
Pseudo Social Security Numbers

FINAL INSPECTION REPORT



ED-OIG/I13-F0015
March 2006

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U.S. Department of Education
Office of Inspector General
Washington, D.C.



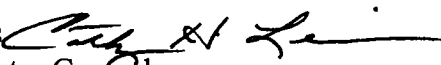
UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

MEMORANDUM

TO: Theresa S. Shaw
Chief Operating Officer
Federal Student Aid

MAR 27 2006

FROM: Cathy H. Lewis 
Assistant Inspector General
Evaluation, Inspection, and Management Services

SUBJECT: Final Report
Pseudo Social Security Numbers
Control Number ED/OIG I13F0015

Enclosed is the final inspection report that provides the results of our review and evaluation of the Department of Education's (Department) internal controls, guidance, procedures, and system edits regarding Pseudo Social Security Numbers (PSSNs). We received your comments concurring with the inspection results and recommendations in our draft report on March 1, 2006. A copy of these comments is included in their entirety as an appendix in the final report.

Corrective actions proposed and implemented by your office will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System (AARTS). Department policy requires that you develop a final corrective action plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items and targeted completion dates, necessary to implement the final corrective actions on the inspection results and recommendations contained in this final report.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the reports that remain unresolved after six months from the date of issuance.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

We appreciate the cooperation given to us during our review. If you have any questions or wish to discuss the contents of this report, please contact W. Christian Vierling at 202-245-6964.

Enclosure

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

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EXECUTIVE SUMMARY

This report provides the results of our evaluation of the use of Pseudo Social Security Numbers (PSSNs) in the Title IV, Higher Education Act of 1965, as amended (HEA) programs.¹ A PSSN is used as a student identifier by FSA when there is a Social Security Number (SSN) conflict between two borrowers. This occurs when an individual with a valid SSN is entered into the system and the SSN is in use by another individual. When this happens, a PSSN is created and the loans for the borrower who is already on the system are moved to a PSSN account. Our inspection objectives were (1) to determine whether FSA has established adequate internal controls for PSSNs and whether those controls are being followed, and (2) to determine if there are data accuracy problems associated with the use of PSSNs in the National Student Loan Data System (NSLDS). Our inspection identified weaknesses in the internal controls for PSSNs and that the controls in place were not always followed. We also identified data accuracy problems with the use of PSSNs in NSLDS.

We evaluated FSA's PSSN control activities for PSSNs with loan disbursements in the Central Processing System (CPS), the Common Origination and Disbursements System (COD), Direct Loan Servicing, Collections Division, and the National Student Loan Data System (NSLDS). According to the Government Accountability Office's (GAO's) *Internal Control Management and Evaluation Tool* (GAO Evaluation Tool), internal control activities require management to ensure "[a]ppropriate policies, procedures, techniques, and mechanisms exist with respect to each of the agency's activities."

We identified the following with regard to FSA's control activities for PSSNs:

- COD does not have adequate control activities to address PSSN issues for the William D. Ford Federal Direct Loan (Direct Loan) Program. The COD system edits do not identify or reject PSSNs for all Direct PLUS Loan transactions. This weakness is mitigated by control activities in Direct Loan Servicing.
- The NSLDS instructions to data providers on assigning PSSNs do not provide adequate guidance for the creation and use of PSSNs, and the number assignment format is not consistently followed.
- The Collections Division policies and procedures on PSSNs are inadequate because they do not provide consistent procedures for the treatment and use of PSSNs.
- The NSLDS system rule, requiring data providers to identify an SSN starting with nine as a pseudo number, is not consistently followed.

We determined that the following caused inaccurate data in NSLDS:

- Data providers did not always follow the NSLDS instructions.
- The instructions lack explicit guidance for nullifying PSSN accounts and do not provide Guaranty Agencies (GAs) with instructions for moving borrowers from pseudo accounts to valid accounts when the borrower's valid SSN has been established.

¹ Direct Loan Servicing uses the term Invalid SSNs to apply to all SSNs that have not been issued by SSA, including PSSNs. Direct Loans Servicing does not distinguish between PSSNs and all other invalid SSNs.

We recommend that FSA ensure the following:

- Data providers provide consistent and accurate data and that their policies include instructions for creating, using, and retiring PSSNs.
- Parent SSNs on PLUS loans are validated.
- Data providers follow the NSLDS instructions and other guidance to appropriately create, use, and retire PSSNs.
- Additional accounts are linked to the borrower's valid account and FSA should periodically identify any additional PSSN or SSN accounts.

The Department responded to our draft report on March 1, 2006. The Department generally concurred with our inspection results and recommendations.

