

148428

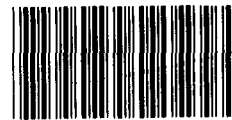


United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

January 27, 1993

The Honorable Bob Graham
United States Senate



148428

Dear Senator Graham:

On May 14, 1992, you sent us information about wage reporting problems that one of your constituents encountered with the Social Security Administration (SSA). This constituent, Mr. Carl Owenby, Jr., provides tax services for employers, including the reporting of wages paid to workers. These wage reports are sent to SSA so that it can update workers' earnings records for social security program purposes. Later, SSA shares the wage information with the Internal Revenue Service for tax administration purposes.

Mr. Owenby provided correspondence with SSA that outlined several problems he encountered when filing wage reports on magnetic media for three of his clients. According to him, SSA had improperly returned wage reports he submitted for three employers and temporarily lost one set of the wage reports that he resubmitted.

You asked that we review this situation and provide you our comments. The details of Mr. Owenby's problems and the results of our inquiry into them follow.

IMPROPER RETURN OF WAGE REPORTS

Mr. Owenby's concerns relate to separate sets of 1991 wage reports that he prepared and filed on computer disks for three employers. SSA records show that it received the three computer disks on January 17, 1992. SSA returned the disks to Mr. Owenby by letter dated May 2, 1992, advising him that it was unable to process the reports as he submitted them because (1) required data were not properly sequenced and (2) important records were missing. SSA said that the missing information included the identity of the employer, the tax year of the wage reports, the type of computer equipment used to prepare the report, employee wage records, and required wage totals.

GAO/HRD-93-10R, SSA Problems in Processing Wage Reports

096342/148428

Mr. Owenby received the three disks from SSA on two separate days. Two of the disks arrived on May 4. After examining them, Mr. Owenby called SSA to report that he was unable to find any of the stated problems. He then resubmitted the two disks to SSA. The third disk arrived the next day. Again Mr. Owenby could find no problems with it, and he resubmitted it to SSA on May 7.

SSA records show that the agency received the first resubmitted disk on May 7 and completed processing it on May 14 without further incident. The second disk was entered into SSA's tracking system on May 14, but processing was not completed until June 25. The third disk was received on May 7 but was rejected for a second time on May 20. This time the disk was rejected because several money field totals (social security wages paid, gross wages paid, and social security and income taxes withheld from employees) on the submitted report did not agree with the amounts SSA processed for those fields.

After receiving the rejected disk for a second time, Mr. Owenby called SSA to discuss the newly identified problem with money fields. Mr. Owenby said that in the discussion with SSA, it was determined that the SSA computer had lost its place while reading earnings data for one of the employees listed in the report. SSA told Mr. Owenby to resubmit this disk, annotating it "FICA Wage Shift" to identify the nature of the processing problem. SSA received this disk on June 15 and completed processing it on July 14.

We discussed these problems with SSA staff and reviewed pertinent case files. SSA does not routinely track the types of problems encountered in processing computer disks as a way of monitoring whether employers are following reporting requirements or how well its systems are performing. Staff told us that they believe that rejections like Mr. Owenby experienced have not been a problem this year.

In conjunction with SSA staff, we examined the disks that Mr. Owenby submitted to determine if there were any problems with them. SSA staff found no problems with the disks and could provide no reason why the disks were not initially processed. However, the staff stated that there is no way to tell whether Mr. Owenby made any changes to the disks after they were rejected and returned to him.

We called Mr. Owenby to discuss his experiences further. During this conversation, he said he made no changes to any of the disks returned by SSA. He said that he only reviewed them to determine if the problems SSA identified existed. After seeing neither of the problems, he called SSA about the situation and resubmitted the disks for processing.

To determine whether Mr. Owenby had made any changes after SSA returned the disks to him in May, we examined the three disks to determine the last date that data were written to the files. Our review indicated that the files were not modified after their original submission in January 1992. Although it is possible that Mr. Owenby's computer clock could have been changed to obscure any changes he made to the returned reports, this seems unlikely.

Concerning Mr. Owenby's third disk being rejected a second time because of problems in money fields, SSA acknowledged that system problems led to the rejection of an unknown number of employer wage reports for this problem. SSA staff said that they were not able to determine the cause of the system problems. The staff speculated that the problems may have been caused by some routine software maintenance and later inadvertently fixed by other software changes.

CONTROL OVER TAPES SUBMITTED

The rejection of the disks also resulted in Mr. Owenby questioning the adequacy of SSA's control over the disks he resubmitted. When he attempted to follow up on the status of the resubmitted disks on May 26, SSA was unable to tell him whether it had received one of the disks he returned, even after making a special search.

Mail records show that SSA received the disk in question on May 13, 1992. Our review of records indicates that the disk was entered into SSA's control system on May 14 and SSA completed processing it on June 25. It appears that a thorough search for the disk was not conducted in response to Mr. Owenby's inquiry.

CONCLUSION

Our review of this case points to several potential problems in the way SSA handles and processes magnetic media wage reports. Although the evidence is not conclusive, surrounding circumstances indicate that

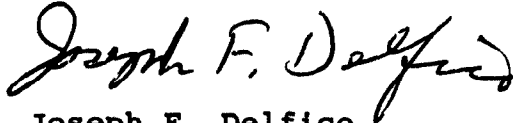
GAO/HRD-93-10R, SSA Problems in Processing Wage Reports

system control problems occurred in Mr. Owenby's case. The lack of problem tracking data and the fact that system problems can arise and disappear without a trace raise concerns about the operation of SSA's wage processing system.

- - - -

If you have any questions about this matter, please call Mr. Roland Miller of my staff on (410) 965-8925.

Sincerely yours,



Joseph F. Delfico
Director, Income Security Programs