

VERIFICATION OF SOCIAL SECURITY NUMBERS COULD PREVENT UNEMPLOYMENT INSURANCE PAYMENTS TO ILLEGAL ALIENS

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MEMORANDUM FOR: RAYMOND J. UHALDE
 Acting Assistant Secretary
 for Employment and Training

FROM: /s /
 JOHN J. GETEK
 Assistant Inspector General
 for Audit

SUBJECT: Verification of Social Security Numbers Could Prevent
 Unemployment Insurance Payments to Illegal Aliens
 Final Audit Report No. 04-98-001-03-315

The attached subject final report is submitted for your resolution action. We request a response to this report within 60 days.

If you have any questions concerning this report, please contact Robert Wallace, Regional Inspector General for Audit, in Atlanta at (404) 562-2341.

Attachment

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ACRONYMS

ASVI	-	Alien Status Verification Index
BPC	-	Benefit Payment Control
INS	-	Immigration and Naturalization Service
IRCA	-	The Immigration Reform and Control Act of 1986
IRS	-	Internal Revenue Service
OA	-	Office of Audit
OI	-	Office of Investigations
OIG	-	Office of Inspector General
SAVE	-	Systematic Alien Verification for Entitlements
SESA	-	State Employment Security Agencies
SSA	-	Social Security Administration
SSN	-	Social Security Number
UI	-	Unemployment Insurance
UIS	-	Unemployment Insurance Service
USDOL	-	United States Department of Labor

EXECUTIVE SUMMARY

Aliens who are not authorized to work in the U.S. are not eligible for unemployment insurance (UI) benefits. Yet, illegal aliens are paid millions of dollars in UI benefits because they are not identified by State Employment Security Agencies' (SESAs') claims review procedures.

Although *The Immigration Reform and Control Act of 1986 (IRCA)* requires the SESAs to use the Immigration and Naturalization Service's (INS) Systematic Alien Verification for Entitlements (SAVE) system to check the validity of documentation provided by aliens who apply for UI benefits, its effectiveness is limited. We found that screening UI claimants' Social Security Numbers (SSNs) was an effective means of identifying illegal aliens who had filed for UI benefits. If coupled with existing INS screening, validation of SSNs would prevent many of the abuses that now occur.

Through use of computer programs in the States of Florida, Georgia, North Carolina, and Texas, we identified some 2,927 claims totaling \$3,206,675 which were paid to individuals who filed for UI benefits under (SSNs) that had either not been issued or were issued to individuals who had died before the UI claims were filed. The periods we examined depended upon the availability of data in each state, but generally consisted of the 8 most recent quarters of claims paid for the period that ended September 30, 1996.

Moreover, a substantial portion of claims were filed by illegal aliens. We selected a judgmental sample of the claimants in the states we visited and were able to obtain adequate evidence of the legal status of 241. We found 54 percent (129)

of the claimants were illegal aliens who had improperly received UI benefits of \$200,291. Many of the claimants we interviewed admitted using counterfeit identification to obtain employment.

Although we did not design our audit to allow projection of the sample results nationwide, we believe screening of UI claimants' SSNs would prevent millions of dollars in UI benefits from being misspent annually. Federal requirements establish that each individual provide his or her SSN to the SESA, as a condition of eligibility for UI benefits. Thus, benefits may not have to be paid to claimants who indicate they are U.S. citizens, but have provided an invalid SSN, until discrepancies can be resolved.

RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training:

1. assist the states in developing and implementing means of screening UI claimants for valid SSNs;
2. seek legislative changes to the *IRCA*'s provisions that would allow states to resolve differences prior to payment of benefits, in instances where the SAVE system's primary verification procedures indicate a material discrepancy;
3. ensure that states establish procedures to delay or defer paying benefits to individuals without valid SSNs; and
4. ensure that Florida, Georgia, North Carolina and Texas investigate and establish overpayments, where appropriate, on claims we concluded were paid to illegal aliens.

ETA'S RESPONSE

The Employment and Training Administration (ETA) responded to our draft report on January 7, 1998, the full text of which is included as Appendix C of this report. ETA indicated that significant improvements could be made in areas that our audit report addressed. Initiatives currently being considered includes on-line verification of SSNs and employer feedback from the National Directory of New Hires. ETA is preparing a UI directive that will deny payments to alien claimants who do not have reasonable evidence of satisfactory immigration status.

ETA disagreed with our recommendation that benefits should not be paid to individuals without valid SSNs. According to ETA, the burden of policing the social security system does not reside with the SESAs. ETA believes that the directive it is issuing will enable SESAs to deny or delay payments to illegal alien claimants. ETA will distribute the Office of Inspector General (OIG) report and study the initiatives to determine if a more comprehensive approach would be effective. ETA agreed with our recommendation that the four states we audited should investigate and establish overpayments where appropriate.

