OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

PERFORMANCE INDICATOR AUDIT:
SOCIAL SECURITY NUMBERS
AND EARNINGS PROCESSING

November 2005 **A-15-05-15117**

AUDIT REPORT

Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the 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

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.

SOCIAL SECURITY

MEMORANDUM

Date: November 30, 2005 Refer To:

To: The Commissioner

From: Inspector General

Subject: Performance Indicator Audit: Social Security Numbers and Earnings Processing (A-15-05-15117)

We contracted with PricewaterhouseCoopers, LLP (PwC) to evaluate 16 of the Social Security Administration's performance indicators established to comply with the Government Performance and Results Act. The attached final report presents the results of three of the performance indicators PwC reviewed. For the performance indicators included in this audit, PwC's objectives were to:

- Assess the effectiveness of internal controls and test critical controls over the data generation, calculation, and reporting processes for the specific performance indicator.
- Assess the overall reliability of the performance indicator's computer processed data. Data are reliable when they are complete, accurate, consistent and are not subject to inappropriate alteration.
- Test the accuracy of results presented and disclosed in the Fiscal Year 2004 Performance and Accountability Report.
- Assess if the performance indicator provides a meaningful measurement of the program it measures and the achievement of its stated objective.

This report contains the results of the audit for the following indicators:

- Social Security Numbers (SSN) processed.
- Percent of SSNs issued that are free of critical error.
- Annual earnings items processed.

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

MEMORANDUM

Date: November 18, 2005

To: Inspector General

From: PricewaterhouseCoopers LLP

Subject: Performance Indicator Audit: Social Security Numbers and Earnings Processing (A-15-05-15117)

OBJECTIVE

The Government Performance and Results Act (GPRA)[1] of 1993 requires the Social Security Administration (SSA) to develop performance indicators that assess the relevant service levels and outcomes of each program activity.[2] GPRA also calls for a description of the means employed to verify and validate the measured values used to report on program performance.[3]

Our audit was conducted in accordance with generally accepted government auditing standards for performance audits. For the performance indicators included in this audit, our objectives were to:

1. Assess the effectiveness of internal controls and test critical controls over the data generation, calculation, and reporting processes for the specific performance indicator.

2. Assess the overall reliability of the performance indicator's computer processed data. Data are reliable when they are complete, accurate, consistent and are not subject to inappropriate alteration.[4]

3. Test the accuracy of results presented and disclosed in the Fiscal Year (FY) 2004 Performance and Accountability Report (PAR).

4. Assess if the performance indicator provides a meaningful measurement of the program it measures and the achievement of its stated objective.

[1] Public Law Number 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 United States Code (U.S.C.), 31 U.S.C. and 39 U.S.C.).

[2] 31 U.S.C. § 1115(a)(4).

[3] 31 U.S.C. § 1115(a)(6).

[4] GAO-03-273G *Assessing Reliability of Computer Processed Data*, October 2002, p. 3.

BACKGROUND

We audited the following performance indicators as stated in the SSA FY 2004 PAR:

Performance Indicator	FY 2004 Goal	FY 2004 Reported Results
Social Security Numbers (SSN) Processed	17,500,000	17,791,880
Percent of SSNs Issued that are Free of Critical Error	99.8%	99.8%*
Annual Earnings Items Processed	262,500,000	251,853,503

* The performance data shown for FY 2004 is an end-of-year estimate. Actual data was not available until September 2005. Source: *Social Security Administration Performance and Accountability Report Fiscal Year 2004,* p. 105. However, SSA management stated that the actual result was 99.0 percent.

Within SSA, SSNs are the primary identifiers for the programmatic systems that support the annual wage reporting cycle, the Old Age, Survivors, and Disability Insurance program and the Supplemental Security Income program. The SSN has become a critical element of personal identification in a vast and ever increasing array of public and private recordkeeping and record matching processes. The result is that SSA, the Internal Revenue Service (IRS), the Congress and other public and private sector entities all have a strong interest in ensuring the accuracy of SSNs.[5]

SSA is responsible for establishing and maintaining complete and accurate records of wages paid and self-employment income earned for each individual covered by the Social Security program. SSA is also responsible for correcting any errors in earnings posted to, or omitted from, SSA's records and providing individuals written notice of certain types of earnings adjustments.[6] SSA receives Wage and Tax Statements (W-2) from employers and self-employment earnings from the IRS. The annual earnings posting cycle for receiving and validating this data, including identifying and posting corrections, is approximately 2 years. SSA receives approximately 250 million earnings records annually and attempts to match these records to all issued SSNs. Without a match, SSA is unable to post the reported earnings to the appropriate record, and these earnings are placed in the earnings suspense file.[7]

[5] Report to Congress on Options for Enhancing the Social Security Card (http://www.ssa.gov/history/reports/ssnreportc2.html).

[6] Program Operations Manual System, RM 02201.001 Overview of Earnings Adjustment Process.

[7] OIG, SSA, *Performance Indicator Audit: Earnings Suspense File,* A-15-04-14069 (August 20, 2004).

RESULTS OF REVIEW

For all three indicators included in this report, we found that SSA lacked sufficient documentation regarding the processes and controls surrounding the accumulation and reporting of indicator results. SSA is currently working to improve the documentation related to these indicators. For one of the indicators in this report, we found individuals had excessive access rights to the data that was used to calculate the results of the indicator.

We were able to recalculate the results for all three of the indicators included in this report. We did not identify any significant issues related to the reliability of data used to calculate the indicator results for two of the indicators included in this report.

For two of the indicators included in this report, we identified issues related to the clarity of the indicator titles as stated in the 2004 PAR. Further, we found that the data definitions in the PAR inaccurately described the indicator calculations. Finally, we identified areas for improvement in the meaningfulness of all three indicators included in this report.

