SOCIAL SECURITY

MEMORANDUM

Date: September 29, 2008 Refer To:

To: The Commissioner

From: Inspector General

Subject: Social Security Number Misuse for Work and the Impact on the Social Security Administration's Master Earnings File (A-03-07-27152)

The attached final report presents the results of our audit. Our objectives were to determine whether (1) wage items associated with Social Security number misuse for work purposes were being posted to the Master Earnings File and (2) the Agency had established effective controls to detect such postings and prevent future occurrences.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

Patrick P. O'Carroll, Jr.

Attachment

OFFICE OF THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

SOCIAL SECURITY NUMBER MISUSE FOR WORK AND THE IMPACT ON THE SOCIAL SECURITY ADMINISTRATION'S MASTER EARNINGS FILE

September 2008 **A-03-07-27152**

AUDIT REPORT

Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

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

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

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

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

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.

Executive Summary

OBJECTIVE

To determine whether (1) wage items associated with Social Security number (SSN) misuse for work purposes were being posted to the Master Earnings File (MEF) and (2) the Agency had established effective controls to detect such postings and prevent future occurrences.

BACKGROUND

The Social Security Administration (SSA) strives to prevent the issuance of fraudulent and improper Social Security payments. Given that benefit payments are calculated using earnings posted to the MEF,[1] SSA must take steps to ensure the MEF is accurate. As part of the Annual Wage Reporting (AWR) process, SSA posts reported earnings to the MEF if the name and SSN on the Wage and Tax Statement (Form W-2) matches SSA's Numident—the repository for all issued SSNs. If the name and SSN combination reported on the Form W-2 does not match SSA's records, the wage item is posted to the Agency's Earnings Suspense File (ESF)—a repository of unmatched wage items.[2]

The ESF also maintains records of wage items disclaimed by Social Security Numberholders (NH) because of SSN misuse. For the purpose of this review, SSN misuse is described as one person using another's name and SSN for work purposes. If a NH believes excessive wages have been posted to his or her earnings record, he or she can contact SSA to disclaim these wages. An SSA employee with authority to make earnings adjustments will manually remove the disclaimed wages from the individual's earnings record using SSA's Item Correction (ICOR)[3] system and post them to the ESF with a code that restricts the item from being reinstated to the individual's MEF record.

RESULTS OF REVIEW

For Tax Year 2004, SSA's ESF contained approximately 111,000 wage items representing about $1.1 billion in wages that were removed from the MEF because about 49,000 NHs disclaimed the wage items. About 36,000 employers had reported

[1] The MEF contains all earnings data reported by employers and self-employed individuals. The data are used to determine eligibility for, and the amount of, Social Security benefits.

[2] As of October 2006, the ESF had approximately 264 million wage items for Tax Years 1937 through 2004, representing about $586 billion in wages.

[3] SSA uses the ICOR system to maintain accurate postings to individuals' earnings records. ICOR allows the Agency to add unposted earnings and change or delete posted earnings on workers' MEF records. ICOR also permits the movement of posted earnings to and from the ESF.

these disclaimed wages to SSA. Nine of the top 10 employers who reported the highest number of disclaimed wages were in the meat processing industry. SSA had procedures to assist NHs whose identities were being misused such as placing newly established fraud indicators on their Numident records and issuing new (different) SSNs as appropriate.[4] However, we found the correspondence sent to these individuals neither advised them about the effects of SSN misuse nor encouraged them to report suspected SSN misuse to the Federal Trade Commission and law enforcement.

SSA had several processes to detect some instances of SSN misuse in its records, such as isolating reporting anomalies related to children and deceased individuals during the AWR process, reviewing earnings records for individuals who filed for Social Security benefits, and conducting continuing disability reviews for work. However, SSA needs to strengthen its controls to help prevent misuse of an SSN from continuing once identified. We found the Agency's employer correspondence processes and employer liaison services did not inform employers about potential SSN misuse cases, although employers play an essential role in detecting and preventing SSN misuse. Further, the Agency had not established an automated process that would post to the ESF subsequent wage items associated with SSN misuse. Instead, the Agency generally relied on the public to inform it about repeated SSN misuse, and evidence showed this did not always occur. Finally, the Agency's employer verification programs had limited ability to inform employers about instances where one person was using another's name and SSN to obtain employment. If SSA does not take additional steps to help prevent SSN misuse from continuing, the misuse could lead to SSA making improper Social Security payments to individuals.

CONCLUSION AND RECOMMENDATIONS

While SSA had controls to detect some instances of SSN misuse in its records, we believe the Agency still has work to do. To assist victims of SSN misuse, the Agency needs to improve its correspondence with individuals who disclaim wages to educate them about the need to report suspected SSN misuse to the Federal Trade Commission and law enforcement. Additionally, the Agency needs to inform employers about wage items disclaimed by NHs to assist employers with detecting SSN misuse and preventing its continuation. Finally, the Agency needs to establish an automated process that posts subsequent wage items to the ESF when those items have the same characteristics of previously disclaimed wages associated with SSN misuse.

We believe that if SSA takes these additional steps, it would reduce the risk that SSN misuse would lead to SSA making improper Social Security payments to individuals. Further, it could decrease the amount of staffing resources needed to manually remove disclaimed wages, and if necessary, to adjust benefit amounts erroneously calculated using these wages. Moreover, if SSA automated the posting of subsequent disclaimed

[4] In March 2007, SSA established the new fraud indicators.

wages, the Agency would be more consistent in handling SSN misuse cases, and it would reduce the burden for NHs to report the same SSN misuse to the Agency repeatedly. Therefore, to improve SSA's effectiveness in this area, we recommend SSA:

- Update the letter to NHs who disclaim wages to (1) advise them of the importance of reporting suspected SSN misuse to SSA each year to ensure their earnings records are accurate and (2) encourage them to report suspected SSN misuse to the Federal Trade Commission and law enforcement agencies.

- Consider generating a standard letter to employers that notifies them annually of employees with disclaimed wages. This could be associated with the current ICOR letter process or a new letter process.

- Provide disclaimed wage information to Employer Service Liaison Officers to enhance their assistance and outreach efforts with employers with wage reporting problems.

- Consider the development of a cost effective method to automatically post to the ESF, subsequent wage items that have the same characteristics of previously disclaimed wage items.

AGENCY COMMENTS

SSA agreed with our recommendations. The full text of the Agency's comments is included in Appendix E.

Table of Contents

Introduction

OBJECTIVE

To determine whether (1) wage items associated with Social Security number (SSN) misuse for work purposes were being posted to the Master Earnings File (MEF) and (2) the Agency had established effective controls to detect such postings and prevent future occurrences.