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OIG'S CONCLUSION

We are encouraged by and support ETA's initiatives to assist SESAs in developing means to validate claimants' SSNs. On-line verification of SSNs would be especially timely and efficient, allowing immediate feedback and querying of claimants for additional information and explanation of SSN discrepancies. Using the National Directory of New Hires to inform employers of SSN discrepancies would also be a good tool to improve the accuracy of wage reports, and ultimately, UI claims. Verification of claimants' SSNs is especially important for telephone claims or partial claims in states with procedures similar to North Carolina where employers submit information to generate claims.


We reviewed the UI directive ETA is issuing and voiced our concerns that illegal aliens with invalid SSNs could be paid benefits if they provided fraudulent documentation that appeared to be "reasonable evidence." We continue to

recommend that legislative authority be sought to delay benefits whenever the SAVE system primary verification show major discrepancies.

However, we are disappointed with ETA's position regarding our recommendation that payments be delayed or deferred for those individuals using invalid SSNs. Requiring and verifying that each UI claimant uses his or her **assigned** SSN is not policing the social security system. SSN verification helps to ensure the integrity of the UI system by preventing illegal aliens and other ineligible persons from using false identification to receive benefits. SSN verification also enables SESAs to comply with the *Deficit Reduction Act of 1984* which requires that UI claimants provide **their** SSNs in order to receive benefits. We continue to recommend that benefits be delayed or deferred to individuals without valid SSNs.


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INTRODUCTION AND PRINCIPAL CRITERIA

 The OIG's Office of Audit (OA) began a survey of the Florida UI program in February 1996. The survey was initiated as a result of a fictitious employer case in Florida. The OIG's Office of Investigations (OI) arrested an individual on March 6, 1996, for fraudulently obtaining UI benefits. The individual established 9 fictitious employers in 36 states and obtained benefits for 15 false claimants by using 48 SSNs. Most of the SSNs were fabricated and losses totaled about \$100,000.

We attempted to determine if additional fabricated SSNs could be identified. We performed limited audit work in Florida to develop a methodology to identify the extent that invalid SSNs existed, why they were being used, and whether methods adopted by the SESA effectively detected overpayments. We also applied this methodology in limited scope audit work in Georgia, North Carolina and Texas.

We did not find evidence of additional fictitious employer schemes. Instead, we found many instances of illegal aliens who had received UI benefits. These individuals used SSNs that had not been assigned by the Social Security Administration (SSA). Wages were reported by employers for these SSNs, which then became the basis for filing UI claims.

 The *Social Security Act* requires that each state establish a system for paying unemployment benefits to qualified individuals who become unemployed through no fault of their own. The UI program is a joint Federal-State partnership; however, each state administers its UI program in accordance with state laws. ETA's Unemployment Insurance Service (UIS) provides general guidance and assistance to the states in their administration of the UI program.

States levy UI taxes on employers. States collect these taxes and deposit them in their account in the UI Trust Fund. Funds are withdrawn as needed to pay benefits to eligible claimants, in accordance with state laws. The Federal Unemployment Tax is levied on employers to pay the cost of administering the UI program.

The *IRCA* requires that employers obtain and review certain documents that establish new employees' identities and document their eligibility to work in the U.S.

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Form I-9 (Employment Eligibility Verification). INS's Form I-9 is completed to evidence the employer's review of documents. One acceptable document is a Social Security card.

Aliens authorized to work in the U.S. are eligible for UI benefits, provided other state requirements applicable to all claimants are met. Applicants must declare, in writing, whether or not they are U.S. citizens, nationals, or aliens. The *IRCA* also requires verification of immigration status of aliens who apply for benefits under certain Federally-funded programs, including unemployment compensation. Thus, the SESAs must verify that aliens have a legal work status when they apply for UI benefits.

Aliens must provide UI claim takers with their Alien Registration Numbers or other evidence of current immigration

status. Each Alien Registration Number is unique and is issued to only one person.

The SAVE Program - The *IRCA* also mandates that certain agencies which administer Federally-funded programs use the SAVE program to verify the status of aliens at the time they apply for benefits. SAVE is maintained by an INS contractor and relies upon data in the INS Alien Status Verification Index (ASVI). SAVE is used for initial verification of the documentation supplied by aliens. Claim takers enter data on aliens who apply for UI benefits into the SAVE for verification. This automated process is known as "primary verification."

The SESAs are required to complete "secondary verification" when directed by a message during the automated comparisons done during primary verification or if the claim taker's review of an alien's documentation indicates a material discrepancy. Secondary verification is a more extensive validation procedure. Under this process, the SESAs must submit all available information on the alien to the INS for manual review and comparison with information in its files. From the data, INS makes a decision regarding the claimant's immigration status.