Social Security Numbers (SSNs) Processed

Indicator Background

New SSN processing occurs in the SSA field offices (FO) or through the Enumeration at Birth (EAB) process or Enumeration at Entry (EAE) process. The majority of processing for SSNs is completed at a FO. If an applicant desires an original SSN card, replacement SSN card, new SSN or changes to existing SSN data (e.g. name change of SSN holder, date of birth change) the individual must complete an application and return it to a FO for processing. Once received by the FO, the application is reviewed and input into the Social Security Number Establishment and Correction System (SSNECS). SSNECS is the underlying programmatic system that facilitates the SSN enumeration process.

SSN requests that are initiated through the EAB process occur when a child is born in a hospital (or other medical facility) in the United States (or a United States territory including Puerto Rico) and the child's parent(s) request an SSN for the child. The State's Bureau of Vital Statistics (SBVS) electronically transmits the pertinent information to SSA, where it is processed through SSNECS.

Finally, SSN requests can be initiated through the EAE process. The EAE process occurs when an immigrant to the United States requests an SSN as part of the standard immigration process. The Departments of State and Homeland Security electronically transmit pertinent data collected for enumeration purposes to SSA where it is processed through SSNECS.

SSNECS generates the FO SSN Enumeration Report (FOSSNER), which includes the total number of SSNs processed by the FOs and through EAE. SSNECS also generates the EAB Management Information (EAB MI) report, which includes the total number of EAB requests processed. The Division of Cost Analysis compiles the number of SSNs processed from the totals found on the FOSSNER report and the EAB MI report to communicate the indicator results.

Performance Indicator Calculation

SSNs Processed	=	Total number of SSNs processed for FOs and EAE + Total number of EAB requests processed

(For additional detail on the calculation of this indicator, refer to the flowcharts in Appendix C.)

Findings

Internal Controls and Data Reliability

We found that SSA lacked sufficient documentation regarding the processes and controls surrounding the accumulation and generation of performance indicator data. Specifically, SSA was unable to provide a comprehensive documented process flow of performance indicator data from the receipt of SSN applications, through processing within the SSNECS application, to the accumulation of yearly performance indicator data for reporting purposes. GPRA requires that agencies "…describe the means to be used to verify and validate measured values."[8] The Office of Management and Budget (OMB) Circular A-123, *Management's Accountability and Control*, Attachment II, Establishing Management Controls, requires documentation for transactions, management controls, and other significant events to be clear and readily available for examination. It should be noted that SSA management was in the process of improving the documentation related to this indicator during the timeframe of the audit.

Despite a lack of sufficient documentation, we did not identify any significant issues related to the reliability of the data used to calculate the indicator results.

Accuracy of PAR Presentation and Disclosure

The title, "Social Security Numbers (SSNs) Processed," presented in the PAR is misleading as SSA was not measuring the number of SSNs processed, but rather the number of SSN cards issued, including duplicate and replacement cards. In addition, the data definition published in the PAR was inaccurate. The PAR states the total number includes, "…the count of fraud investigations not resulting in issuance of a SSN

[8] 31 U.S.C. § 1115(a)(6).

and an EAB,"[9] however, PwC was informed by SSA management that this count was not included in the total number of SSNs processed.

By extracting records from the Numerical Identification System (NUMIDENT) and performing the indicator calculation, we were able to calculate a result of 17,609,833 SSNs processed, which is within one percent of the reported count of 17,791,880 for FY 2004.

Performance Indicator Meaningfulness

We found that the linkage of this indicator to the strategic objective "Strengthen the integrity of the Social Security Number (SSN)"[10] could be improved. Although this indicator does provide an assessment of the number of SSNs processed, it does not show the correlation between processing of the SSNs and the integrity of the SSN being strengthened by this processing.

Percent of Social Security Numbers (SSNs) Issued that are Free of Critical Error

Indicator Background

The Office of Quality Assurance and Performance Assessment (OQA), under the Deputy Commissioner for Finance, Assessment and Management, conducts reviews to evaluate and assess the integrity and quality of SSA's programs. One of OQA's quality assurance reviews is the annual Quality of the Enumeration Process Review. In conducting this review, OQA selects a sample of FO processed SSN transactions; both original SSN issuances and replacement SSN cards. OQA electronically transmits the list of selected SSNs to the appropriate FOs. FO management is responsible for locating and forwarding to OQA the SS-5 applications associated with the selected SSNs. Once the application is received by OQA, it is validated by comparing the data on the application to the data in the NUMIDENT and Alphabetical Identification System (ALPHIDENT). The NUMIDENT and ALPHIDENT are databases that maintain data on individuals' SSNs.

In the event that errors are identified, OQA classifies them as either critical or major errors:

Critical error - SSA issued multiple SSNs to the same individual and those SSNs have not been cross-referenced in the SSA systems, or SSA issued an SSN to the applicant that is currently issued to another person.

Major error - SSA committed an incorrect or incomplete action that did not cause a critical error, but did or could cause additional incorrect actions by SSA

[9] *Social Security Administration Performance and Accountability Report Fiscal Year 2004,* p. 104.

[10] *Social Security Administration Performance and Accountability Report Fiscal Year 2004,* pp. 104–105.

in future enumeration transactions or claims actions. For example, SSA would categorize incorrectly spelled applicant names as a major error.

The Enumeration Quality Appraisal System (EQAS) is used to record whether an error is identified and if so, the type of error identified. OQA calculates the indicator by totaling the number of critical errors identified and dividing it by the total number of SSNs reviewed.

Performance Indicator Calculation

Percent of SSNs Issued that are Free of Critical Error	=	1 – (Total Critical Errors Identified/Total SSNs Reviewed)

(For additional detail on the calculation of this indicator, refer to the flowcharts in Appendix C.)

Findings

Internal Controls and Data Reliability

We found SSA lacked sufficient documentation regarding the processes and controls surrounding the accumulation and generation of performance indicator data. Specifically, SSA was unable to provide a comprehensive documented process flow of performance indicator data from the sampling process, to the accumulation and reporting of yearly performance indicator data. GPRA requires that agencies, "…describe the means to be used to verify and validate measured values."[11] OMB Circular A-123, *Management's Accountability and Control*, Attachment II, Establishing Management Controls, requires documentation for transactions, management controls, and other significant events to be clear and readily available for examination. It should be noted that SSA management was in the process of improving the documentation related to this indicator during the timeframe of the audit.