BACKGROUND

Flow of student loan applications, disbursement, and loan data through FSA

Financial aid applications and loan data run through a variety of FSA systems that evaluate student eligibility, account for disbursed funds, and store the Title IV, HEA recipient data.

The CPS processes the Free Application for Federal Student Aid (FAFSA) to evaluate student eligibility, calculate the Expected Family Contribution (EFC), and conduct quality control and eligibility checks on application data. After the CPS processes the FAFSA, the data is sent to schools for a final Title IV, HEA recipient eligibility determination. Schools participating in the Direct Loan Program use COD to report origination, receipt of a valid promissory note, and disbursements to FSA.

Once Direct Loan transactions are processed in COD, the data is sent to Direct Loan Servicing to begin servicing the loan. Direct Loan Servicing maintains the data on Direct Loans and reports the loan information to NSLDS. NSLDS is a data repository of information about the history of Title IV, HEA loans and Pell Grants. NSLDS stores information about students, borrowers, loans, grants, lenders, GAs, schools, and servicers.

When a Direct Loan borrower defaults on a loan, Direct Loan Servicing transfers the loan to the Collections Division in Borrower Services to get the borrower out of default status. Federal Family Education Loan Program (FFELP) Loans are also assigned to the Collections Division by GAs.

Background on PSSNs

Section 484(a)(4) of the HEA requires a student to report “as part of the original financial aid application process, a . . . student’s social security number” to be eligible for Title IV funds. Section 484(p) states, “The Secretary of Education, in cooperation with the Commissioner of the Social Security Administration, shall verify any social security number provided by a student to an eligible institution” Additionally, Section 428B(f) states, “A parent who wishes to borrow funds under this section shall be subject to verification of the parent’s . . . social security number in the same manner as social security numbers are verified for students under section 484(p).”

The FAFSA requires that applicants report their SSNs to be eligible to receive aid. The CPS verifies a student’s SSN and other personal identifiers through a data match with Social Security Administration (SSA) records. FSA then uses the SSN as a student identifier.

A PSSN resembles a valid SSN, but starts with the number nine and falls outside the range of SSNs assigned by SSA. SSA has never issued an SSN starting with the number nine. Though the CPS/SSA Match identifies invalid SSNs, FSA and data providers use PSSNs in cases where the personal identifiers for a new borrower conflict with the personal identifiers of a borrower already on the system. SSN conflicts between borrowers arise in cases such as identity theft and data entry errors.

According to FSA, when the owner of a valid SSN, usually a new borrower, applies for Title IV, HEA aid, his or her loan information may conflict with a previous borrower whose loan information is captured under the same SSN. Therefore, the new borrower's loans cannot be entered into the system under his or her valid account number. The data provider will reconcile the personal identifiers of the two borrowers and determine which borrower owns the valid SSN and whether the other borrower has a different valid SSN or will need a PSSN.

The data provider will enter the new borrower's loans under his or her valid SSN and move the other borrower's loan information to a different account number. If the data provider can establish the other borrower's valid SSN, then it will move his or her loan information to that account number. If the data provider cannot establish the borrower's valid SSN, then it will generate a PSSN and move all loan information to this newly created account. The Directors of both NSLDS and Direct Loan Servicing informed us that borrowers on PSSN accounts should not receive new loans or disbursements until their valid SSNs are established.

On July 15, 2005, NSLDS identified 176,348 PSSNs on its system. While the largest number of PSSNs in the system have been created through NSLDS, data providers such as schools, the Collections Division, Direct Loan Servicing, and GAs also assign and move loan records to PSSN accounts.

From 2000 through 2004, 56,581 PSSNs were created through NSLDS and data providers created 21,412 PSSNs. We analyzed the 21,412 accounts created by data providers and found that 12,855 loans were disbursed to 8,807 different PSSN accounts. Of the accounts created by data providers, 41 percent (8,807 PSSNs) had loan disbursements associated with the accounts. As the loan status analysis shows below, 35 percent of the 12,855 loans or 21 percent of all accounts with PSSNs created by data providers from 2000 to 2004 (21,412 PSSN accounts) were in default.

Loan Status	School	Collections Division	GAs	"Others"	Total
Abandoned, Bankrupt	33	14	224	33	304
Canceled	45	32	636	272	985
Defaulted	1,402	817	1,070	1,236	4,525
Deferred, Forbearance	6	0	289	5	300
Paid in Full	1,817	104	1,620	1,643	5,184
In Grace, In Repayment	156	5	1,204	149	1,514
Other	2	0	40	1	43
Total	3,461	972	5,083	3,339	12,855

INSPECTION RESULTS

Objective 1: Determine whether FSA has established adequate internal controls for PSSNs and whether those controls are being followed.