BACKGROUND

The Social Security Administration's (SSA) strives to prevent the issuance of fraudulent and improper Social Security payments. Given that benefit payments are calculated using earnings posted to the MEF,[1] SSA must take steps to ensure the MEF is accurate. As part of the Annual Wage Reporting (AWR) process, SSA posts reported earnings to the MEF if the name and SSN on the *Wage and Tax Statement* (Form W-2) matches SSA's Numident—the repository for all issued SSNs. If the name and SSN combination reported on the Form W-2 does not match SSA's records, the wage item is posted to the Agency's Earnings Suspense File (ESF)—a repository of unmatched wage items.[2]

The ESF also maintains records of wage items disclaimed by Social Security Numberholders (NH) because of SSN misuse. For the purpose of this review, SSN misuse is described as one person using another's name and SSN for work purposes. If an NH believes excessive wages have been posted to his or her earnings record, he or she can contact SSA to disclaim these wages. An SSA employee with authority to make earnings adjustments will manually remove the disclaimed wages from the individual's earnings record using SSA's Item Correction (ICOR)[3] system and post them to the ESF with a code that restricts the item from being reinstated to the individual's MEF record. According to SSA, there are a number of reasons why disclaimed wages occur, including, but not limited to:[4]

- earnings for one individual are incorrectly reported to the record of another person having a similar surname or similar cross-referred surname;

[1] The MEF contains all earnings data reported by employers and self-employed individuals. The data are used to determine eligibility for, and the amount of, Social Security benefits.

[2] As of October 2006, the ESF had approximately 264 million wage items for Tax Years (TY) 1937 through 2004, representing about $586 billion in wages.

[3] SSA uses the ICOR system to maintain accurate postings to individuals' earnings records. ICOR allows the Agency to add unposted earnings and change or delete posted earnings on workers' MEF records. ICOR also permits the movement of posted earnings to and from the ESF.

[4] SSA, Program Operations Manual System (POMS) RM 03870.045.C.1

- an individual mistakenly or deliberately used the name and SSN of another individual;
- a family member mistakenly or deliberately used the name and SSN of another family member;
- an individual fraudulently uses someone else's documents and obtains a replacement SSN card with that person's name and number; or
- an individual lends or sells his/her or someone else's SSN card to another individual, such as an illegal alien who wants to obtain work in the United States.

SCOPE

To perform this review, we obtained a file of wage items for TY 2004 posted to the ESF as of October 2006. The file included approximately 9.5 million suspended wage items representing about $66 billion in wages. We extracted from the file all wage items that were posted to the ESF with the code used for disclaimed wages (see Appendix B for more details about our scope and methodology).

Results of Review

For TY 2004, SSA's ESF contained approximately 111,000 wage items representing about $1.1 billion in wages that were removed from the MEF because about 49,000 NHs disclaimed the wage items. Approximately 36,000 employers had reported these disclaimed wages to SSA. Nine of the top 10 employers who reported the highest number of disclaimed wages were in the meat processing industry. SSA had procedures to assist NHs whose identities were being misused such as placing newly established fraud indicators on their Numident records and issuing new (different) SSNs as appropriate.[5] However, we found the correspondence sent to these individuals neither advised them about the effects of SSN misuse nor encouraged them to report suspected SSN misuse to the Federal Trade Commission (FTC) and law enforcement.

SSA had several processes to detect some instances of SSN misuse in its records, such as (1) isolating reporting anomalies related to children and deceased individuals during the AWR process, (2) issuing annual Social Security Statements, (3) reviewing earnings records for individuals who filed for Social Security benefits, (4) conducting continuing disability reviews (CDR) for work, and (5) processing wage referrals received from the Internal Revenue Service (IRS). However, SSA needs to strengthen its controls to help prevent SSN misuse from continuing once identified. We found the Agency's employer correspondence processes and employer liaison services did not inform employers about potential SSN misuse cases, although employers play an essential role in detecting and preventing SSN misuse. Further, the Agency had not established an automated process that would post to the ESF subsequent wage items associated with SSN misuse. Instead, the Agency generally relied on the public to inform it about repeated SSN misuse, and evidence showed this did not always occur. Finally, the Agency's employer verification programs had limited ability to inform employers about instances where one person was using another's name and SSN to obtain employment. If SSA does not take additional steps to help prevent SSN misuse from continuing, the misuse could lead to SSA making improper Social Security payments to individuals.

TAX YEAR 2004 DISCLAIMED WAGES

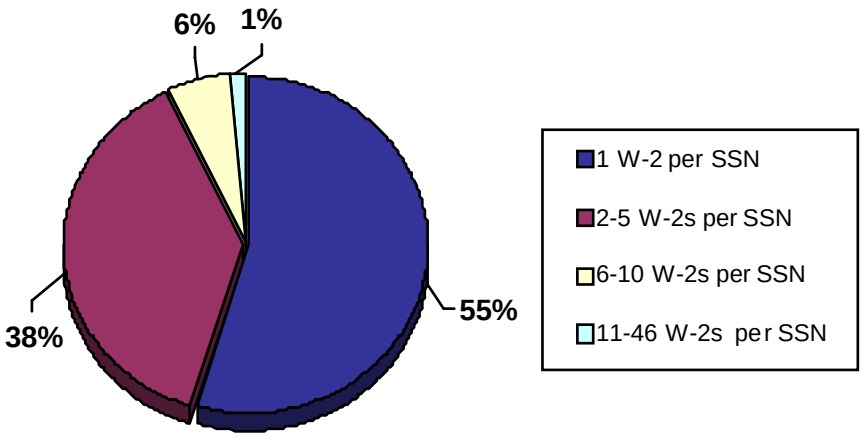
As of October 2006, SSA's ESF included about 111,000 disclaimed TY 2004 wage items representing about $1.1 billion in wages related to approximately 49,000 NHs.[6] As shown in Figure 1, about 55 percent of the SSNs had 1 Form W-2 for which the wages were later disclaimed by NHs. About 38 percent of the SSNs had disclaimed

[5] In March 2007, SSA established the new fraud indicators.

[6] The 111,000 disclaimed wage items represented .05 percent of the total wage items SSA received for TY 2004. However, this percentage changes over time because individuals may disclaim wages many years after they were reported to SSA. For example, as of October 2007, the number of disclaimed wage items for TY 2004 increased from approximately 111,000 to 166,000 wage items, an increase of 55,000 items. The 166,000 wage items represent .07 percent of the total wage items SSA received for TY 2004.

wages reported on 2 to 5 Forms W-2 and 7 percent of the SSNs had disclaimed wages reported on 6 to 46 Forms W-2. We also determined many NHs disclaimed wages that were reported by the same employer for multiple years (we discuss this on page 5 of this report). Furthermore, since some instances of disclaimed wage items may not have been recorded in the ESF as they may have been deleted,[7] the number of disclaimed wage items might be slightly understated.