We found that 62 of 71 SSA employees did not have a business need for "Full Control" access to EQAS, which stores the results of the enumeration review completed by OQA. The "Full Control" level of access allows users to read, write, and modify any of the data contained within the EQAS database. The "Full Control" level of access to employees "without a need to know" prevents SSA from ensuring the integrity of this production data. Additionally, by allowing employees to have the "Full Control" access designation, SSA is not conforming to the OMB Circular A-130 Appendix III, *Security of*

[11] 31 U.S.C. § 1115(a)(6).

Federal Automated Information Resources principles of least privileged access. As a result of the excessive access rights noted above, we could not conclude on the reliability of the data used to calculate the performance indicator result.

Accuracy of PAR Presentation and Disclosure

The title, "Percent of Social Security Numbers (SSNs) Issued that are Free of Critical Error," presented in the PAR is misleading as the Agency was not measuring the number of SSNs issued, but rather the number of enumeration transactions completed, which includes new, duplicate and replacement cards. If the Agency had been measuring only the actual number of SSNs issued, the number would have been greatly reduced. SSA management noted in its 2005 PAR that the universe of SSNs used in the calculation will change in FY 2006.

In addition, the data definition published in the PAR was inaccurate. The FY 2004 PAR states that the rate of SSNs issued free of critical error is based on (1) correctly assigned SSNs, (2) multiple SSNs that were cross-referenced and (3) sufficient documentation to support entitlement to an SSN.[12] OQA does not include in the calculation any errors in the third attribute, that is, insufficient documentation supporting entitlement to an SSN. SSA management updated the data definition for the FY 2005 PAR to accurately reflect the calculation.

During our audit, we noted that one of the sentences in the trend section of the PAR for this indicator states, "In FY 2003, 99.7 percent of SSNs were accurately issued by SSA."[13] However, the indicator did not measure the accuracy of SSNs issued by SSA. The indicator actually measured the percent of SSNs issued that were free of critical error as defined by SSA. The measure omits major errors.

The sampling methodology used to calculate this indicator is not described in the PAR. The current documentation in the PAR would lead the reader to believe that all SSNs were reviewed for critical errors, as opposed to only a sample of SSNs.

We were able to recalculate the performance indicator published in the PAR by using the data stored in the EQAS database.

Performance Indicator Meaningfulness

As discussed above, the indicator did not include all types of errors in the accuracy rate. The indicator reports the percent of critical errors, which only includes two types of errors found during the review process. During the review process, over 50 types of non-critical errors are identified.

[12] *Security Administration Performance and Accountability Report Fiscal Year 2004,* p. 105.

[13] *Id*.

In addition, we found that the enumeration review does not include original SSNs issued through the EAB or EAE process which accounts for approximately 90 percent of original issuances. We noted that original issuances present the highest risk for errors as they require the highest amount of manual data input. Replacement and duplicate cards have a lower risk of error as the system automatically completes many of the data fields with information already recorded on the SSA systems.

Annual Earnings Items Processed

Indicator Background

The Earnings Record Maintenance System (ERMS) is the major programmatic system used to post earnings items at SSA. Employers can submit W-3 reports, which contain individual W-2 wage information, by paper, magnetic media or electronically. Self-employed individuals submit their tax returns to IRS and IRS transfers the earnings data to SSA electronically via a dedicated line.

Once the data is received from the different input methods noted above, balancing, validation, and edit checks are performed within ERMS. ERMS posts each individual's earnings to the Master Earnings File (MEF) or the Earnings Suspense File (ESF) (if the earnings can not be properly posted to the MEF due to incorrect or missing data).

The total number of annual earnings items processed is generated by the Earnings Posted Overall Cross Total/Year to Date System (EPOXY), which is a system that maintains earnings management information that is provided from ERMS.

The indicator includes the total number of paper annual wage items plus the total number of electronic, magnetic media and self-employment items processed through the balancing operation and posted to the MEF or ESF in a FY. This number includes delinquent reports and adjustments processed.

Performance Indicator Calculation

Annual Earnings Items Processed	=	Total number of paper annual wage items + Total number of electronic, magnetic media, and self-employment items processed and posted in the Fiscal Year 2004

(For additional detail on the calculation of this indicator, refer to the flowcharts in Appendix C.)

Findings

Internal Controls and Data Reliability

SSA lacked sufficient documentation regarding the processes and controls surrounding the accumulation and generation of performance indicator data. Specifically, SSA was unable to provide a comprehensive documented process flow of performance indicator data from the processing of W-2 and W-3 information through ERMS to the accumulation of yearly performance indicator data. GPRA requires that agencies, "…describe the means to be used to verify and validate measured values."[14] OMB Circular A-123, *Management's Accountability and Control*, Attachment II, Establishing Management Controls, requires documentation for transactions, management controls, and other significant events to be clear and readily available for examination. It should be noted that SSA management was in the process of improving the documentation related to this indicator during the timeframe of the audit.

We did not identify any significant issues related to the reliability of the data used to calculate the indicator results.

Accuracy of PAR Presentation and Disclosure

We were able to recalculate the performance indicator published in the PAR by re-performing the process SSA uses to determine the performance indicator. PwC counted each record used to create the weekly reports containing the performance indicator data, and totaled the weekly reports for a result of 251,853,503 annual earnings items processed for FY 2004.

Performance Indicator Meaningfulness

We found that the linkage of this indicator to the strategic objective "Increase the accuracy of earnings records"[15] could be improved. Although an earnings item is processed, it does not necessarily mean the earnings records are more accurate. SSA did not clearly state the connection between what is being measured and how it increases the accuracy of the earnings records. We believe it would be more meaningful for SSA to measure the accuracy of the posting of earnings information. In fact, we noted that SSA included in its FY 2003 Annual Performance Plan the performance indicator "Percent of earnings posted correctly." SSA has since dropped this outcome measure. However, SSA does report on two companion performance indicators, "Reduction in the Size of the Earnings Suspense File" and "The Percent of Incoming Earnings Items Removed from the Suspense File at the end of the Annual Earnings Posting Cycle," both of which relate to the accuracy of earnings records.[16]

[14] 31 U.S.C. § 1115(a)(6).

