categories are discussed below.

Credit - These allegations involved the use of the complainant/victim's SSN by another person to obtain credit or credit cards. This was done without the true SSN holder's permission or knowledge.

Work/Documents - This activity involved either the use of a victim's SSN or the submission of a false Social Security card or SSN. The perpetrator used the victim's SSN to obtain work, work permits, or licenses.

Obtain Services - This activity involved the use of the complainant's/victim's SSN to obtain services. The perpetrator used the victim's SSN to obtain telephone service, utilities, or cable television.

Miscellaneous -   Allegations made by complainants/victims who used the term or a term similar to "identity theft" in making the allegation to the SSA Fraud Hotline. Each complainant/victim commented on how the SSN was used to "steal my identity," or the identity of someone else. We were unable to determine what use was made of the SSN.

Obtain Benefits - Perpetrators used the SSN of the complainant or another individual to fraudulently obtain benefits. The types of benefits that were alleged as being obtained were SSA benefits (such as, Supplemental Security Income and Disability Insurance), worker's compensation, unemployment, welfare, and income tax refunds.

Bank Account - Perpetrators used the SSN of another individual to open a bank account. The SSN cardholders were not aware that someone else had used their SSN until they attempted to open an account for themselves or they were notified by a financial institution that someone else had used their SSN for the same purpose.

Multiple Identities - Complainants/victims alleged that perpetrators were using SSNs and SSN cards to create multiple identities. This activity may be indicative of other unlawful acts that could occur in the future.
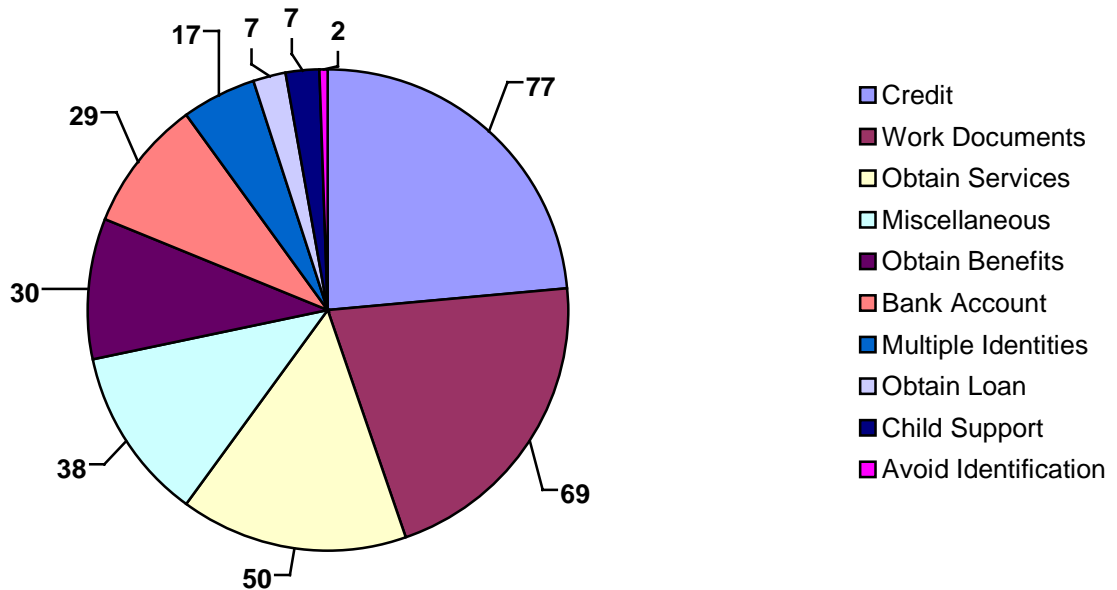
Obtain Loan - Perpetrators allegedly used the victim's SSN to obtain a loan. The credit report the business used to validate/process the loan contained the credit history established under the victim's SSN and not that of the perpetrator.

Child Support - Complainants alleged that perpetrators used a bogus Social Security card or the SSN of another individual to avoid making child support payments.
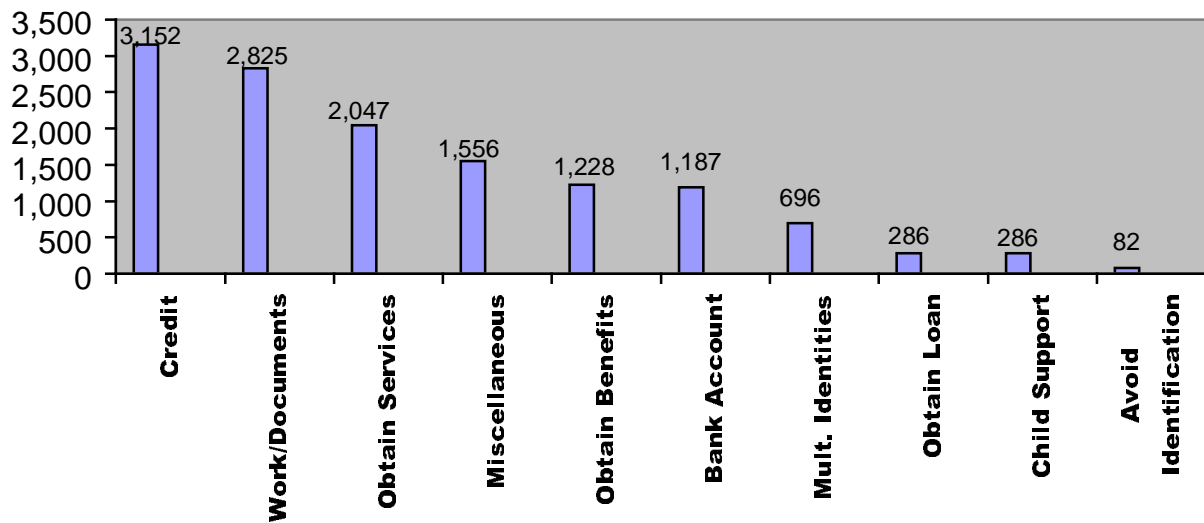
Avoid Identification - These were occasions where the perpetrator used the complainant's/victim's SSN to avoid being identified by law enforcement officials.