Figure 1: Disclaimed Wage Items in the TY 2004 ESF



Top 10 Employers with Disclaimed Wages

Approximately 36,000 employers had reported to SSA the 111,000 disclaimed wage items for TY 2004. As shown in Appendix C, the top 10 employers reported 7,803 (7 percent) of the 111,000 disclaimed items representing approximately $116 million in wages (10.5 percent). Of the top 10 employers, 9 were in the meat processing industry.[8] For these 9 employers, about 2 to 6 percent of the wage items in their TY 2004 wage report was later disclaimed. For instance, the employer with the third highest number of disclaimed items, a meat processing company in Georgia, had over 4 percent of its TY 2004 wage report disclaimed by NHs.[9] This employer was a subsidiary of the employer that reported the most disclaimed wages for TY 2004. Further review of the employer showed the following:

[7] According to SSA staff, the agency conducted a study to evaluate disclaimed wages. Data showed that some disclaimed earnings were deleted incorrectly (about 12 percent) instead of being moved to the ESF.

[8] The remaining company was an employment agency.

[9] We focused our review of the third top employer because it was a subsidiary of the top employer and more of its payroll was disclaimed as compared to the top employer—4.2 percent versus 2.7 percent (see Appendix C).

- the 1,011 disclaimed wage items related to 995 NHs;
- the NHs ranged from 10 to 85 years old in 2004;
- about 96 percent of the NHs were U.S. citizens;
- as of August 2007, 31 of the 995 NHs were recorded as deceased in SSA records; and
- about 14 percent (138) of the NHs were receiving Social Security benefits in 2007.[10]

As shown in the Table 1, this employer also had 4.6 percent and 1.4 percent of its reported wages disclaimed for TYs 2005 and 2006, respectively. About 39 percent of the 995 NHs who disclaimed the TY 2004 wages also disclaimed wages reported in TYs 2005 and 2006. Therefore, these individuals appeared to have been victims of SSN misuse for multiple years.

Table 1: Multiple Years of Disclaimed Wages for Third Top Employer

Tax Year	Number of W-2s Reported	Number of Disclaimed Wages	Percentage
2004	24,080	1,011	4.2
2005	23,768	1,084	4.6
2006	24,226	344	1.4[a]

Note: The TY 2006 percentage appears significantly lower than the previous 2 years because of the timing of our review. We believe there are individuals who have yet to discover and disclaim the unearned wages for TY 2006.

ASSISTING VICTIMS OF SSN MISUSE

While the Agency had implemented steps to assist victims of SSN misuse, such as establishing new fraud indicators on Numident records and issuing new SSNs as appropriate, we believe improvements were still needed to assist these individuals. Specifically, we found the correspondence sent to potential victims of SSN misuse neither advised them about the effects of suspected SSN misuse nor encouraged them to report the suspected SSN misuse to the FTC and law enforcement.

[10] We found 49 individuals were receiving benefits under Title II of the *Social Security Act*, 70 were receiving Title XVI Supplemental Security Income, and 19 were receiving both benefits. The Title II program provides benefits to qualified retired and disabled workers and their dependents, as well as survivors of insured workers. *Social Security Act* § 201 *et seq.*, 42 United States Code (U.S.C) § 401 *et seq.* The Title XVI program provides cash assistance to individuals who have limited income and resources and who are age 65 or older, blind or disabled. *Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

Profile of Victims of SSN Misuse

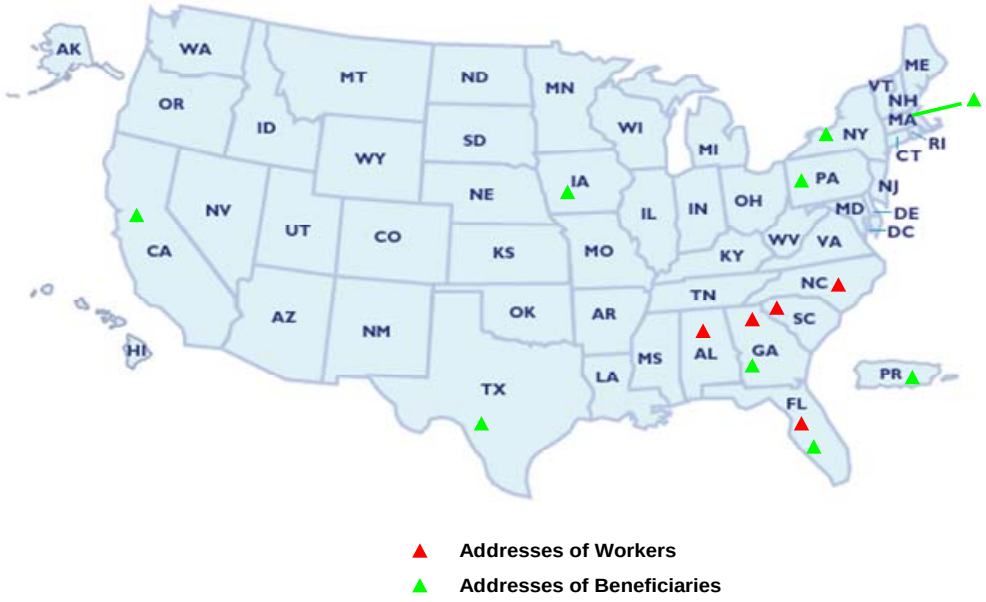
We focused our review on the employer with the third highest number of disclaimed wage items in TY 2004. We found all 59 NHs who were receiving Social Security benefits and had disclaimed the TY 2004 wages, representing approximately $1.2 million, also had wages posted to their records from the same employer for at least TYs 2005 and 2006. These additional questionable wages represented approximately $1.3 million in wages for TY 2005 and about $1.1 million wages for TY 2006.[11] We found that 58 of the 59 beneficiaries were receiving benefits because they were disabled—23 were receiving benefits under Title II, 27 were receiving SSI, and 8 were receiving both Title II and SSI. One of the beneficiaries was receiving Title II survivor benefits.

Our review of SSA's ICOR system showed all of the beneficiaries had informed SSA they did not work for this employer. In fact, some of the beneficiaries stated someone else was using their identity for work purposes. We compared the addresses of the beneficiaries shown on SSA's Master Beneficiary Records to the addresses shown on the Forms W-2 to determine whether it appeared others were using the beneficiaries' identities and found none of the addresses matched.[12] In all but one case, the beneficiaries and the workers lived in different states. As shown in Figure 2, the 59 workers lived in Georgia, Alabama, North Carolina, South Carolina, and Florida, which are the 5 states where the employer operated a facility. Conversely, the beneficiaries lived in places such as California, Pennsylvania, New York, Iowa, Texas, and Puerto Rico, which were hundreds of miles away from the workers and the employer locations.