[15] *Social Security Administration Performance and Accountability Report Fiscal Year 2004,* p. 106.

[16] *Social Security Administration Performance and Accountability Report Fiscal Year 2004*, pp. 107-108.

CONCLUSION AND RECOMMENDATIONS

For all of the indicators included in this report, we recommend SSA:

1. Create formal documentation of the processes and controls over how the results of the indicators are prepared and communicated to the Office of Strategic Management for reporting.

Specific to the performance indicator, “Social Security Numbers (SSNs) Processed,” we recommend SSA:

2. Ensure that the performance indicator title, definition, and goals are explicit, complete, and consistent.
3. Enhance the discussion of the linkage of the performance indicator to the Agency’s strategic objective to "Strengthen the Integrity of the Social Security Number (SSN)."

Specific to the performance indicator, “Percent of Social Security Numbers (SSNs) Issued that are Free of Critical Error,” we recommend SSA:

4. Restrict access to production data used to calculate the indicator result. Specifically, SSA should ensure that personnel do not have the ability, through inappropriate access, to modify, create or delete the data used to calculate the results of this indicator.
5. Ensure that the performance indicator title, definition, sampling methodology description and goals are explicit, complete, and consistent in the PAR.
6. Consider modifying the performance indicator to present a more complete description of all types of errors that are identified and include a more representative measurement of the processes to issue an SSN.

Specific to the performance indicator, “Annual Earnings Items Processed,” we recommend SSA:

7. Enhance the discussion of the linkage of the performance indicator to the Agency’s strategic objective to "Increase the accuracy of earnings records.”

AGENCY COMMENTS

SSA agreed with our recommendations. See Appendix D for the full text of the Agency’s comments.

Appendices

Appendix A

Acronyms

AESP	Automated Enumeration System Screening Process
ALPHIDENT	Alphabetical Identification System
AWR	Annual Wage Reporting System
DCA	Division of Cost Analysis
EAB	Enumeration at Birth
EAB MI	Enumeration at Birth Management Information
EAE	Enumeration at Entry
EDIF	Enumeration Data Input Form
EPOXY	Earnings Posted Overall Cross Total/Year to Date System
EQAS	Enumeration Quality Appraisal System
ERMS	Earnings Record Maintenance System
ESF	Earnings Suspense File
FO	Field Office
FOSSNER	Field Office SSN Enumeration Report
FY	Fiscal Year
GPRA	Government Performance and Results Act
IPS	In Process File
IRS	Internal Revenue Service
MEF	Master Earnings File
NCC	National Computer Center
NUMIDENT	Numerical Identification System
OCO	Office of Central Operations
OEEAS	Office of Earnings, Enumeration and Administrative Systems
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OSM	Office of Strategic Management
OQA	Office of Quality Assurance and Performance Assessment
PAR	Performance and Accountability Report
PWC	PricewaterhouseCoopers
SBVS	State's Bureau of Vital Statistics
SSA	Social Security Administration
SSN	Social Security number
SSNECS	Social Security Number Establishment and Correction System

Appendix B

Scope and Methodology

We updated our understanding of the Social Security Administration's (SSA) Government Performance and Results Act (GPRA) processes. This was completed through research and inquiry of SSA management. We also requested SSA to provide various documents regarding the specific programs being measured as well as the specific measurement used to assess the effectiveness and efficiency of the related program.

Through inquiry, observation, and other substantive testing, including testing of source documentation, we performed the following:

- Reviewed prior SSA, Government Accountability Office, Office of the Inspector General and other reports related to SSA GPRA performance and related information systems.
- Met with the appropriate SSA personnel to confirm our understanding of the performance indicator.
- Flowcharted the process. (See Appendix C).
- Tested key controls related to manual or basic computerized processes (e.g., spreadsheets, databases, etc.).
- Conducted and evaluated tests of the automated and manual controls within and surrounding each of the critical applications to determine whether the tested controls were adequate to provide and maintain reliable data to be used when measuring the specific indicator.
- Identified attributes, rules, and assumptions for each defined data element or source document.
- Recalculated the metric or algorithm of key performance indicators to ensure mathematical accuracy.
- For those indicators with results that SSA determined using computerized data, we assessed the completeness and accuracy of that data to determine the data's reliability as it pertains to the objectives of the audit.

As part of this audit, we documented our understanding, as conveyed to us by Agency personnel, of the alignment of the Agency's mission, goals, objectives, processes, and related performance indicators. We analyzed how these processes interacted with related processes within SSA and the existing measurement systems. Our understanding of the Agency's mission, goals, objectives, and processes were used to determine if the performance indicators appear to be valid and appropriate given our understanding of SSA's mission, goals, objectives and processes.

We followed all performance audit standards in accordance with generally accepted government auditing standards. In addition to the previous steps, we specifically performed the following to test the indicators included in this report:

SOCIAL SECURITY NUMBERS (SSNS) PROCESSED

- Interviewed personnel in the Division of Central Operations, Division of Cost Analysis (DCA) and the Office of Earnings, Enumeration and Administrative Systems (OEEAS).
- Reviewed relevant documentation for the sources of the data included in the Field Office SSN Enumeration Report and the Enumeration at Birth Management Information Report.
- Recalculated the indicator by reviewing data stored on the master file, Numerical Identification System.
- Reviewed the process for controlling access to the datasets storing the indicator data and tested the appropriateness of the access privileges granted to the datasets for a selection of SSA personnel.
- Traced data from supporting reports to the indicator calculation total for all data sources.