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OBJECTIVES, SCOPE AND METHODOLOGY

The primary objective of our audit was to determine whether significant numbers of individuals filed UI claims using SSNs that were not assigned. Associated sub-objectives of our audit included determination of:

- o whether those who filed UI claims under invalid SSNs were ineligible for benefits and if so, the amounts they were paid;
- o why the SESAs' benefit payment control procedures did not detect and prevent improper payments; and
- o what procedures are effective in identifying ineligible claimants before payments are made.

We performed our audit in the States of Florida, Georgia, North Carolina and Texas. We chose those states because of their large population of aliens and because of related issues in other OIG audits. The period of our audit in each state varied and depended upon the availability of data at the time of our visit. Generally, the claim files we reviewed included the 8 most recent quarters of claims as of September 30, 1996.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We conducted a limited scope audit and did not design our samples and related audit procedures to project the results statistically.

Using data supplied by the SSA, we identified the population of claimants who received benefits while using unissued or deceased persons' SSNs. We selected samples from this population and completed a review of files maintained by the SESAs, as well as claimant interviews, to determine eligibility for unemployment benefits. We also reviewed the SESAs' procedures and controls for preventing payments to ineligible claimants. A more detailed discussion of our procedures, titled "Approach Used to Determine Invalid UI Claims," is included in Exhibit 1 of this report.

We began our survey work in Florida in February 1996, in conjunction with a fictitious employer case initiated by our OI. Fieldwork involving this audit began in July 1996 and continued through July 1997. We issued a "Statement of Tentative Findings" to each state and considered their responses in preparing this report.

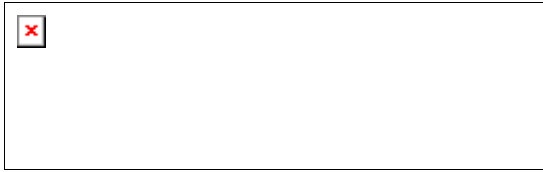
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CHAPTER I

VERIFICATION OF SOCIAL SECURITY NUMBERS WOULD COMPLEMENT EXISTING METHODS OF PREVENTING IMPROPER UI PAYMENTS

Although the *IRCA* requires the SESAs use an INS program (SAVE) to check the validity of documentation provided by aliens who apply for UI benefits, its effectiveness is limited. We found that screening UI claimants' SSNs was an

effective means of identifying illegal aliens who had filed for UI benefits. If coupled with existing INS screening, validation of SSNs would prevent many of the abuses that now occur.



UI claimants are required to declare whether they are U.S. citizens or aliens, at the time they apply for benefits. Claimants who indicate they are aliens must provide the SESA with documentation of their status.

The SAVE program allows the SESAs to query information maintained in INS data bases and determine if documentation supplied by alien UI claimants is genuine. However, if a claimant states that he or she is a U.S. citizen, the SESAs must accept the claimant's declaration. Consequently, aliens who declare themselves citizens avoid INS screening through the SAVE program.

Even when questionable documentation is detected, an alien may receive UI benefits for extended periods of time. The IRCA mandates "presumptive eligibility." Section 121(a)(4) of the IRCA provides an alien must be paid benefits until the INS determines he or she is in the country illegally:

In the case of such an individual who is not a citizen . . .

(A) the State-

(i) shall provide a reasonable opportunity to submit to the State evidence indicating a satisfactory immigration status, and

(ii) may not delay, deny, reduce, or terminate the individual's eligibility for benefits under the program on the basis of the individual's immigration status until such a reasonable opportunity has been provided; and

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(B) if there are submitted documents which the State determines constitutes reasonable evidence indicating such status-

(i) the State shall transmit to the Immigration and Naturalization Service photostatic or other similar copies of such documents for official verification,

(ii) pending such verification, the State may not delay, deny, reduce or terminate the individual's eligibility for benefits under the program on the basis of the individual's immigration status, and

(iii) the State shall not be liable for the consequences of any action, delay, or failure of the Service to conduct such verification. . . .

Most SESAs we visited paid benefits to alien claimants, even when primary SAVE program verification indicated material discrepancies in the claimants' documentation. The SESAs continued to pay benefits until "secondary verification" was completed and they received written notification that the documentation was not legitimate.¹ Secondary verification requires that the INS complete manual reviews of claimants' documentation that has been collected and submitted by the SESAs. In some instances, it may be necessary for the SESAs to contact the claimant and request additional information. Consequently, illegal aliens may receive several weeks of unemployment benefits and return to work before the INS confirms that the aliens' documents are counterfeit.

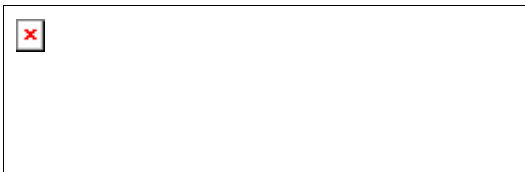
We also found problems with administration of the SAVE system. In some circumstances, illegal aliens were paid

benefits under additional claims over a period of years and the aliens' documents were not identified as counterfeit until the most recent claims were filed. The SESAs established overpayments on only the most recent claim.