We determined that the CPS/SSA Match and CPS Data Entry Edits are adequate control activities for student and parent SSNs at the point of application. Although COD does not have adequate control activities for identifying and resolving PSSN issues related to Direct Loans, we found that the Direct Loan Servicing Quarterly Invalid SSN Report, as implemented, mitigates the risks associated with PSSNs from the lack of control activities over PSSNs in COD. We also found that the control activities for NSLDS and the Collections Division are not adequate because they are inconsistent and lack specific guidance.

All Federal agencies are required to comply with the GAO's *Standards for Internal Control in the Federal Government* (GAO Standards).² To assist agencies with compliance, the GAO Evaluation Tool was developed. The Department has implemented these requirements through the Departmental Directive OCFO: 1-101 *Federal Managers' Financial Integrity Act Management/Reporting on Internal Controls* (OCFO: 1-101).³ The requirements in OCFO: 1-101 apply to all of the Department's Principal Offices' programs and administrative activities.

We evaluated FSA's PSSN control activities for five systems that hold student loan information using the control activities standard in the Department Directive OCFO: 1-101 and in the GAO Evaluation Tool. The GAO Evaluation Tool states, "Internal control activities are the policies, procedures, techniques, and mechanisms that help ensure that management's directives to mitigate risks identified during the risk assessment process are carried out." The application control for control activities "covers the structure, policies, and procedures designed to help ensure completeness, accuracy, authorization, and validity of all transactions during application processing." Control activities also require management to ensure, "[a]ppropriate policies, procedures, techniques, and mechanisms exist with respect to each of the agency's activities."

CPS/SSA Match and CPS Data Entry Edits adequately verify student and parent SSNs.

The primary CPS control activities for PSSNs are the CPS/SSA Match and the CPS Data Entry Edits. The student CPS/SSA Match verifies the validity of the applicant's SSN, name, and date of birth. It also identifies ineligible SSNs such as those assigned to dead persons, individuals with different names and dates of birth, and SSNs that are outside the range of SSNs assigned by SSA. Our August 2003 Management Information Report, *PLUS Could Be Disbursed to Ineligible Non-Citizens* (ED-OIG/E06D0008), found that the Department had not established the same verification procedures for parent identifying information that the Department had for student applicants. Since the Department did not verify the identifying information for PLUS loan applicants the potential existed that FFELP PLUS loans were disbursed to ineligible borrowers. We acknowledged that the process to verify student-identifying information could

² The Department's internal control standards are drawn from the *Standards for Internal Control in the Federal Government* issued by the Government Accountability Office in November 1999.

³ Departmental Directive OCFO: 1-101: *Federal Managers' Financial Integrity Act/Management Reporting on Internal Controls* (September 29, 2003).

not be performed on FFELP PLUS loan applicants. The CPS has since included parents in the CPS/SSA Match for the 2004-2005 FAFSA processing cycle.

The CPS/SSA Match compares the student applicant and parent SSNs listed on the FAFSA to the SSA database of assigned SSNs. The CPS will reject a student SSN and flag a parent SSN with a comment code when either SSN is inaccurate or incomplete. Likewise, the CPS Data Entry Edits reject invalid SSN values and ensure that personal identifiers on the application are complete and within SSA parameters before the CPS calculates an EFC.

Based on our inspection we concluded that the control activities for PSSNs through the CPS/SSA Match and CPS Data Entry Edits are adequate. They are correctly implemented to reasonably mitigate the risks associated with PSSNs of students and parents in the application process. The CPS/SSA Match adequately identifies PSSNs. The system edits reject any student SSNs and flag any parent SSNs the match identifies as invalid. As a result, the edits prevent the student's EFC from being calculated for applications with PSSNs.

COD system edits for SSNs do not reject PSSNs on Direct PLUS Loans.

COD is used to establish Direct Loans and account for Direct Loan disbursements. We identified two COD system edits related to PSSNs. The first system edit will reject any loan application with a PSSN that has a nine in all fields (999-99-9999). The second system edit will check the SSN on all Direct Loans, except Direct PLUS Loans, against the CPS/SSA Match results and will reject the transaction if there is no match. Direct PLUS Loans are available to parents of dependent children. Though CPS conducts a CPS/SSA Match for parent SSNs in the Title IV, HEA application process, COD does not verify parent SSNs on Direct PLUS Loan applications against the CPS data. Similarly, there is no process for lenders in FFELP to confirm the SSN of parent PLUS borrowers.

We determined that the control activities for PSSNs in COD were not adequate because the COD System Edits do not identify or reject PSSNs for all loan transactions. Direct PLUS Loan disbursements are made to borrowers using PSSNs without confirming whether the borrower has a valid SSN. The same problem that exists for Direct PLUS Loans in COD may be present in FFELP.