[11] We found 38 of the beneficiaries disclaimed the TY 2005 wages and 10 disclaimed the TY 2006 wages.

[12] We referred the 59 sample cases to SSA for review.

Figure 2: Addresses of Beneficiaries and Workers[13]



Examples of the SSN misuse cases are discussed below.

- A 31-year-old man who lived in Texas had been receiving both Title II and XVI disability benefits. He became eligible for benefits in 1990 when he was 14-years old. Although the beneficiary informed SSA, he had never worked for the third top employer, his earnings record included about $209,000 in wages for TYs 1998 through 2006 that were reported by this employer. SSA removed all of these wages from his earnings record except for the TY 2006 wages. Further, he had about $706,000 in wages that were removed from his record for TYs 1989 through 2005 that were reported by 57 other employers. SSA removed the disclaimed wages over an 11-year period beginning in 1996. The beneficiary was subject to five work CDRs because of the suspected SSN misuse (see page 10 for more details about work CDRs). On average, there were seven Forms W-2 posted to his record each year, which appeared to be excessive. Because of the posting of

[13] There were four cases where beneficiaries lived in Georgia or Florida. For the one Georgia case, the beneficiary lived in Rome, Georgia, while the worker lived in Live Oak, Florida. For two of the three Florida cases, the beneficiaries lived in Kissimmee and Miami, Florida, while the workers lived in Sumter, South Carolina and Siler City, North Carolina. In the remaining Florida case, both the worker and beneficiary lived in the State, but in different cities. The worker lived in Lee, Florida, while the beneficiary lived in Avon Park, Florida, which are about 260 miles apart.

unearned wages for TYs 2000 and 2001, it appeared the beneficiary was receiving higher Title II disability benefits than he was entitled to receive.[14] Because of administrative finality, the beneficiary will continue to receive the higher benefit payment.[15]

- A 34-year-old woman who lived in Puerto Rico had been receiving disability benefits since April 1995.[16] Although the beneficiary stated she never worked in the continental U.S., her earnings record included approximately $88,000 in wages for TYs 2001 through 2006 that were reported by the third top employer. Furthermore, she also had about $422,000 in wages posted to her record from 15 other employers for this same period that were later removed by SSA. On average, about seven different employers reported wages using her name and SSN each year. The beneficiary informed SSA on at least five separate occasions that she did not work for any of the employers. As a result of the SSN misuse, the beneficiary was subject to six work CDRs during the period of May 2002 through October 2007.

Special Fraud Indicators

In March 2007, SSA established two new fraud indicators that can be placed on the Numident record if it has been determined an SSN has been obtained fraudulently or if a NH has been a victim of SSN misuse and disadvantaged.[17] The placement of these two indicators will block the issuance of replacement SSN cards and prevent the SSN from being verified by the Agency's verification programs. The fraud indicators will result in a "no match" if an employer tries to verify the name and SSN combination using either E-Verify (formerly the Basic Pilot) or SSA's Social Security Number Verification Service (SSNVS). Moreover, the assignment of fraud indicator 9 allows the issuance of a new (different) SSN to victims of SSN misuse if they meet specific criteria.[18] However, the issuance of the new SSN does not prevent wage items reported with the

[14] The TYs 2000 and 2001 wages were not removed from the NH's earnings record until 2004.

[15] Administrative finality is the term SSA uses to describe the discretionary rules under which the Agency revises previously issued monthly payments. In general, the Agency will revise initial determinations regarding monthly Title II payments within 12 months for any reason, within 4 years for good cause, or at any time if fraud or similar fault exists (see SSA, POMS, GN 04001.010). According to SSA, the purpose of administrative finality is to (1) ease the administration of the program and (2) allow the public to be able to rely on the Agency's decisions (see SSA, Administrative Message AM-04020, February 3, 2004).

[16] SSA had determined the beneficiary was entitled to disability benefits in 1981 when she was 8 years old and had received survivor benefits from her deceased father's record at that time. When she reached age 21 in 1995, SSA converted her to disability benefits.

[17] Special indicator 8 identifies an SSN that was determined to have been assigned based on fraudulent documents or no documents and is only based on an Office of Inspector General (OIG) investigation. Special indicator 9 identifies an SSN that was originally assigned to an individual when SSA assigns a new (different) SSN because of SSN misuse and disadvantage.

[18] For example, the individual must provide proof of age, citizenship, and identity. Further, they must provide evidence that they are being disadvantaged.

old SSN from being posted to the MEF. We reviewed the Numident records for the 59 beneficiaries who appeared to be victims of SSN misuse and found that as of June 2008, none of the beneficiaries had a fraud indicator placed on their records since the indicators were established.[19]

Correspondence for Disclaimed Wages

SSA staff who assists NHs with disclaimed wages must notify them in writing about adjustments to their earnings records.[20] For instance, when SSA corrects an earnings record by removing a disclaimed wage item from the MEF using ICOR, a standard letter must be generated notifying the NH about the adjustment and their rights if they disagree with the action taken by SSA.[21] We found the letter did not address SSN misuse even though SSA believes that it is one of the main reasons wage items are disclaimed. Specifically, the letter did not advise individuals to contact SSA, to ensure their records are accurate, if for any year, they believe questionable wages have been posted to their records. If NHs fail to report or do not timely report questionable wages to SSA, those wages could be used to calculate and/or qualify NHs for higher Social Security benefits than they may be entitled to receive as shown in our example on page 7 of this report.

Moreover, the letter did not encourage NHs to report suspected SSN misuse to the Federal Trade Commission (FTC)[22] and law enforcement.[23] Instances of SSN misuse should be reported to the FTC because (1) information reported can be used as part of an Identity Theft Report,[24] which is an important tool in recovering from identity theft,

[19] It should be noted that some of these individuals might have visited SSA to disclaim wages prior to the March 2007 implementation of the fraud indicators.

[20] The Code of Federal Regulation (C.F.R.) requires that SSA notify an individual regarding an investigation determination on their earnings record. 20 C.F.R. § 422.125(e) *Notice to individual of determination.*

[21] POMS RS 01405.005.A.7

[22] The *Identity Theft and Assumption Deterrence Act of 1998* charged the FTC with taking complaints from identity theft victims, sharing these complaints with federal, state, and local law enforcement, and providing the victims with information to help them restore their good name. Public Law 105-318,112 Stat. 3007 (October 30, 1998).

[23] The Agency's website includes detailed instructions for individuals who believe they are victims of identity theft. The website instructs victims to (a) report theft to the FTC, (b) obtain a replacement or new Social Security cards, as appropriate, and (c) notify the OIG if the identity theft involves the buying and selling of Social Security cards or involves terrorism.