In reviewing UI claims, we identified hundreds of instances in which multiple claimants used the same alien registration numbers to obtain UI benefits. The claims are suspect because the INS assigns a unique registration number to each alien.

¹ Georgia was an exception among the four states we visited. Georgia does not pay benefits to alien claimants when discrepancies are found through primary verification. Benefits are delayed until secondary verification is completed and discrepancies resolved. The policy is effective, as we identified only one illegal alien who had received UI benefits in Georgia. However, Georgia's practices may not conform with the *IRCA*'s provisions.

There were also many instances in which there was no evidence that secondary verification had been performed, although material discrepancies were identified through primary verification procedures. In such cases, benefits were paid, even though questions regarding claimants' eligibility were not resolved. Difficulty in locating participants to obtain additional documentation contributed to some of the improper payments.



Review of UI claim files in the states we visited indicates that validation of claimants' SSNs is an effective tool in identifying illegal aliens and preventing them from receiving UI benefits.

We developed a computer program and applied it to the four states' UI claim files.² The program enabled us to identify UI claims with associated SSNs that had not been issued at the time individuals had filed for UI benefits. We limited our review to UI claims that had been paid.³

BENEFITS PAID TO CLAIMANTS USING UNISSUED SSNS		
STATE	NUMBER OF CLAIMS	BENEFITS PAID
Florida	289	\$515,268
North Carolina	1,635	\$719,433
Georgia	170	\$165,447
Texas	248	\$652,632
Total	2,342	\$2,052,780

² The period covered by our review varied by state and depended upon the availability of claims data. Generally, the files included the most current 8 quarters of claims available at the time of our visit, which included quarters through September 30, 1996.

³ The files are composed of all claims filed, although many were not paid because claimants were found ineligible before they were paid benefits. Appendix B contains data on the incidence of unissued SSNs identified in the employer wage history files of each state we visited.

In the four states we visited, we identified 2,342 claims in which UI benefits had been paid to individuals using unissued SSNs. Our universe of questionable payments totaled \$3,206,675. At the time we extracted the data, benefits totaling \$2,052,780 had been paid, as shown in the preceding table. We identified an additional 585 claims filed under deceased persons' SSNs with \$1,153,895 benefits paid. Appendix A includes a discussion of our review of benefits paid under deceased persons' SSNs.

We selected a judgmental sample of 452 of the 2,342 claims, and were able to reach conclusions regarding claimants' legal status on 241 of the 452 sampled claims. Overall, we found that 54 percent (129 of 241) of the claimants whose status was confirmed were illegal aliens and that they had improperly received UI benefits totaling \$200,291. Our conclusions were based upon a review of the claims files and followup procedures. (See Exhibit 2.)



The use of SSNs to identify discrepancies may have the added advantage of allowing states to resolve discrepancies before UI benefits are paid claimants. In contrast to the *IRCA's* provisions for aliens claiming a satisfactory immigration status, we are not aware of any legal prohibition that would prevent states from requiring claimants to provide valid SSNs

before UI benefits were paid. In fact, the *Deficit Reduction Act of 1984* amended the *Social Security Act* at 42 U.S.C., Section 1320b-7, as implemented in the Department's regulations at 20 CFR 603.3, to provide a basis for using SSNs to validate claimants' eligibility for benefits:

(a) The State unemployment compensation agency shall require, as a condition of eligibility for unemployment benefits, that each claimant for benefits furnish to the agency his/her social security number . . . and the agency shall utilize such numbers in administration of the unemployment compensation program. . . .

(b) If the state agency determines that a claimant has refused or failed to provide a Social Security Number, then that individual shall be ineligible to participate in the unemployment compensation program.

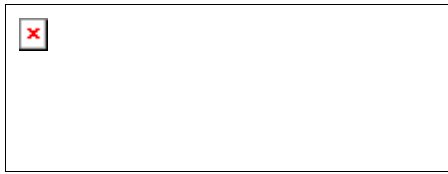
Consequently, discrepancies could be resolved before losses occur and lengthy, often unsuccessful, attempts to recover misspent funds are undertaken.

CHAPTER II

RECENT INITIATIVES INCREASE THE NEED FOR EFFECTIVE UI CLAIMS SCREENING PROCEDURES

Many states either have adopted or are adopting new procedures that streamline the UI claims-taking process. The initiatives are being encouraged by ETA as ways to speed claims processing and cut administrative costs, by reducing the need for direct contact with claimants and intervention by SESA personnel.

The objectives of these new initiatives are laudable. However, claims processing procedures that reduce claimant contacts contribute to larger numbers of illegal aliens receiving UI benefits. States using such procedures have an increased need for more effective claims screening methods.