The following charts display the results of our sample of the SSN misuse allegations that were categorized as identity theft (Chart 3) and the projected 13,345 estimated identity theft allegations (Chart 4).

Chart 3: Categories of Identity Theft--Sample

Legend:
- Credit
- Work Documents
- Obtain Services
- Miscellaneous
- Obtain Benefits
- Bank Account
- Multiple Identities
- Obtain Loan
- Child Support
- Avoid Identification

Chart 4: Categories of Identity Theft - Estimate

Category	Value
Credit	3,152
Work/Documents	2,825
Obtain Services	2,047
Miscellaneous	1,556
Obtain Benefits	1,228
Bank Account	1,187
Mult. Identities	696
Obtain Loan	286
Child Support	286
Avoid Identification	82

Analysis Of Victims Per Age Group

Our review of available data for individuals allegedly subjected to identity theft activity indicated that the elderly, as a group, are not being targeted as victims. Of the 326 identity theft allegations, we were able to determine the age of 197 victims. We found that 29 of the 197 victims fell into the 60 to 69 and 70 and over age groups. We believe this indicates that the elderly, at this time, are not being targeted as a group. Chart 5 displays the results of our analysis of age data for identity theft victims by age group.

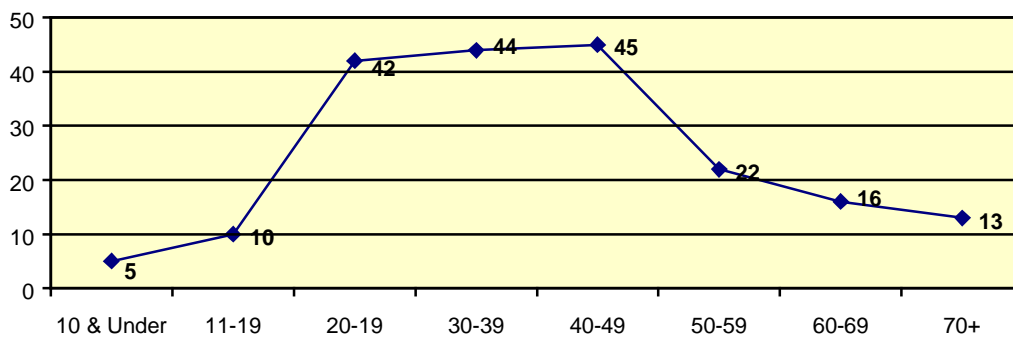**Chart 5: Occurence of Identity Theft by Age Group**

Chart 6 displays the results of our analysis of age data by age group, identity theft sub-category, and occurrence.

Chart 6: Age Group, Identity Theft Sub-Category, And Occurrence

	10 & Under	11-19	20-29	30-39	40-49	50-59	60-69	70 +	Total Occurrence
Credit/Credit Card	2	4	6	12	16	10	7	3	60
Work/ Documents	2	3	11	3	10	3	2	3	37
Services		2	9	7	2	3	1	3	27
Loan				1	2				3
Benefits		1	3	3	3	2		3	15
Avoid ID	1			1					2
Multiple ID			2	3	3	1	2		11
Misc.			4	6	7		2		19
Bank Account			5	6	2	2	2	1	18
Avoid Child Support			2	2		1			5
	5	10	42	44	45	22	16	13	197

CONCLUSION

Identity theft affects many areas of our society. Private citizens have had their credit histories destroyed by individuals who steal and use their SSN to obtain credit. These individuals run up large credit debts and then move on without paying on the debt. This type of behavior not only destroys the citizen's credit history, it adversely affects the national economy as creditors raise interest rates to cover the losses arising from this fraudulent activity.

Identity theft is also a concern for both SSA and the Office of the Inspector General (OIG). As this problem grows, SSA and the OIG will experience a commensurate increase in their workloads. SSA will be required to address and rectify errors in its enumeration process. If these errors are not rectified, they will adversely affect the trust funds, the suspense file, and initial claims. For example, one sampled item involved a retiree who was informed by SSA that he was overpaid benefits because, after he began receiving benefits, earnings were reported to SSA under his SSN that were not his. Resolution of this situation involved many SSA staff members and staff hours.

In addition, the SSA Fraud Hotline will receive increased contacts from the public. As our data shows, 81.5 percent of the SSN misuse allegations the Hotline receives relate directly to identity theft. This number is expected to grow. As the Hotline receives more contacts, the OIG will find itself burdened with a bigger workload. As a result, Hotline staff members will process more allegations, and OIG auditors and investigators will conduct more reviews to determine the validity of those allegations and to develop ways of combating this type of fraud. In the area of combating identity theft, the Offices of Audit and Investigations have taken a proactive approach by initiating a joint project that will focus on screening applications for SSNs for potential fraud. In addition, the OIG is a member of the Identity Theft Subcommittee, Law Enforcement Initiatives Committee, Attorney General's Council on White House White-Collar Crime at the Department of Justice. Also, the OIG participated in the recent FTC conference on identity theft.

The OIG and SSA should work together to find ways to prevent and detect identity theft. The work that is being conducted within the OIG should yield informative data, which will enable SSA to re-engineer its business operations and programs to deter future identity theft.

James G. Huse, Jr.

APPENDIX

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For additional copies of this report, please contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-5998. Refer to Common Identification Number A-15-99-92019.

SSA ORGANIZATIONAL CHART