[24] The Identity Theft Report is a detailed police report that gives enough information about the crime for the credit reporting companies and the businesses involved to verify that the person is a victim of identity theft.

and (2) the information can help law enforcement catch identity thieves.[25] In February 2008, the FTC issued a report, *Consumer Fraud and Identity Theft Complaint Data January – December 2007,* which highlighted the complaints the FTC received in 2007. The report noted 14 percent of the nearly 258,000 identity theft complaints received related to employment fraud. Although all 59 beneficiaries indicated to SSA that someone else was using their identity for work purposes, we found, as of June 2007, only 1 of the beneficiaries reported suspected identity theft to the FTC. In addition, we found only 19 of the 59 beneficiaries had an allegation reported to our Office of Investigations.

DETECTING SSN MISUSE IN SSA's RECORDS

SSA had several processes to detect wage items associated with SSN misuse, including (1) isolating reporting anomalies related to children and deceased individuals during the AWR process, (2) issuing annual Social Security Statements, (3) reviewing earnings records for individuals who filed for Social Security benefits, (4) conducting CDRs for work, and (5) processing wage referrals received from the IRS. Although these processes will detect some instances of SSN misuse, they will not detect all instances of SSN misuse. Therefore, it is likely that wages associated with SSN misuse remain on SSA's MEF.

Misuse of Children's and Deceased Individuals SSNs

As part of the AWR process, SSA established edits to identify and post wages to the ESF when the name and SSN combination reported on a Form W-2 belong to a young child or a deceased individual. Under the Young Children Earnings Record (YCER) process, SSA posts to the ESF wages reported with the valid name and SSN belonging to children under the age of seven. For the Earnings After Death (EAD) process, when a date of death is present on the Numident for a valid name and SSN combination, all wage items reported for TYs after the year of death are placed in the ESF.[26]

We have noted in prior audit reports that the YCER and EAD processes have identified cases of suspected SSN misuse. Our October 2006 report on the YCER process estimated that 72 percent of the 38,000 wage items posted to the ESF for TY 2002 with an YCER indicator appeared to involve SSN misuse.[27] Moreover, our August 2002

[25] The FTC makes the identity theft complaints received from victims available to other federal, state, and local law enforcement officials nationwide.

[26] See Appendix D for more details about YCER and EAD processes.

[27] SSA, OIG, *Effectiveness of the Young Children's Earnings Records Reinstatement Process* (A-03-05-25009), October 2006.

report on the EAD process noted that 33 percent of the EAD cases for TY 1998 showed indications the deceased individuals' identities were being used by others for work purposes.[28]

Other Processes to Detect SSN Misuse

In addition to the AWR edits mentioned previously, the Agency relies on the following processes to identify wage-reporting errors resulting from SSN misuse. These processes are beneficial because they can prevent SSA from erroneously calculating benefits using wages that do not belong to NHs.

- ***Social Security Statement:*** The Agency notifies NHs annually of their reported earnings history via the Social Security Statement.[29] The Statement provides individuals an opportunity to correct any earnings discrepancies. If the NH discovers excessive earnings on their record, they can contact SSA and request the wages be removed.

- ***Review of Earnings Record When Applying For Benefits:*** When NHs visit SSA to apply for benefits, they are asked to verify their earnings record. If they provide a statement disclaiming any of the wages, they can be removed from the MEF record at that time and posted to the ESF.

- ***CDR for Work:*** After deciding an individual is disabled, SSA policy requires evaluation of the impairment to determine whether the disability continues. SSA will conduct a CDR to determine whether individuals are still disabled. When earnings in excess of established tolerances are posted to a beneficiary's earnings record, the Continuing Disability Review Enforcement Operation will alert the case for possible work CDR action.[30] We found that for TYs 2004 through 2006, SSA conducted 69 work CDRs for 32 of the 59 beneficiaries who disclaimed the wages. Each year, SSA may be unnecessarily using its limited resources to conduct work CDRs related to repeated SSN misuse.

- ***IRS Wage Referrals:*** Each year, a number of workers contact the IRS to dispute earnings reported under their SSN and the associated taxes. If the IRS concurs with the worker, it sends a referral to SSA stating the reported wages do not belong to the worker. Upon receiving the wage referral, SSA uses ICOR to remove the disputed earnings from the worker's earnings record.[31]

---

[28] SSA, OIG, *Effectiveness of the Social Security Administration's Earnings After Death Process*, (A-03-01-11035), August 2002.

[29] Section 1143(c)(2) of the *Social Security Act,* 42 U.S.C. § 1320b-13(c)(2) requires that SSA provide an annual statement to each eligible individual age 25 and older and who is not receiving benefits.

[30] SSA POMS, DI 40510.030.B.1

[31] SSA OIG, *Follow-up: The Social Security Administration's Processing of the Internal Revenue Service's Overstated Wage Referrals* (A-03-07-17067), June 2008.

PREVENTING REPEATED SSN MISUSE

SSA needed to strengthen its controls to help prevent SSN misuse from continuing once identified. Although employers play an essential role in detecting and preventing SSN misuse within their payroll, the Agency's employer correspondence processes and employer liaison services did not inform them about disclaimed wages associated with SSN misuse. Further, we found the Agency had not established an automated process to post to the ESF subsequent wage items that appeared to involve SSN misuse. Instead, the Agency generally relied on the public to inform it about questionable wages repeatedly posted to the MEF, and evidence showed this did not always occur. Finally, the Agency's employer verification programs had limited ability to inform employers about instances where one person was using another's name and SSN to obtain employment.

Employer Correspondence Process

SSA sends the following correspondence to employers to notify them about wage reporting problems.

- ***Educational Correspondence:*** As part of the AWR process, SSA notifies employers concerning mismatched names and SSNs through its Educational Correspondence (EDCOR).[32] When SSA processes Forms W-2 with names and/or SSNs that does not match SSA's records, it posts the wage item to the ESF and sends a letter to the employer based on a certain threshold.[33] These letters do not include wage items that are later disclaimed by NHs because the letters only address name and SSN mismatches. Usually disclaimed wages occur after the EDCOR letters have been sent to employers, so employers could not be made aware of disclaimed wages as part of the EDCOR process. For example, the employer with the third highest number of disclaimed wage items in TY 2004 had over 4 percent of its payroll in the ESF. Although the employer received an EDCOR notice, it did not include the 1,011 wage items that were disclaimed by NHs and posted to the ESF. On average, the wages in question were disclaimed 7 months after being reported to SSA.

- ***Employer Letters*:** SSA staff assisting NHs with disclaimed wages can notify employers about disclaimed wages through the ICOR process. According to SSA's policy for resolving disclaimed wages, SSA staff can send a letter to the employer to

[32] SSA also sends employers a Decentralized Correspondence (DECOR) letter when the employee's address shown on the Form W-2 is missing or not complete (see Appendix D for details about the DECOR and EDCOR letters).