For example, North Carolina's "partial claims" process requires employers, rather than employees, to initiate UI claims. A partial claim results when an employee is temporarily laid off and works less than 3 days during the week.

Layoffs that do not last more than 4 weeks are considered temporary. North Carolina does not require these claimants to apply for UI benefits or attest to their citizenship. Instead, employers' payroll information is used to determine eligibility and the amount of benefits to be paid. Hence, workers who are temporarily laid off do not complete the more traditional procedure of visiting a local Job Service office. Rather, the employer is instructed to send employees who are not U.S. citizens to the nearest Job Service office for additional screening. We found this seldom happened.⁴

We found North Carolina had the highest number of claimants and the largest amount of benefits paid to claimants using unissued SSNs of any state in our review. (See page 9.) Of



⁴ It would seem that protection from such abuse already exists because of INS requirements that employers obtain documentation from newly hired workers that establishes their status (the Form I-9 requirement). Employers can verify workers' SSNs by making application with the SSA to use its Enumeration Verification System. Also, INS and SSA are testing a two-step process that allows employers to verify both citizens' and non-citizens' documentation. However, we found documentation used by illegal aliens who obtained UI benefits was often counterfeit and employers are not obligated to confirm the validity of identification provided by employees.

the 1,635 paid claims on the North Carolina claim files that we identified as using unissued SSNs, 1,535 (94 percent) were partial claims. Further, all 30 of the North Carolina claimants we determined through interviews or SAVE System verification to be illegal aliens received benefits through partial claims.

We believe these improper claims would have been detected if claimants' SSNs had been validated before benefits were paid. The data suggests that verification procedures need to be strengthened in North Carolina and other states that operate similar systems.



We share similar concerns for states that operate systems, such as telephone processing of claims, that reduce face-to-face contacts with claimants. One state we visited has recognized the need for new safeguards because of changes in its procedures. The initiatives promise both greater efficiency and

better protection.

Texas recently redesigned its UI benefit payment system and is implementing telephone filing of claims. Texas is also implementing a system to verify new claimants' SSNs, and hopes to have the system operational within the next 3 months. Texas will use SSA's Enumeration Verification System (EVS) to verify that UI claimants are using their correct SSNs. Agencies that pay benefits can use this system to verify that individuals who apply for benefits are using their assigned SSNs. Selected information on all new claimants will be sent to the Texas Department of Human Resources for EVS validation. The EVS will provide automated matching of claimants' names, dates of birth and gender codes with information for corresponding SSNs on SSA's files. Exceptions will be screened by UI personnel prior to benefit payments.

The SSN verification system Texas is implementing will be more comprehensive and effective than our computer program. Our program only identified SSNs in ranges that have not been issued, because of Federal privacy restrictions we faced in obtaining SSA data. However, states have the capability of matching individual names and birth dates with SSNs because the data is available to certain governmental agencies that pay benefits.

Had the SSN verification system been in place, all the exceptions we found in our review could have been detected

before states began benefit payments. Verification of SSNs would complement the SAVE validation system, rather than duplicate it. As previously discussed, claimants declaring themselves to be U.S. citizens are not screened for immigration legal status. Up-front verification of SSNs and identification of irregularities might also be a basis

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for delaying or deferring payments to suspected illegal aliens, irrespective of the immigration law which mandates payments to aliens continue until they are proven by INS to be illegal.

Prevention of improper payments promises to be far more cost-efficient and effective than detection and recovery after the claim has been paid. Such after-the-fact efforts require expensive administrative procedures to contact claimants, establish and adjudicate overpayments and attempt recovery, often with little or no success.

CONCLUSION

Although some problems were noted in administration of the SAVE system, the states we visited generally did a creditable job of using the time-consuming and sometimes cumbersome process. However, procedures for controlling illegal aliens now available to the SESAs are somewhat reactive, as they often do not identify illegal aliens until after benefit payments have commenced. We believe a proactive approach that requires claimants to have valid SSNs prior to payment of benefits better ensures that benefits are paid only to eligible claimants.

We are not aware of any legal prohibition that would prevent states from requiring all claimants to have valid SSNs before benefits are paid. In fact, the *Deficit Reduction Act of 1984* amended the *Social Security Act* at 42 U.S.C., Section 1320b-7, to prescribe that states shall require all applicants for benefits under certain programs, including unemployment compensation, to furnish **their** SSNs, and that the SSNs be used in the administration of the programs. We believe prudent program administration would include verifying that benefit recipients are using their **assigned** SSNs.

The cost of abuses must be weighed against the cost of designing and implementing new controls to counter abuses. While such a cost/benefit analysis was beyond the scope of this audit, validation of all new claimants' SSNs would detect many illegal aliens who escape the SAVE system's scrutiny. SSNs of all new claimants can be validated with the SSA prior to payment of benefits. SSA's EVS is designed for this purpose. Texas is currently working to establish this system, and hopes to have it operational within the next 3 months. This system might be used as a model for other states. Verification of claimants' SSNs might also have other useful applications, such as identification of fictitious employer schemes.