PERCENT OF SOCIAL SECURITY NUMBERS (SSNS) ISSUED THAT ARE FREE OF CRITICAL ERROR

- Interviewed personnel in the Office of Quality Assurance and Performance Assessment and OEEAS.
- Reviewed relevant documentation for the sources of the data included in the Enumeration Quality Appraisal System (EQAS).
- Recalculated the indicator by obtaining a copy of the EQAS database as of September 30, 2004 and determining the number of critical errors found during the fiscal year 2003 review.
- Reviewed the process for controlling access to the datasets storing the indicator data and tested the appropriateness of the access privileges granted to the datasets for a selection of SSA personnel.

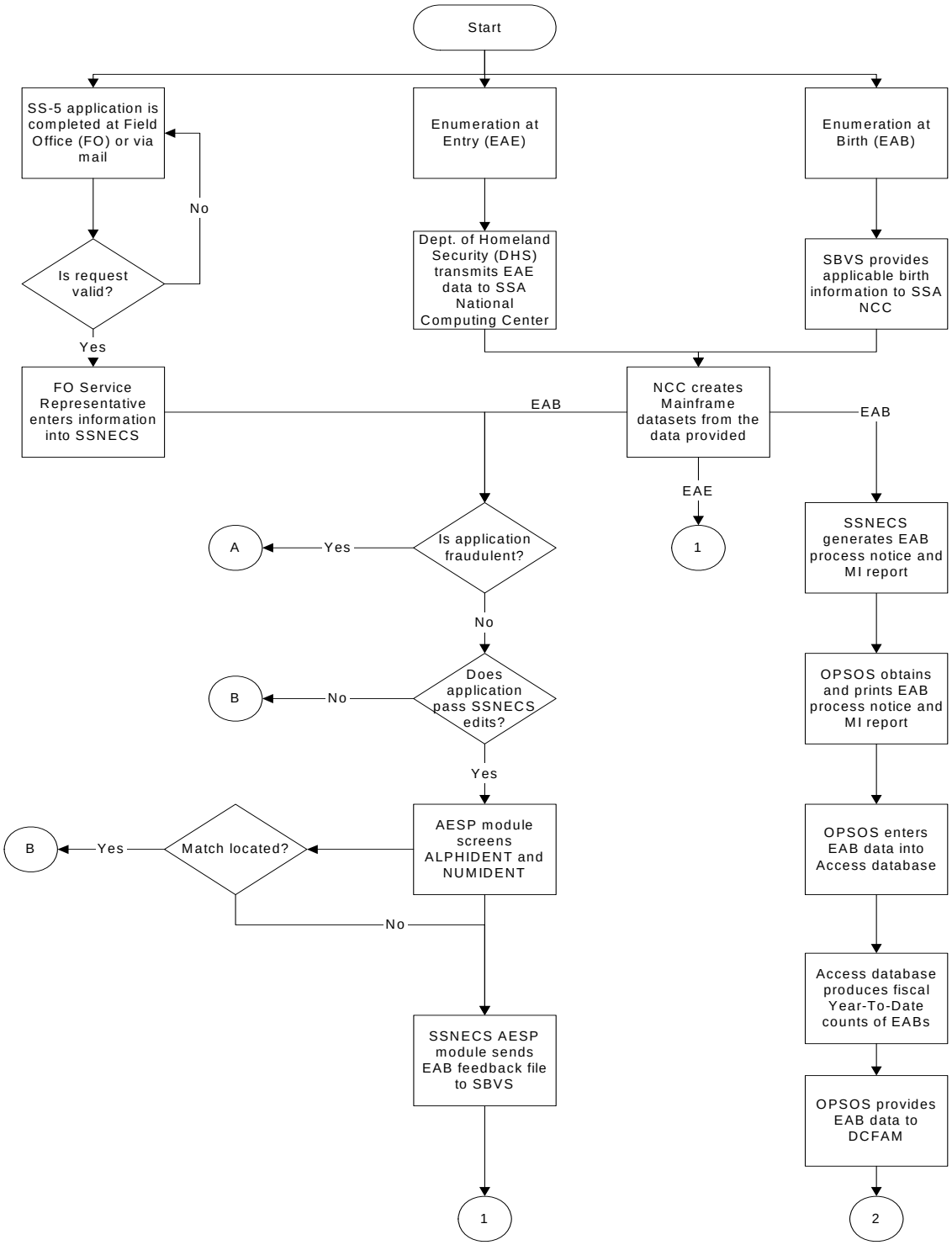
ANNUAL EARNINGS ITEMS PROCESSED

- Interviewed personnel in DCA and OEEAS.
- Reviewed relevant documentation for the sources of the data included in the Master Earnings File.
- Recalculated the indicator by obtaining a copy of the files used to create the weekly reports containing the performance indicator data.