Direct Loan Servicing Quarterly Invalid SSN Report mitigates the lack of controls in COD.

Once loan transactions are processed in COD, the data is sent to Direct Loan Servicing. Direct Loan Servicing maintains the data on Direct Loans and reports the loan information to NSLDS. Data on Direct PLUS Loan borrowers with disbursements using PSSNs is sent to Direct Loan Servicing without identifying a valid SSN.

Our FY 2001 and FY 2002 *Financial Statement Audits and Management Letters* (ED-OIG/A17D0005 and ED-OIG/A17D0006) issued on April 3, 2003, identified 108 Direct Loan borrowers with invalid SSNs.⁴ We determined that the Direct Loan Program did not have procedures in place for verifying SSNs. We recommended that FSA research and resolve all invalid SSNs in the Direct Loan Servicing System and other systems as appropriate. FSA has

⁴ Direct Loan Servicing uses the term Invalid SSNs to apply to all SSNs that have not been issued by SSA, including PSSNs. Direct Loans Servicing does not distinguish between PSSNs and all other invalid SSNs.

since implemented the Direct Loan Servicing Quarterly Reports, *Loans with Apparent Invalid SSNs Beginning with "7"* and *Report on Apparent Invalid SSNs with High Numbers* (Quarterly Invalid SSN Report).

The Quarterly Invalid SSN Report identifies loan accounts with invalid SSNs by separating out numbers outside the range of valid SSNs issued by SSA. Once the accounts with invalid SSNs are identified, Direct Loan Servicing follows up with data providers to research and establish the borrowers' valid SSNs. During our audit of the FY 2005 financial statements we identified 73 invalid SSNs in the Direct Loan Servicing System. Nineteen percent of the invalid SSNs were PLUS loans, which passed from COD to the Direct Loan Servicing System without confirming a valid SSN for the borrower.

When Direct Loan Servicing reviewed the June 30, 2005, Quarterly Invalid SSN Report, which contained twelve PSSNs, the reviewer identified six students from the same school with loan accounts starting with a nine. Direct Loan staff contacted the school, determined that the school had mistakenly entered the internal student identifier number in the SSN field, and corrected the PSSNs. One PSSN, in addition to the twelve identified in the June 30, 2005, Quarterly Invalid SSN Report, was corrected by Direct Loan Servicing during the following quarter.

We determined that the Quarterly Invalid SSN Report and follow-up with data providers provides an adequate monitoring control over PSSNs in Direct Loan Servicing. This monitoring control assists in mitigating the lack of PSSN control activities in COD; however, by the time this control is initiated the Direct Loan funds have already been disbursed. The current control activities do not prevent Direct PLUS borrowers with PSSNs from receiving Title IV, HEA aid. Although we did not confirm actual disbursements to parent borrowers without valid SSNs in FFELP, nothing came to our attention to indicate that parent borrowers are not receiving disbursements based on PSSNs in FFELP.

NSLDS instructions for assigning PSSNs do not provide adequate guidance and are not implemented as designed.

NSLDS Appendix A-5: Assigning Pseudo Numbers (NSLDS Appendix A-5), created by NSLDS staff for internal use, is a compilation of the instructions each data provider must follow when creating a PSSN. The instructions included in NSLDS Appendix A-5 are found in the different versions of the NSLDS Data Provider Instructions. The *National Student Loan Data System, U.S. Department of Education, Guaranty Agency Data Provider Instructions* (NSLDS GA DPI) (Version 4.1, June 1, 2005) includes the PSSN number creation instructions for GAs. These PSSN assignment instructions, issued in March 2001, are similar to the instructions included in NSLDS Appendix A-5. The NSLDS GA DPI explains that in cases of data conflict “[w]here a real SSN is not on file, a pseudo SSN must be generated for the record” and the data provider must follow the specific rules for PSSN assignment.

The NSLDS instructions for assigning PSSNs provide guidance for creating pseudo numbers. They provide formatting or assignment codes for data providers to use in generating pseudo numbers based on the entity's FSA identifier code. The NSLDS instructions for assigning PSSNs do not provide information detailing the type of situations that would require a PSSN to be created, the steps that should be taken to monitor or correct the inaccurate data, and do not

require the merging of duplicate loans or accounts into the NSLDS SSN history. The instructions also do not detail when use of a PSSN would not be appropriate.

Data providers⁵ have not complied with the NSLDS instructions for assigning PSSNs. From March 2001 through December 2004, data providers created 16,345 PSSNs with 3,080 PSSNs or 19 percent not assigned following the FSA's instructions for assigning PSSNs. We identified these 3,080 PSSNs because the pseudo numbers assignment code did not correspond with the entity's identifier code. Of the PSSNs not assigned following FSA's instructions, 60 percent were assigned by FSA. The NSLDS Director informed us that FSA does not enforce the NSLDS instructions for assigning PSSNs.