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RECOMMENDATIONS

Verification of claimants' SSNs prior to payment of unemployment benefits is a means by which many improper payments to illegal aliens can be prevented. Prevention of improper payments rather than after-the-fact detection and recovery would contribute to more efficient UI claims administration. Therefore, we recommend the Assistant Secretary for Employment and Training:

assist the states in developing and implementing means of screening UI claimants for valid SSNs;

seek legislative changes to the *IRCA*'s provisions that would allow states to resolve differences prior to payment of benefits, in instances where the SAVE system's primary verification procedures indicate a material discrepancy;

ensure that states establish procedures to delay or defer paying benefits to individuals without valid SSNs; and

ensure that Florida, Georgia, North Carolina and Texas investigate and establish overpayments, where appropriate, on claims we concluded were paid to illegal aliens.

ETA'S RESPONSE TO THE DRAFT REPORT

ETA responded to our draft report on January 7, 1998, the full text of which is included as Appendix C to this report. ETA welcomes OIG's concern for the integrity of the UI program, and believes that significant improvements could be realized in areas that our audit addressed.

In conjunction with other Federal agencies, ETA indicates it is exploring the feasibility of developing a system to be used with the National Directory of New Hires. Such a system would provide feedback to employers regarding SSNs to improve the accuracy of reporting. ETA is also discussing another initiative with the SSA that could provide on-line verification of SSNs by the SESAs.

ETA has determined that legislative changes are not necessary to address the problem of paying benefits to alien claimants with material SAVE system discrepancies. A UI directive is being prepared that would deny payments to alien claimants without reasonable evidence of

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satisfactory immigration status. The directive was sent through the OIG as part of the clearance process.

ETA disagreed with our recommendation that benefits should not be paid to individuals without valid SSNs. According to ETA, the burden of policing the social security system does not reside with the SESAs. ETA believes that the directive will enable SESAs to deny or delay payments to illegal alien claimants. ETA will distribute the OIG report and study the initiatives to determine if a more comprehensive approach would be effective. ETA agreed with our recommendation that the four states we audited should investigate and establish overpayments where appropriate.

OIG'S CONCLUSION

We are encouraged by and support ETA's initiatives to assist SESAs in developing means to validate claimants' SSNs. On-line verification of SSNs would be especially timely and efficient, allowing immediate feedback and querying of claimants for additional information and explanation of SSN discrepancies. Using the National Directory of New Hires to inform employers of SSN discrepancies would also be a good tool to improve the accuracy of wage reports, and ultimately, UI claims. We emphasize that verification of claimants' SSNs is especially important for telephone claims, and partial claims in states with procedures similar to North Carolina where employers submit information to generate claims.

We reviewed the UI directive ETA is issuing and voiced our concerns that illegal aliens with invalid SSNs could be paid benefits if they provided fraudulent documentation that appeared to be "reasonable evidence." We continue to recommend that legislative authority be sought to delay benefits whenever the SAVE system primary verification show major discrepancies.

We are disappointed with ETA's position regarding our recommendation that payments be delayed or deferred for those individuals using invalid SSNs. We agree that SESAs should not be burdened with policing the social security system. However, verifying that each UI claimant is using his or her assigned SSN is not policing the social security system. SSN verification helps to ensure the integrity of the UI system by preventing illegal aliens and other ineligible persons from using false identification to receive benefits. SSN verification also enables SESAs to comply with the *Deficit Reduction Act of 1984* which requires that UI claimants provide their SSNs in order to receive benefits. We continue to recommend that benefits be delayed or deferred to individuals without valid SSNs.

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APPROACH USED TO DETERMINE INVALID UI CLAIMS

We performed audit work to identify and review unemployment claims filed under SSNs not issued by the SSA, and to identify wages reported under nonexistent SSNs. We also identified claims filed under deceased persons' SSNs. SSNs were of interest to us because they are used to record and account for wages in the UI system. Also, SSNs are used by claimants to file UI claims, and UI benefits are based on wages reported by employers for those SSNs.

We met with staff of the USDOL, UIS, to determine their policies, positions, and guidelines regarding verifying claimants' legal status and eligibility for benefits. We also conferred with the INS to determine methodologies and procedures for validation of aliens' legal status. The SSA assisted us in determining methodologies to identify unissued SSNs. Finally, the SSA's OIG helped us determine the accuracy of our computer program that identified unissued SSNs.

We contacted the SSA to identify claimants using invalid SSNs, including SSNs assigned to other persons. Because of Federal matching restrictions, SSA was unable to provide this information to us. However, SSA does disseminate information on ranges of currently issued SSNs. This information is available to the general public on the SSA computer bulletin board and updated monthly. According to SSA, this information is used by financial institutions and credit reporting bureaus to authenticate the legitimacy of individuals applying for certain financial services, such as opening a bank checking account.