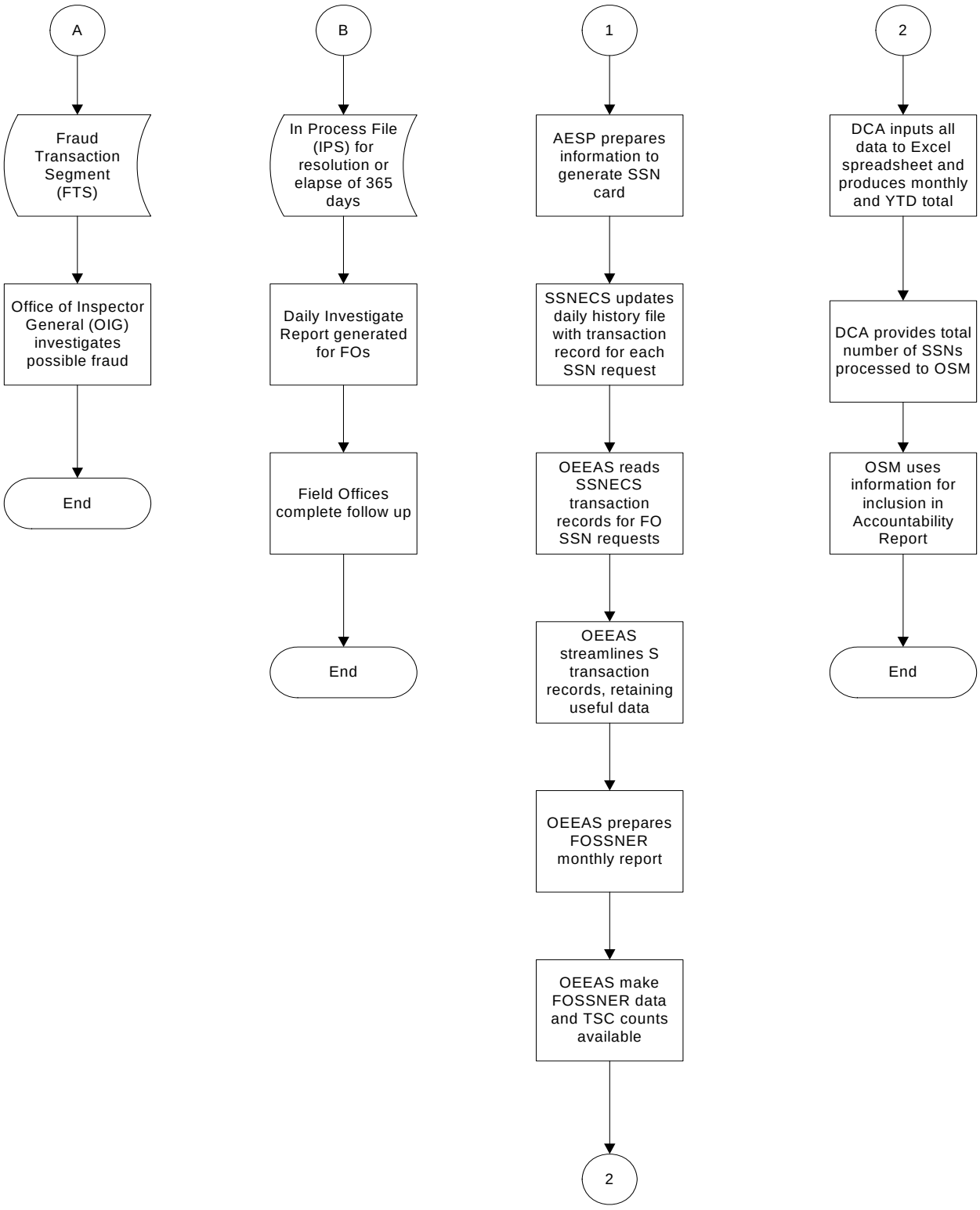
- Reviewed the process for controlling access to the datasets storing the indicator data and tested the appropriateness of the access privileges granted to the datasets for a selection of SSA personnel.
- Traced data from supporting reports to the indicator calculation total for all data sources.