The NSLDS GA DPI is not an adequate control activity because it does not include instructions detailing the type of situations where a PSSN should or should not be created, the steps that should be taken to monitor or correct the inaccurate data, and does not require the merging of duplicate loans or accounts into the PSSN history. Even if FSA enforces the instructions on PSSN assignment, the NSLDS GA DPI will still be inadequate, because it does not instruct data providers how to create, use, and retire PSSNs. NSLDS Appendix A-5, which is based on the NSLDS GA DPI, has similar inadequacies.

Collections Division Virtual Library section on SSN Error does not provide consistent procedures.

When a Direct Loan borrower defaults on a loan, Direct Loan Servicing transfers the loan to the Collections Division in Borrower Services to get the borrower into repayment. FFELP Loans are also assigned to the Collections Division by GAs.

The Director of Debt Collections indicated that the Collections Division has unwritten, but understood, policies for SSN changes. When we asked the regional office Directors, however, if they had policies and procedures regarding SSNs, each regional office Director informed us that their office uses their Virtual Library section on "Social Security Number Error."

The Virtual Library is a data information source available to collections loan analysts through the Department's intranet. The Virtual Library provides instructions to follow when the Collections Division receives a claim from an individual stating that he or she did not receive the loans that have defaulted, but the Collections Division has a valid SSN for those loans. These policies and procedures do not provide guidance on the acceptable reasons for creating a PSSN, how to assign PSSNs, or the specific steps for the creation of PSSNs. We also found that all three regional offices assign PSSNs differently and in a way that does not follow the number assignment procedure described by the Director of Debt Collections or the NSLDS instructions for assigning PSSNs. From this, we concluded that headquarters is unaware of the policies the regions are following and the procedures those offices have adopted to create and use PSSNs.

We determined that the Collections Division has not implemented adequate control activities for PSSNs because it lacks policies and procedures regarding PSSNs. The lack of guidance has resulted in inconsistencies in the treatment and use of PSSNs in the regional offices.

⁵ The data providers in NSLDS Appendix A-5 include GAs, schools, Direct Loan Servicing, and the Collections Division.

NSLDS system edit and rule do not automatically identify SSNs starting with a nine as pseudo numbers.

The NSLDS system edit specifications for data providers describe a system edit and a system rule. The system edit will only prevent a data provider from loading loans that conflict with existing SSN accounts and borrowers. There are no SSN matches with CPS data or with SSA, nor is there an SSN valid range edit. Therefore, NSLDS will accept an SSN as long as the number does not conflict with an SSN already in the system.

The system rule requires the data provider to identify a pseudo number loaded onto the system as a PSSN rather than a real SSN. FSA NSLDS staff explained that unless the data provider indicates this during the loading process, NSLDS will not identify SSNs beginning with a nine as PSSNs and will instead identify them as real SSNs. The NSLDS GA DPI instructs data providers to indicate “whether the Student’s Social Security Number is a pseudo SSN or a real number” by entering a “P” or an “R” in the SSN indicator field. During our analysis of the 77,993 PSSNs created from 2000 through 2004, we found that 23 percent of these numbers are categorized as real numbers instead of pseudo numbers. Of the PSSNs created by FSA, 25 percent were incorrectly categorized as real SSNs.

We determined that the NSLDS GA DPI instructions for identifying SSNs starting with a nine as PSSNs by entering a “P” are not followed. While FSA currently has the ability to identify all PSSNs by separating out the SSNs that start with a nine, at some future date SSA may begin assigning SSNs that start with a nine. Should they do so, this coupled with the lack of data provider compliance would pose a risk to the data integrity of NSLDS.

Conclusion

We determined that the control activities for PSSNs are inadequate because they are inconsistent and lack specific guidance.

Recommendations

We recommend that the Chief Operating Officer for FSA –

1. Ensure that all data providers have effective and consistent instructions for creating, using, and retiring PSSNs.
2. Revise and strengthen the NSLDS code to automatically identify PSSNs as pseudo numbers in the SSN indicator field. FSA should be prepared to modify the system should SSA begin issuing SSNs in the 900 series.
3. Implement a process to ensure that Direct and FFELP PLUS loan borrowers have valid SSNs.

The Department responded to our draft report on March 1, 2006. The Department generally concurred with our inspection results and recommendations.

Objective 2: Determine if there are data accuracy problems associated with the use of PSSNs in NSLDS.