[33] SSA sends EDCOR letters to all employers who submitted more than 10 Forms W-2 that SSA could not process, and the mismatched forms represent more than 0.5 percent of the total Forms W-2 reported on an employer's wage report.

identify the individual who may be misusing the SSN.[34] The letter states that apparently two or more persons have used the same SSN and one of these persons worked for the employer. However, through discussions with SSA staff and our review of SSA records, we found these letters were seldom sent to employers to resolve disclaimed wages in their payroll. We found that the Dallas Region generated its own letter for employers when NHs disclaimed earnings items. However, this letter was specific to the Dallas Region and did not appear to be a practice throughout the rest of the country.

Employer Service Liaison Officers

SSA also maintains a group of experts, identified as Employer Service Liaison Officers (ESLO), who work with employers on wage reporting problems.[35] At the end of the AWR cycle, the ESLOs receive a centrally generated report listing all employers with addresses in their respective region who reported 100 or more items posted to the ESF because the name and SSN combination did not match SSA's records. However, since this top 100 listing is run in June of each year following the receipt of the wages, it is too early to capture disclaimed wages. Wages may be disclaimed years after employers have reported them to SSA. Hence, disclaimed wage items will not be in the ESF when the top 100 listing is generated for ESLOs. However, we believe nothing prevents an ESLO from reviewing the reported earnings of employers in their region to review disclaimed earnings from prior TYs. For instance, if an ESLO was already planning to contact an employer about some suspended earnings, they could generate an ESF report for this same employer prior to such a visit and review the number of disclaimed wages. Moreover, SSA could centrally generate such disclaimed wage reports related to the past 5 years when it provides the ESLO with the June top 100 listing. In this way, the ESLOs are made aware of all problematic trends related to employers in their regions.

Automatic Posting of Disclaimed Wages

SSA did not have a process that automatically posts to the ESF subsequent wage items that appeared to be associated with SSN misuse. Generally, the Agency relied on NHs to report questionable wages repeatedly posted to their MEF record. However, we found that NHs did not always disclaim the subsequent wages or they disclaimed the wages years after being reported to SSA. For example, as of June 2007, 21 of the 59 NHs who disclaimed the TY 2004 wages reported by the third top employer still had wages posted to their MEF records from this same employer for TY 2005. We believe

[34] SSA POMS, RM 03870.048.A.6. The *Employee Identification Statement* (Form SSA-4156) can be sent to employers to enlist their help in resolving earnings discrepancies.

[35] SSA maintains ESLOs in regions throughout the United States to (1) answer employers' questions on wage reporting submissions; (2) encourage employers to use SSA's various programs, such as the employee verification programs; and (3) conduct wage-reporting seminars, in partnership with the IRS, for employers.

there could be various reasons why these individuals did not disclaim the subsequent wages, such as they were unaware of the posted wages or they believed the discrepancy was resolved since they had already reported the SSN misuse to SSA.

We spoke with Systems staff about the feasibility of developing an edit that would automatically post subsequent wages to the ESF that have the same characteristics as previously disclaimed wages. According to System staff, they were in the analysis phase for developing an automated process that would allow subsequent wage items to be posted to the ESF if there was an indication that wages reported with a name/SSN combination were previously disclaimed by the NH. This project was in the early stages at the time of our review and Systems staff had yet to conduct a cost benefit analysis.

We believe SSA needs to move forward with this project because the wages associated with SSN misuse could lead to SSA making improper payments to individuals as previously discussed. Further, the implementation of the automated edit should decrease the amount of resources needed to manually remove disclaimed wages from the MEF, and if necessary, to adjust benefit amounts erroneously calculated using these wages.[36] Finally, by implementing the automatic edit routine, SSA would be more consistent in handling SSN misuse cases, and it would reduce the burden for NHs to report the same SSN misuse to the Agency repeatedly.

Employer Verification Systems

Existing employer verification programs, such as E-Verify and SSNVS, cannot detect most instances of SSN misuse when individuals attempting to find employment improperly provide valid names and SSNs.[37] The verification programs generally detect instances where the name and SSN combination does not match SSA records. However, the "E-Verify" program, currently available to employers nationwide, was recently enhanced to include a Photo Screening Tool feature, which allows an employer to check the photos of a new hire's *Employment Authorization Document* or *Permanent Resident Card* ("Green Card") against images stored in the Department of Homeland Security's immigration databases. This additional feature could assist in detecting instances where one person is trying to use another's valid name and SSN combination.

[36] When the Agency learns from individuals that an earnings record may be incorrect, an SSA employee with authority to make initial determinations regarding wage evidence reviews the evidence. If the evidence is sufficient, the employee takes corrective actions to change the earnings record. Further, if the removed wages are used in the calculation of benefits, an alert is generated for the appropriate SSA office to review the beneficiary's records and manually adjust their benefit amount as needed.

[37] SSA OIG, *Controls Over Employee Verification Programs,* (A-03-06-15036), September 2007. We noted in the report E-Verify and SSNVS could not detect the misuse of a valid name/SSN combination (for example SSN misuse).

Conclusions and Recommendations

While SSA had controls to detect some instances of SSN misuse in its records, we believe the Agency still has work to do. To assist victims of SSN misuse, the Agency needs to improve its correspondence with individuals who disclaim wages to educate them about the need to report suspected SSN misuse to the Federal Trade Commission and law enforcement. Additionally, the Agency needs to inform employers about wage items disclaimed by NHs to assist employers with detecting SSN misuse and preventing its continuation. Finally, the Agency needs to establish an automated process that posts subsequent wage items to the ESF when those items have the same characteristics of previously disclaimed wages associated with SSN misuse.

We believe that if SSA takes these additional steps, it would reduce the risk that SSN misuse would lead to SSA making improper Social Security payments to individuals. Further, it could decrease the amount of staffing resources needed to manually remove disclaimed wages, and if necessary, to adjust benefit amounts erroneously calculated using these wages. Moreover, if SSA automated the posting of subsequent disclaimed wages, the Agency would be more consistent in handling SSN misuse cases, and it would reduce the burden for NHs to report the same SSN misuse to the Agency repeatedly. Therefore, to improve SSA's effectiveness in this area, we recommend SSA:

1. Update the letter to NHs who disclaim wages to (1) advise them of the importance of reporting suspected SSN misuse to SSA each year to ensure their earnings records are accurate and (2) encourage them to report suspected SSN misuse to the Federal Trade Commission and law enforcement agencies.

2. Consider generating a standard letter to employers that notifies them annually of employees with disclaimed wages. This could be associated with the current ICOR letter process or a new letter process.

3. Provide disclaimed wage information to Employer Service Liaison Officers to enhance their assistance and outreach efforts with employers with wage reporting problems.

4. Consider the development of a cost effective method to automatically post to the ESF, subsequent wage items that have the same characteristics of previously disclaimed wage items.