Using the current ranges of valid issued SSNs, we developed a computer edit program to identify "High-Group" SSNs which had not been issued at the time a UI claim was filed. The range we analyzed consisted of the first five digits of the SSNs. The first three digits of the SSN denote the state where the SSN application was filed. The middle two digits denote the group number within the State. The last four digits comprise the serial number. Our edit program is unable to identify individuals using another person's SSN, a deceased person's SSN, or unissued SSNs within ranges currently being issued.

The SSA provided us with a file of deceased persons' SSNs which we compared with the four states' UI claim files. The comparison is discussed in Appendix A of this report.

EXHIBIT 2
(1 of 4)

CLAIM FILE REVIEWS AND CLAIMANT FOLLOWUP

Our computer program identified claims with unissued SSNs. To test the validity of these claims, we reviewed a sample of claim files and followed up on a sample of claimants.

UI Claims Review. We selected a judgmental sample of 452 claims (19 percent) from among the 2,342 claims with invalid SSNs.⁵ Our sample of 452 consisted of:

- 234 claims in which UI claimants had acknowledged to the claims examiners that they were aliens, and had provided information, such as an Alien Registration Number, that indicated they were authorized to work in the U.S. and entitled to benefits. The SESAs had requested verification of the legal status of these individuals through the SAVE system.⁶
- 218 claims in which the individuals had told the UI claims examiners they were U.S. citizens. Consequently, no further legal verification had been completed.

We reviewed information maintained by the SESAs in their automated claim files on the 234 UI claimants who had acknowledged they were aliens and those who indicated they were U.S. citizens. Our review included the results of the states' primary and secondary SAVE system verifications for the claimants.

We concluded that at least 80 illegal aliens using unissued SSNs had improperly received benefits of \$139,570. Our conclusions were based on INS' SAVE information that showed many claimants were using other aliens' registration numbers or counterfeit identification.

⁵ To test the reliability of our computer edit programs, we asked the SSA's OIG to evaluate our sample of unissued numbers. SSA accommodated us and reported that, with one exception, the sampled SSNs had not been issued, were issued to infants born during 1996, or were issued after the UI claims had been filed.

⁶ Each claimant is asked to identify his or her status as a citizen or alien. No further verification is completed on those that state they are U.S. citizens. Those claimants who state they are not U.S. citizens are asked to provide Alien Registration Numbers. The alien numbers and other data are entered into the SAVE system to validate the aliens' immigration status.

**EXHIBIT 2
(2 of 4)**

During the course of our work, we identified problems with some of the states' administration of the SAVE system. We found instances where claim files showed that the secondary verification had found the claimant documentation to be counterfeit. However, overpayments were not established. Under the *IRCA's* provisions, the states are required to pay benefits to aliens until a determination (secondary verification) is made by INS that the aliens are not authorized to work and draw benefits.

In other instances, we found no evidence that secondary verification had been performed, although it was required because of discrepancies identified through primary verification procedures. Therefore, discrepancies on several claims were not resolved by the states and the benefits were paid.

We also found instances where illegal aliens had previously filed claims and received benefits. However, the states had established an overpayment only on the current claim.

Documentation submitted by the claimant was counterfeit, in all instances we reviewed, where the primary verification identified a material discrepancy in the claimant's name or birth date and secondary verification was completed.

Claimant Followup. From the 452 claimants in our sample, we judgmentally selected 136 claimants for followup. Claims selected were the most recent and the most material. The purpose of the followup was to determine if the claimants were U.S. citizens or legal aliens, and thus eligible for unemployment compensation benefits.

In a joint effort with the states' benefit payment control units, we interviewed as many of the claimants as we could locate and who were willing to talk with us. In some instances, where we were unable to interview the claimant, information was obtained from employers and interviews with relatives and neighbors. We concluded from our followup that 49 of 84 claimants were illegal aliens and had received benefits of \$60,721. The results of our followup sample, in each state, are shown in the following table.

**EXHIBIT 2
(3 of 4)**

CLAIMANTS SELECTED FOR FOLLOWUP				
Unemployment Insurance Claimants				Benefits Paid Illegal Aliens
Selected for	Evidence Sufficient for	Number of Determinations	Percent of Determinations	

State	Followup	Determination	Found Illegal	Found Illegal	
Florida	31	17	13	76%	\$ 8,563
Georgia	27	17	1	6%	615
North Carolina	49	32	30	94%	36,018
Texas	29	18	5	28%	15,525
Totals	136	84	49	58%	\$60,721

During our interviews, several claimants told us they had purchased their SSN cards and other identification papers on the "black market." We were told the cost ranged from \$20 to \$4,000 for documents and transportation. Other claimants said they obtained the documents from friends.