In answering this objective we used the same criteria, the control activities standard of internal control, as used in the first objective. During our inspection we found two problems related to PSSNs that led to inaccurate loan histories in NSLDS. The first is that GAs do not always store invalid SSNs in the SSN history when they move borrowers to a PSSN. The second is that GAs do not always correct borrower PSSN accounts even after they obtain a valid borrower SSN. According to the NSLDS GA DPI, failure to update and store student identifiers “can create duplicate loan records that compromise the data integrity of NSLDS . . .” Furthermore, the borrower’s Title IV, HEA history could be lost and the borrower could obtain additional funds under an invalid SSN.

GAs failed to store SSN histories.

The NSLDS GA DPI assists data providers with the update process and report creation. It also provides instructions about how to make changes and load new data on the system. The NSLDS GA DPI section on student identifier changes explains that when an SSN is changed or updated the old SSN should be stored in the history: “When NSLDS updates a field for which history is kept, the updated value becomes the current value and the old current value becomes the historical value.”

According to NSLDS staff, when they create a PSSN in NSLDS they conduct a name search to identify duplicate records and SSNs for the borrower. They then merge these into the SSN history of the PSSN account. NSLDS staff explained that the NSLDS GA DPI instructs GAs to store an SSN history if changes are made to this identifier. During our analysis of the internal policies regarding PSSNs for four GAs, we found that only one GA instructed employees to conduct a name search to ensure that all borrower accounts on the system were moved to the correct SSN. The other three GA internal policies did not include such instructions.

During our inspection, we took a random sample of 40 PSSNs created by selected GAs. Our analysis of this sample showed that for 28 percent of the PSSNs, the GA did not store the SSN history in NSLDS when the loans were moved to a PSSN. Loans are moved to a PSSN when a new borrower’s SSN conflicts with the SSN of a borrower already on the system. Once the new borrower provides proof that he or she owns the SSN, the GA will move the borrower who is already on the system to a PSSN, if his or her valid SSN cannot be established. In each case, the GA moved the borrower from an incorrect SSN to a PSSN, but did not follow the NSLDS GA DPI to store the borrower’s incorrect SSN in the SSN history. Our analysis of the PSSNs without SSN histories (the 28 percent discussed above) showed that 27 percent of these borrowers still had unlinked SSN accounts in NSLDS. We concluded that the data providers are not consistently following the NSLDS GA DPI instructions for storing SSN histories when they change or update SSNs in NSLDS.

GAs failed to correct borrowers’ PSSN accounts.

The NSLDS GA DPI states, “A pseudo SSN may not be used in place of a real one if the Data Provider has the valid SSN.” Although the NSLDS GA DPI does not specifically state that a PSSN should be updated when a valid SSN is obtained, NSLDS staff explained that this

requirement is implied in the NSLDS GA DPI. NSLDS staff also explained that when a data provider moves records from a PSSN to a valid SSN, the data provider should nullify⁶ the PSSN account and store the PSSN in the SSN history.

Our analysis of the PSSN sample created by selected GAs showed that for 3 of the 40 PSSN accounts analyzed,⁷ the GA did not move the borrower to the valid SSN once the valid number had been established.⁸ There were also two cases where the data provider failed to nullify the PSSN account. Only one of the four GAs had internal policies specifying that a PSSN should be reversed when proof of a correct SSN is submitted.

Conclusion

We determined that data providers did not always follow the NSLDS GA DPI. In addition, the NSLDS GA DPI lacks explicit instruction for nullifying PSSN accounts and does not provide GAs with instructions for moving borrowers from pseudo accounts to valid accounts when the borrower's valid SSN has been established. These practices have created inaccurate loan histories in NSLDS. As a result, borrowers with inaccurate loan histories may receive loans in excess of annual or aggregate loan limits.

Recommendations

We recommend that the Chief Operating Officer for FSA –

4. Correct the problem accounts that we identified in our analysis and ensure the changes are reflected in NSLDS.
5. Ensure that data providers store SSN history during SSN changes and updates, and ensure that data providers merge all of the borrower records into the newly created PSSN account.
6. Improve the NSLDS Data Provider Instructions and other guidance to ensure that when the valid SSN for a borrower on a PSSN is established, all borrower records are moved to the valid SSN, the pseudo number is merged into the SSN history, and all unnecessary PSSN accounts are nullified.
7. Periodically identify all PSSN accounts in NSLDS for which Title IV, HEA funds have been disbursed and query the system (using the student's name, date of birth, or other information) to identify and link duplicate or multiple PSSN and/or SSN accounts to the borrower's valid loan account.

The Department responded to our draft report on March 1, 2006. The Department generally concurred with our inspection results and recommendations.

⁶ PSSN accounts are nullified when the loan is placed into cancelled status and all disbursement records are removed from the account.

⁷ We only received records from four of the five GAs selected for analysis and as a result we were unable to review the records for randomly selected PSSN accounts at the fifth GA.