AGENCY COMMENTS

SSA agreed with our recommendations. The full text of the Agency's comments is included in Appendix E.

Appendices

Acronyms

AWR	Annual Wage Reporting
CDR	Continuing Disability Review
C.F.R.	Code of Federal Regulation
DECOR	Decentralized Correspondence
DHS	Department of Homeland Security
EAD	Earnings After Death
EDCOR	Educational Correspondence
ESF	Earnings Suspense File
ESLO	Employer Service Liaison Officer
FTC	Federal Trade Commission
ICOR	Item Correction
IRS	Internal Revenue Service
MEF	Master Earnings File
NH	Numberholder
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSI	Supplemental Security Income
SSN	Social Security Number
SSA	Social Security Administration
SSNVS	Social Security Number Verification Service
TY	Tax Year
U.S.C.	United States Code
YCER	Young Children's Earnings Record

Forms

Form W-2	*Wage and Tax Statement*

Scope and Methodology

To accomplish our objective, we:

- Reviewed prior Social Security Administration (SSA) Office of the Inspector General (OIG) reports.

- Reviewed polices and procedures related to disclaimed wages and earnings discrepancies.

- Obtained a file of wage items that were posted to the Earnings Suspense File (ESF) for Tax Year (TY) 2004 as of October 2006. The file included about 9.5 million suspended wage items representing about $66 billion in wages. We extracted from the file all wage items posted to the ESF with a code used for disclaimed wages.

- Identified the 10 employers with the highest number of disclaimed wage items for TY 2004 and determined the following:

    - type of Industry,
    - number of wage items posted to the ESF for TY 2004, and
    - number of wage items reported to SSA for TY 2004.

- Selected for review the third top employer with disclaimed wage items for TY 2004 and determined the following:

    - number of Social Security numberholders (NH) who disclaimed the wage items;
    - age of the NHs;
    - citizenship status of the NHs;
    - place of birth for NHs;
    - number of NHs who were receiving Social Security benefits; and
    - number of disclaimed wages items for TYs 2005 and 2006.

- Reviewed all 59 NHs who disclaimed wages reported by the third top employer, were receiving Social Security benefits, and had wages posted to their earnings record from the third top employer for TYs 2005 and 2006. For the 59 NHs, we:

    - reviewed the Numident record to verify name, date of birth, and age;

    - compared the addresses shown in Master Beneficiary Record and Supplemental Security Record to the *Wage and Tax Statement* (Form W-2);

- reviewed SSA's Item Correction system to determine why wages were disclaimed;

- reviewed the OIG's National Investigative Case Management System to determine whether SSN misuse was reported for the cases; and

- reviewed the Federal Trade Commission's Consumer Sentinel Network to determine whether identity theft was reported for the cases.

We found the data used for this audit were sufficiently reliable to meet our audit objectives. The entity responsible for the maintenance of the ESF is the Office of Earnings, Enumeration and Administrative Systems under the Deputy Commissioner for Systems. Our work was conducted at the Philadelphia Audit Division, Philadelphia, Pennsylvania, between March 2007 and June 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Profile of Top 10 Employers

As of October 2006, the Social Security Administration's (SSA) Earnings Suspense File (ESF) contained about 111,000 disclaimed Tax Year (TY) 2004 wage items representing about $1.1 billion in wages that related to approximately 49,000 numberholders (NH). Approximately 36,000 employers had reported these disclaimed wage items to SSA. We found the third top employer was a subsidiary of the top employer with disclaimed wage items. As shown in the table below, the top 10 employers reported 7,803 (7 percent) of the 111,000 disclaimed items representing approximately $116 million in wages (10.5 percent). Of the top 10 employers, we found 9 were in the meat processing industry and one was in the employment industry. For these10 employers, we found the NHs later disclaimed up to about 6 percent of their TY 2004 payroll.

Table: Top Ten Employers with Disclaimed Wages Tax Year 2004

Count	Industry	State	Total ESF Items	Total Disclaimed Wages (millions)	Total Disclaimed Items	Total Wages (millions)	TY 2004 Wage Items	Percent of Disclaimed Items(a)	Percent of ESF Items(b)
1	Meat Processing	TX	7,384	$18.9	1,286	$109.8	47,633	2.7%	15.5%
2	Meat Processing	MD	1,468	$16.9	1,142	$18.9	30,798	3.7%	4.8%
3	Meat Processing	GA	1,133	$15.5	1,011	$17.0	24,082	4.2%	4.7%
4	Meat Processing	AR	839	$12.4	771	$13.0	49,622	1.6%	1.7%
5	Meat Processing	GA	817	$10.3	763	$10.8	13,889	5.5%	5.9%
6	Meat Processing	MN	819	$14.2	738	$15.7	25,887	2.9%	3.2%
7	Employment	NY	25,701	$3.1	623	$102.9	480,860	0.1%	5.3%
8	Meat Processing	AR	609	$8.3	548	$8.9	36,076	1.5%	1.7%
9	Meat Processing	CO	573	$8.1	502	$9.0	14,398	3.5%	4.0%
10	Meat Processing	KS	465	$7.8	419	$8.6	6,643	6.3%	7.0%
Total			**39,808**	**$115.6**	**7,803**	**$314.8**	**729,888**		

Note a: The percent of disclaimed items was determined by dividing the total disclaimed items by the TY 2004 wage items.

Note b: The percent of ESF items was determined by dividing the total ESF items by the TY 2004 wage items.

Earnings Correspondence

The Social Security Administration (SSA) sends out millions of letters to employers and employees each year requesting additional information to correct suspended wage items. The four main letters sent to employers and employees are (1) Decentralized Correspondence (DECOR), (2) Educational Correspondence (EDCOR), (3) Earnings After Death (EAD), and (4) Young Children's Earnings Record (YCER).

- DECOR: When wage items are posted to the Earnings Suspense File (ESF), SSA's system generates letters to employees and employers. The purpose of DECOR letters is to query employees and employers to resolve Social Security number (SSN) and/or name discrepancies. While these letters are usually mailed to employees, letters are mailed to an employer if there is no address for the employee. SSA reviews the returned DECOR letters, validates the information provided, and if appropriate, removes the wage item from the ESF for posting to an individual's Master Earnings File (MEF) record.[1] If individuals do not respond to DECOR letters, their information goes through the FERRET operation.[2]

- EDCOR: When SSA processes a *Wage and Tax Statement* (Form W-2) report with a name and/or SSN that does not match SSA's records, it sends a letter to the employer. These letters state that SSA received wage items that could not be validated and list up to 500 SSNs in an attachment but do not provide names. SSA requests employers file corrected Form(s) W-2 to correct the error(s). The letters sent to employers also specify that mismatches do not imply that incorrect information was intentionally provided and the letter is not a basis, in and of itself, for an employer to take any adverse action against an employee. SSA is sending EDCOR letters to all employers who submitted more than 10 Forms W-2 that SSA could not process, and the mismatched forms represent more than 0.5 percent of the total Forms W-2 reported to SSA.[3]

---

[1] For more on this edit, see the following SSA Office of the Inspector General (OIG) reports: *Effectiveness of the Social Security Administration's Decentralized Correspondence Process* (A-03-01-11034), July 2002; and Effectiveness of Decentralized Correspondence Sent to Employers (A-03-06-26096), September 2006.