Only 11 of the 49 claimants who we concluded were in the U.S. illegally acknowledged being an alien when they filed an unemployment claim. The SAVE system primary and secondary verifications are performed only when the claimant declares himself to be an alien. Thus, illegal aliens can avoid scrutiny by simply saying they are U.S. citizens. Under current legal interpretations, UI claim takers cannot pursue verification of U.S. citizenship whenever claimants declare themselves to be U.S. citizens even if claim takers have concerns. Legal restrictions make the UI system vulnerable to paying benefits to ineligible individuals. Consequently, alternative procedures should be used, such as verifying the legitimacy of claimants' SSNs, to curtail improper benefit payments.

**EXHIBIT 2
(4 OF 4)**

Thirty-five of the claimants we followed up on were U.S. citizens or legal aliens. Fifty-two claimants' legal status could not be determined through the interview process because we were not able to locate or interview the claimants. Transposition errors in recording SSNs caused the apparent discrepancies in several instances.

Overall, the states had already established overpayments of \$41,306 on 44 of the claimants whom we concluded were illegal. Some of the overpayments were established for other reasons, such as failure to report earnings.

**APPENDIX A
(1 OF 2)**

SSA DEATH MASTER FILE

We obtained the SSA Death Master File of approximately 53 million records and compared the SSNs of deceased persons with SSNs on the four states' UI claim files. Our criterion was to identify UI claims filed using deceased persons' SSNs after their reported date of death. We further limited our review to only those claims that resulted in benefits being paid. Many claims are never paid because claimants are found ineligible for various reasons, such as inadequate base period earnings. We identified 585 claims filed under deceased persons' SSNs with \$1,153,895 benefits paid as shown in the following table.

BENEFITS PAID TO CLAIMANTS USING DECEASED PERSONS' SSNs		
STATE	NUMBER OF CLAIMS	BENEFITS PAID
Florida	152	\$322,332

North Carolina	162	\$126,574
Georgia	99	\$146,276
Texas	172	\$558,713
Total	585	\$1,153,895

In cooperation with the Georgia, North Carolina, and Texas UI Benefit Payment Control (BPC) units, we selected judgmental samples of the claims and asked the BPC units to review the claims following their normal procedures. The judgmental samples were structured to select the most material and the most recent claims. We did not select a sample in Florida because the death file listing did not become available until the end of our fieldwork in that State. Instead, we provided the listing to Florida for its review and disposition.

Only in North Carolina did the State's BPC Unit detect a significant problem with claimants using deceased persons' SSNs. North Carolina found that 6 (43 percent) of the 14 sampled claimants were illegal aliens, and that overpayments totaling \$4,922 should be established.

**APPENDIX A
(2 OF 2)**

Five of the six illegal alien claimants received benefits through the partial claims process, which is another indicator that SSN validation of new partial claimants would be productive in curtailing payments to illegal aliens. The sample of 14 claimants was taken from a listing of 162 claims with \$126,574 benefits paid. We provided the complete listing to North Carolina for further review as appropriate.

In many instances, the Georgia and Texas BPC units found that the SSN exceptions occurred due to administrative errors by SSA, or claimants unknowingly using wrong SSNs. However, Georgia is investigating an instance where it appears that a claimant received benefits under a deceased person's SSN while working under a different SSN. We provided the death file listings to the state BPC units for further review as they deemed appropriate. The death file match may be appropriate for use by states with partial claims processing methods similar to that used by North Carolina.

The SSA EVS match would have detected the North Carolina illegal aliens using deceased persons' SSNs, because the names on the two files would not match. However, if the illegal aliens had assumed the deceased persons' names, EVS would not detect the discrepancy.

APPENDIX B

**INCIDENTS OF EMPLOYEES' WAGES
REPORTED UNDER UNISSUED SSNs**

As part of our audit, we ran our SSN "high-group" computer edit program against the states' current Wage History Files to identify wages reported under unissued SSNs. As the following table shows, we identified 636,000 wage records with unissued SSNs in the four states.

WAGE RECORD ANALYSIS		
STATE	NUMBER OF WAGE RECORDS (MILLIONS)	NUMBER OF UNISSUED SSNS
Florida	12.5	143,000

Georgia	7.6	157,000
North Carolina	6.6	73,000
Texas	15.0	263,000
Total	41.7	636,000

Many of these exceptions are undoubtedly caused by inadvertent administrative errors and other legitimate reasons. Workers using unissued SSNs are not of immediate concern of SESAs, and may more appropriately relate to enforcement of immigration laws. Also, only a small percentage of employees ever file unemployment claims. However, from this pool of SSN exceptions, many UI claims will be filed eventually by illegal aliens.

APPENDIX C

[ETA'S COMPLETE RESPONSE TO THE DRAFT REPORT](#)



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