⁸ On February 21, 2006, we verified that data providers corrected four of the five problem accounts in NSLDS. The remaining problem account should be corrected.

OBJECTIVES, SCOPE, & METHODOLOGY

The objectives of our inspection were to –

1. Determine whether FSA has established adequate internal controls for PSSNs and whether those controls are being followed.
2. Determine if there are data accuracy problems associated with the use of PSSNs in NSLDS.

We began our primary fieldwork on July 15, 2005, and concluded it on November 17, 2005. We focused our review on PSSNs created from the beginning of calendar year 2000 through the end of calendar year 2004 for FFELP and Direct Loans. We held an exit conference with FSA on January 13, 2006.

We received a summary report from FSA on July 15, 2005, that identified 176,348 PSSNs in NSLDS. We exported the report into a Microsoft Access database for analysis. From this, we determined that the largest number of the PSSNs were created through NSLDS. We found that data providers including schools, the Collections Division, Direct Loan Servicing, and GAs also assign and move loan records to PSSNs.

Using the summary report data, we extracted all PSSNs created from 2000 through 2004 into Microsoft Excel and separated the information by data provider according to the first four digits of the PSSN. Of the 77,993 PSSNs extracted, NSLDS staff created 56,581 PSSNs and other data providers created 21,412 PSSNs. Using this data, we narrowed the focus of our analysis to those data providers that created the largest number of PSSNs from 2000 through 2004. We created an Excel spreadsheet for each data provider: NSLDS, Collections Division, five GAs, and “Others”.⁹

We ran a query of all PSSN accounts created from 2000 through 2004 by in NSLDS. We extracted 12,855 loan and student information records for 8,807 PSSN accounts created by data providers in Excel format. The scope of our analysis was limited because the query only produced records for PSSNs that had loan information associated with the account. We reviewed records for 11 percent of the 77,993 PSSNs created between 2000 and 2004. These 11 percent were identified because they had loan disbursements.

For our first objective, we assessed FSA’s current procedures and methods for assigning PSSNs. We used the standards in OCFO: 1-101 and GAO’s Evaluation Tool to determine if FSA’s controls for PSSNs were adequate. During our inspection, we focused primarily on control activities.

We interviewed FSA staff and contact persons from selected external agencies to determine their internal controls activities for PSSNs. We interviewed FSA staff from CPS, COD, Direct Loan

⁹ We labeled the “Others” spreadsheet as a different category because the entity that created the number did not follow the NSLDS Appendix A-5 instructions when it created the PSSN. The “Others” were not on the Guaranty Agency’s primary spreadsheet because the “Others” PSSNs did not start with the appropriate four digits.

Servicing, NSLDS, the Collections Division, and the State Agency Liaison. We evaluated the guidance, procedures, and system edits for five different FSA systems. To determine if the internal controls for PSSNs were adequate, we reviewed the CPS/SSA Match and CPS Data Entry Edits, the COD system edits for SSNs, the Direct Loan Servicing Quarterly Invalid SSN Reports from October 31, 2005, and June 30, 2005, the NSLDS Appendix A-5 and the NSLDS GA DPI, the Collections Division's Virtual Library section on "Social Security Number Error," and the NSLDS system edits for SSNs.

For our second objective, we conducted interviews with the five selected GAs to assess the data accuracy problems associated with the use of PSSNs in NSLDS. Using both the GA's spreadsheet and the "Others" spreadsheet we produced for our analysis, we also randomly selected ten PSSN accounts created by each of the GAs. We then requested the ten PSSN account files from each GA to determine how the five selected GAs process and monitor SSNs. We experienced a scope limitation because one of the five GAs did not provide us with the ten records we requested. Upon receipt of the 40 files we did obtain, we analyzed the pseudo accounts for data accuracy errors including unlinked accounts, unlinked SSN histories, uncorrected SSNs, and un-nullified accounts.

Our inspection was performed in accordance with the 2005 President's Council on Integrity and Efficiency Quality Standards for Inspections appropriate to the scope of the inspection described above.

APPENDIX



CHIEF OPERATING OFFICER

MAR 1 2006

TO: Cathy H. Lewis
Assistant Inspector General
Evaluation, Inspection and Management Services

FROM: Theresa S. Shaw *TSS*
Chief Operating Officer
Federal Student Aid

SUBJECT: Draft Inspection Memorandum
Pseudo Social Security Numbers
ED-OIG/I13-F0015

This is in response to your February 2, 2006, Draft Inspection Memorandum. In general, Federal Student Aid agrees with the OIG findings and recommendations. The following responses identify the corrective actions Federal Student Aid will take to address each recommendation.

Finding 1. COD system edits for SSNs do not reject PSSNs on Direct PLUS Loans.