Appendix C

Flowchart of Social Security Numbers (SSNs) Processed



Flowchart of Social Security Numbers (SSNs) Processed continued

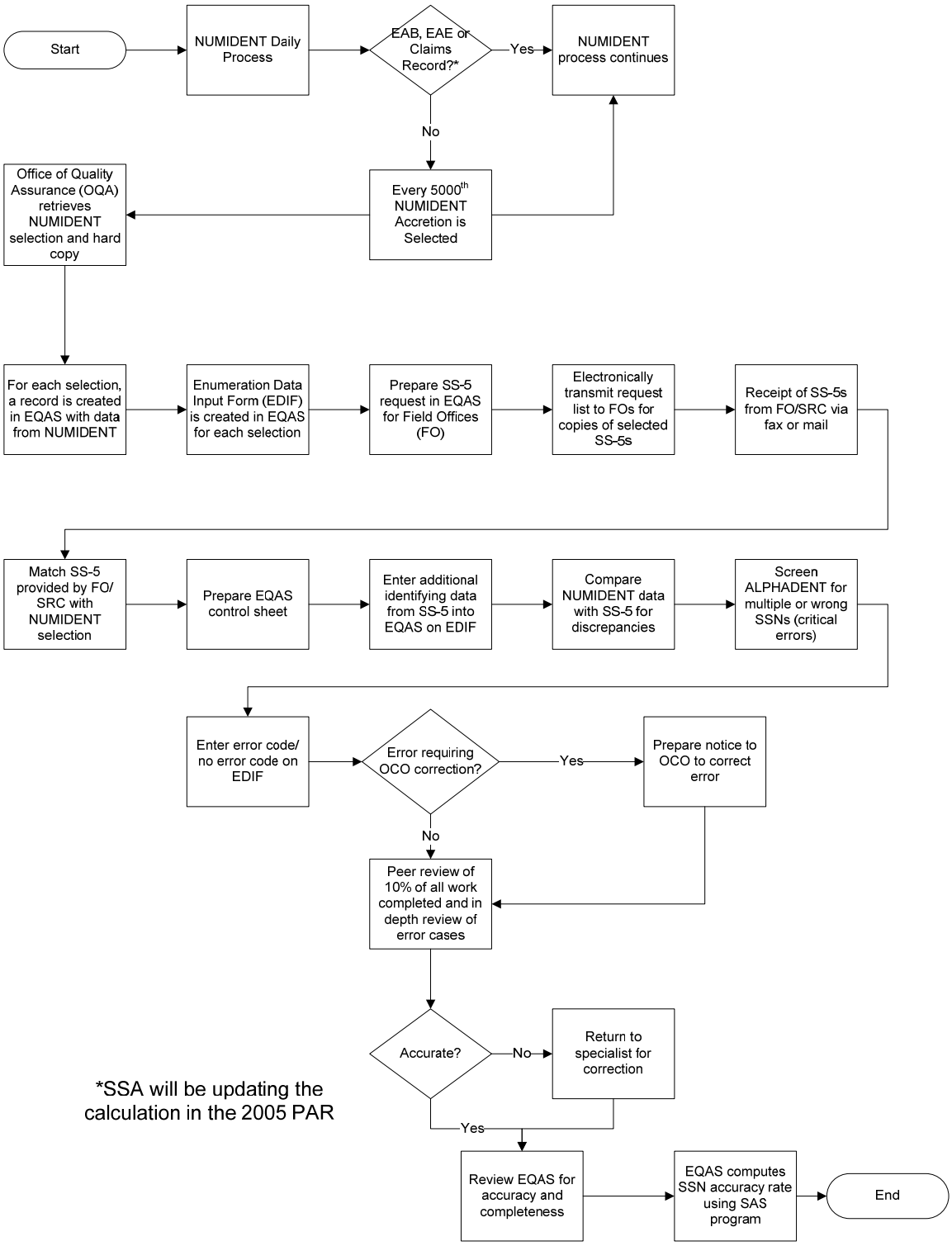


Social Security Numbers (SSNs) Processed

- SS-5 Application is completed at Field Office (FO) or via mail
- Is the request valid?
  - Yes – FO Representative enters information into the Social Security Number Establishment and Correction System (SSNECS)
  - No – Application is returned to applicant
- Is the application fraudulent?
  - Yes – File is sent to the Fraud Transaction Segment
    - Office of the Inspector General (OIG) investigates possible fraud
  - No – Does application pass SSNECS edits?
    - Yes – Automated Enumeration System Screening Process (AESP) module screens Alphabetical Identification System (ALPHIDENT) and Numeric Identification System (NUMIDENT)
    - No – File is sent to the In Process File (IPS) for resolution or elapse of 365 days
      - Daily Investigate Report is generated for FOs
      - FOs complete follow-up
- AESP module screens ALPHIDENT and NUMIDENT
  - Is a match located?
    - Yes – File is sent to the IPS for resolution or elapse of 365 days
      - Daily Investigate Report is generated for FOs
      - FOs complete follow-up
    - No – SSNECS AESP module sends Enumeration at Birth (EAB) feedback file to State's Bureau of Vital Statistics (SBVS)
- AESP prepares information to generate Social Security number (SSN) card
- SSNECS updates the daily history file with transaction record for each SSN request
- Office of Earnings, Enumeration and Administrative Systems (OEEAS) reads SSNECS transaction records, retaining useful data
- OEEAS prepares Field Office SSN Request (FOSSNER) monthly report
- OEEAS make FOSSNER data and Tele-Service Center counts available.
- Division of Cost Analysis (DCA) inputs all data to Excel spreadsheet and produces monthly and Year to Date total
- DCA provides total number of SSNs processed to Office of Strategic Management (OSM)
- OSM uses information for inclusion in Accountability Report
- Enumeration at Entry (EAE)
- Department of Homeland Security (DHS) transmits EAE data to SSA National Computer Center (NCC)
- NCC creates Mainframe datasets from the data provided
- AESP prepares information to generate SSN card
- SSNECS updates the daily history file with transaction record for each SSN request
- OEEAS reads SSNECS transaction records, retaining useful data
- OEEAS prepares FOSSNER monthly report

- OEEAS make FOSSNER data and Tele-Service Center counts available
- DCA inputs all data to Excel spreadsheet and produces monthly and Year to Date total
- DCA provides total number of SSNs processed to Office of Strategic Management (OSM)
- OSM uses information for inclusion in Accountability Report
- EAB
- SBVS provides applicable birth information to SSA NCC
- NCC creates Mainframe datasets from the data provided
- Is the application fraudulent?
    - Yes – File is sent to the Fraud Transaction Segment
        - OIG investigates possible fraud
    - No – Does application pass SSNECS edits?
        - Yes – AESP module screens ALPHIDENT and NUMIDENT
        - No – File is sent to the IPS for resolution or elapse of 365 days
            - Daily Investigate Report is generated for FOs
            - FOs complete follow-up
- AESP module screens ALPHIDENT and NUMIDENT
    - Is a match located?
        - Yes – File is sent to the IPS for resolution or elapse of 365 days
            - Daily Investigate Report is generated for FOs
            - FOs complete follow-up
        - No – SSNECS AESP module sends EAB feedback file to SBVS
- AESP prepares information to generate SSN card
- SSNECS updates the daily history file with transaction record for each SSN request
- OEEAS reads SSNECS transaction records, retaining useful data