[2] The FERRET operation is a process using the employee address elements to match the Internal Revenue Service individual master file (Form 1040) addresses to obtain valid SSNs.

[3] In Tax Year (TY) 2006, EDCOR letters were to include a Department of Homeland Security (DHS) insert that would have required employers to take timely action in responding to EDCOR letters to avoid liability under immigration laws. However, in October 2007 the U.S. District Court granted an injunction based on a lawsuit filed by labor advocacy organizations, preventing SSA from mailing EDCOR letters reflecting DHS's Final Rule entitled, *Safe Harbor Procedures for Employers Who Receive a No-Match Letter.* Because of the lawsuit challenging DHS's worksite enforcement regulation, SSA decided not to issue TYs 2006 and 2007 EDCOR letters.

- EAD: SSA also has processes in place to detect unusual earnings reports where earnings relate to someone recorded as deceased on SSA's records. Under the EAD process, when a date of death is present on the Numident, all earning items reported for tax years after the year of death are placed in the ESF. The earnings are also transmitted to an EAD investigative file so letters can be printed and mailed to employers and/or earners. Employer responses are returned to SSA for processing. If the employer states the individual was working for them, SSA sends a letter to the employee requesting he or she visit a field office to correct his or her earnings information. At the field office, staff interviews the individual and verifies his or her identification. If the evidence appears valid, SSA personnel reinstate the wages to the proper Master Earnings File (MEF) account. If the employer states the wage earner is deceased, SSA informs the employer to refund the employee's share of the Social Security taxes to the employee's estate or next of kin, and the relevant wages will remain in the ESF. We reviewed the EAD process in a prior audit.[4]

- YCER: Another unusual earnings pattern monitored by SSA relates to young earners. Under the YCER process, SSA checks the date of birth for the SSN on each earnings report. If a date of birth indicates the numberholder of the SSN is a child under age 7, the earnings will be placed into the ESF. When the Form W-2 reporting process is complete, an YCER investigate file is generated to determine whether the earnings belong to the reported SSN; that is, a child under age 7. SSA sends YCER letters to employers and employees. Employer responses are returned to SSA for processing. If the employer states the numberholder's SSN, name and date of birth agree with SSA's records, the wages are reinstated to the numberholder. If the employer states the numberholder's name and SSN are the same as SSA's records, but the date of birth is different, a form is sent to the numberholder advising him or her to contact the local SSA office to correct the discrepancy. If the employer states the name and/or SSN is different from SSA's records, the information is further researched. If the employer does not return the form or states the numberholder of the SSN did not work for them, a letter is sent to the numberholder of the SSN asking him or her to contact the local SSA field office. We reviewed the YCER process in a prior audit.[5]

[4] SSA OIG, *Effectiveness of the Social Security Administration's Earnings After Death Process* (A-03-01-11035), August 2002.

[5] SSA OIG, *Effectiveness of the Young Children's Earnings Records Reinstatement Process* (A-03-05-25009), October 2006.

Agency Comments

SOCIAL SECURITY

MEMORANDUM

Date: September 18, 2008 Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: David V. Foster /s/
Executive Counselor to the Commissioner

Subject Office of the Inspector General (OIG) Draft Report, "Social Security Number Misuse for Work and the Impact on the Social Security Administration's Master Earnings File" (A-03-07-7152)—INFORMATION

We appreciate OIG's efforts in conducting this review. Attached is our response to the recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S (OIG) DRAFT REPORT, "SOCIAL SECURITY NUMBER MISUSE FOR WORK AND THE IMPACT ON THE SOCIAL SECURITY ADMINSTRATION'S MASTER EARNINGS FILE" (A-03-07-27152)

Thank you for the opportunity to review and provide comments on this draft report.

Recommendation 1

Update the standard letter to the numberholders who disclaim wages to: 1) advise them of the importance of reporting suspected Social Security Number (SSN) misuse to the Social Security Administration each year to ensure their earnings records are accurate; and 2) encourage them to report suspected SSN misuse to the Federal Trade Commission and law enforcement agencies.

Comment

We agree. The Item Correction (ICOR) system does not currently capture the reason for corrected wages. Therefore, we will evaluate the systems changes needed to annotate corrected wages to reflect "disclaimed wages," and send an appropriate notice with special language for those individuals whose records have been annotated to show they have disclaimed the wages. Implementation of any changes identified during the evaluation would be dependent on the availability of agency resources.

Recommendation 2

Consider generating a standard letter to employers that notifies them annually of employees with disclaimed wages. This could be associated with the current ICOR letter process or a new letter process.

Comment

We agree. We will assess the feasibility and systems resources needed to generate a notice to employers that would notify them of employees with disclaimed wages.

Recommendation 3

Provide disclaimed wage information to Employer Service Liaison Officers to enhance their assistance and outreach efforts with employers with wage reporting problems.

Comment

We agree. We will evaluate the steps necessary and resources required to automate a process to share disclaimed wage information with the Employer Service Liaison Officers so that they may educate employers as needed.

Recommendation 4

Consider the development of a cost effective method to automatically post to the Earnings Suspense File subsequent wage items that have the same characteristics of previously disclaimed wage items.

Comment

We agree. We will evaluate the systems resources needed to implement the proposed process and the potential effects on our operations to determine whether the proposed changes are cost-effective, feasible, and desirable. We believe disclaimed wage items identified in this proposed process would invariably be the result of "identity theft" or "fraud" and the OIG, Office of Investigation should receive referrals for these items. Therefore, implementing an automatic process would require a wide range of resources, in addition to system costs, throughout the agency.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Cylinda McCloud-Keal, Director (215) 597-0572

Carol Madonna, Audit Manager (215) 597-1485

Acknowledgments

In addition to those named above:

Damon Mahoner, Auditor-in-Charge

Brenda Williams, Senior Auditor

Richard Devers, IT Specialist

For additional copies of this report, please visit our web site at www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-03-07-27152.

DISTRIBUTION SCHEDULE

Commissioner of Social Security

Office of Management and Budget, Income Maintenance Branch

Chairman and Ranking Member, Committee on Ways and Means

Chief of Staff, Committee on Ways and Means

Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives

Chairman and Ranking Minority Member, Committee on Oversight and Government Reform

Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations,
House of Representatives

Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.