Recommendation 1.1. Implement a process to ensure that Direct and FFELP PLUS Loan borrowers have valid SSNs.

Federal Student Aid Response: Federal Student Aid concurs and will implement a process ensuring that Direct and FFELP PLUS Loan borrowers have valid SSNs with the implementation of the ADvance solution. This action will be completed by December 31, 2008.

Finding 2. NSLDS instructions for assigning PSSNs do not provide adequate guidance and are not implemented as designed.

Recommendation 2.1. Ensure that all data providers have effective and consistent instructions for creating, using, and retiring PSSNs.

Federal Student Aid Response: Federal Student Aid concurs and will publish a technical update for National Student Loan Data System (NSLDS) data providers. The technical update will provide guidance for the creation and use of PSSNs, the methodology that each data provider must use to create a PSSN on NSLDS, and the importance of providing NSLDS with the real SSN once it is known. The technical

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update will outline the procedure for properly changing a SSN on NSLDS so that borrower records are properly linked. The technical update will include amended Data Provider Instructions pages that reflect these points. This action will be completed by March 15, 2006.

Finding 3. Collections Division Virtual Library section on SSN Error does not provide consistent procedures.

Recommendation 3.1. Ensure that all data providers have effective and consistent instructions for creating, using, and retiring PSSNs.

Federal Student Aid Response: Federal Student Aid concurs and will revise the Collections Division Virtual Library to ensure consistent application of regional and headquarters assignment of PSSNs by developing written procedures and policies to address the use, creation, and retirement of PSSNs. This action will be completed by May 31, 2006.

Finding 4. NSLDS system edit and rule do not automatically identify SSNs starting with a nine as pseudo numbers.

Recommendation 4.1. Revise and strengthen the NSLDS code to automatically identify PSSNs as pseudo numbers in the SSN indicator field. Federal Student Aid should be prepared to modify the system should SSA begin issuing SSNs in the 900 series.

Federal Student Aid Response: Federal Student Aid concurs and will create a NSLDS system edit that will modify the load program to update with the "P" indicator when a 900 series loan is added to the system. In addition, we will correct the SSN indicator field in NSLDS for all loans with SSNs starting with a nine. This action will be completed by June 1, 2006.

Finding 5. GAs failed to store SSN histories.

Recommendation 5.1. Periodically identify all PSSN accounts in NSLDS for which Title IV, HEA funds have been disbursed and query the system (using the student's name, date of birth, or other information) to identify and link duplicate or multiple PSSN and/or SSN accounts to the borrower's valid loan account.

Federal Student Aid Response: Federal Student Aid concurs and will research methods for using available NSLDS data elements to systematically compare PSSN loan records to other loan records and will then identify loans that appear to have been duplicated under a PSSN and a real SSN. After careful review, we will establish procedures to merge the true duplicate records and will document the process so that it is repeatable. This action will be completed by December 31, 2006.

Finding 6. GAs failed to correct borrowers' PSSN accounts.

Recommendation 6.1. Ensure that data providers store SSN history during SSN changes and updates, and ensure that data providers merge all of the borrower records into the newly created PSSN account.

Federal Student Aid Response: Federal Student Aid concurs and will issue a technical update to NSLDS data providers on how to store SSN history when there are changes and updates to ensure that history is maintained on SSN changes. The technical update and enhanced instructions in the Data Provider Instructions will give data providers clear guidance on how to merge records. This action will be completed by March 15, 2006.

Recommendation 6.2. Improve the NSLDS Data Provider Instructions and other guidance to ensure that when the valid SSN for a borrower on a PSSN is established, all borrower records are moved to the valid SSN, the pseudo number is merged into the SSN history, and all unnecessary PSSN accounts are nullified.

Federal Student Aid Response: Federal Student Aid concurs and will distribute a technical update to NSLDS data providers that includes amended Data Provider Instructions. The technical update will provide guidance for the creation and use of PSSNs, the methodology that each data provider must use to create a PSSN on NSLDS, and the importance of providing NSLDS with the real SSN once it is known. Also, the technical update will review procedures for properly changing a SSN on NSLDS to ensure that borrower records are properly linked. This action will be completed by March 15, 2006.

Recommendation 6.3. Correct the problem accounts that we identified in our analysis and ensure the changes are reflected in NSLDS.

Federal Student Aid Response: These three problem accounts were not reported by OIG at the exit conference, nor were they reported in the OIG point sheets issued prior to the exit. Federal Student Aid has requested specific account information from OIG. Once we have analyzed that data, we will be able to estimate a completion date for the corrective action.

If you have any questions, you may contact Katrina Turner, Director, Partner Services Group at (202) 377-3311 or Pamela Eliadis, Director, NSLDS Data Systems Group at (202) 377-3554.