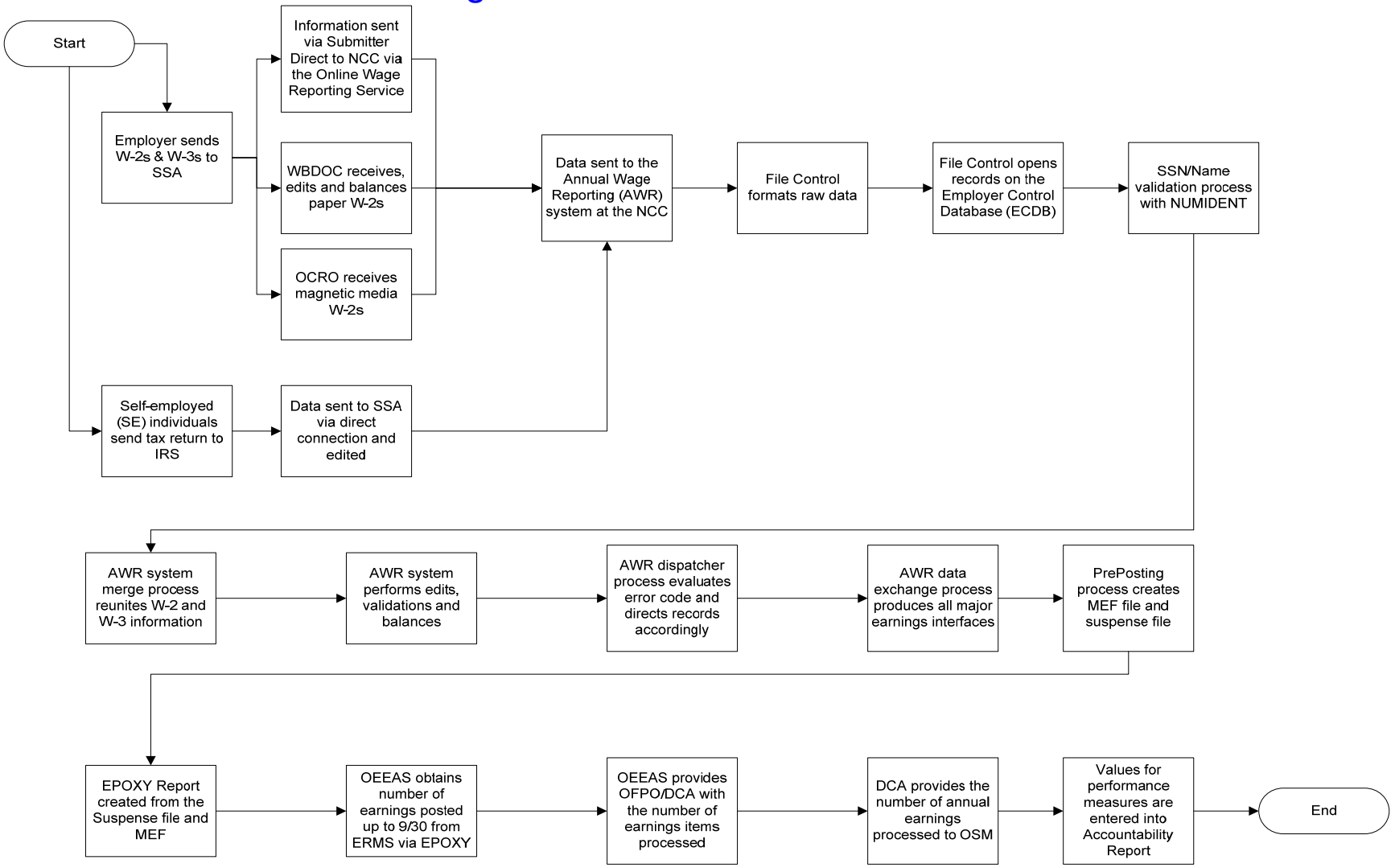
Flowchart of Percent of Social Security Numbers (SSNs) Issued that are Free of Critical Error



Percent of Social Security Numbers (SSNs) Issued that are Free of Critical Error

- NUMIDENT daily process runs
- EAB, EAE or claims record?
    - Yes – NUMIDENT process continues
    - No – Every 5000th NUMIDENT accretion is selected
        - NUMIDENT process continues
- Office of Quality Assurance (OQA) retrieves NUMIDENT selection and hard copy
- For each selection, a record is created in Enumeration Quality Appraisal System (EQAS) with data from NUMIDENT
- Enumeration Data Input Form (EDIF) is created in EQAS for each selection
- Prepare SS-5 request in EQAS for FOs
- Electronically transmit request list to FOs for copies of selected SS-5s
- Receipt of SS-5s from FO via fax or mail
- Match SS-5 provided by FO with NUMIDENT selection
- Prepare EQAS control sheet
- Enter additional identifying data from SS-5 into EQAS on EDIF
- Compare NUMIDENT data with SS-5 for discrepancies
- Screen ALPHADENT for multiple or wrong SSNs (critical errors)
- Enter error code/no error code on EDIF
- Error requiring Office of Central Operations (OCO) correction?
    - Yes – Prepare notice to OCO to correct error
        - Peer review of 10 percent of all work completed and in depth review of error cases
    - No – Peer review of 10 percent of all work completed and in depth review of error cases
- Accurate?
    - No – Return to specialist for correction
        - Review EQAS for accuracy and completeness
    - Yes – Review EQAS for accuracy and completeness
- EQAS computes SSN accuracy rate using Statistical Analysis System program

Flowchart of Annual Earnings Items Processed



Annual Earnings Items Processed

- Employer sends W-2s and W-3s to SSA
  - Information sent via Submitter Direct to NCC via the Online Wage Reporting Service
    - Data sent to the Annual Wage Reporting System (AWR) at the NCC
  - Wilkes Barre Data Operations Center receives, edits and balances paper W-2s
    - Data sent to the AWR at the NCC
  - Office of Central Records Operations (OCRO) receives magnetic media W-2s
    - Data sent to the AWR at the NCC
- Self-employed individuals send tax return to Internal Revenue Service
  - Data sent to SSA via Direct Connection and edited
  - Data sent to the AWR at the NCC
- File Control formats raw data
- File Control opens records on the Employer Control Database
- SSN/Name validation process with NUMIDENT
- AWR merge process reunites W-2 and W-3 information
- AWR performs edits, validations and balances
- AWR Dispatcher process evaluates error code and directs records accordingly
- AWR data exchange process produces all major earnings interfaces
- PrePosting process creates Master Earnings File (MEF) and suspense file
- The MEF produces the Earnings Posted Overall Cross Total/Year to Date (EPOXY) Report - which contains summary data
- OEEAS obtains number of earnings posted up to 9/30 from Earnings Record Maintenance System (ERMS) via EPOXY
- OEEAS provides Office of Financial Policy Operations/DCA with the number of earnings items processed
- DCA provides the number of earnings items processed
- DCA provides the number of annual earnings processed to the OSM
- Values for performance indicators are entered into Accountability Report

Appendix D

Agency Comments

SOCIAL SECURITY

MEMORANDUM

Date: November 18, 2005 Refer To: S1J-3

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

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Performance Indicator Audit: Social Security Numbers and Earnings Processing" (A-15-05-15117)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report's recommendations are attached.

Please let me know if you have any questions. Staff inquiries may be directed to Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S (OIG) DRAFT REPORT, "PERFORMANCE INDICATOR AUDIT: SOCIAL SECURITY NUMBERS AND EARNINGS PROCESSING" (A-15-05-15117)

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

Recommendation for all of the performance indicators included in this report

Recommendation 1

Create formal documentation of the processes and controls over how the results of the indicators are prepared and communicated to the Office of Strategic Management for reporting.

Comment

We agree. As stated in the report, SSA was in the process of improving the documentation for these performance indicators. SSA provided PwC with the developed and updated policies and procedures in April 2005. As changes occur, SSA will ensure that the policies and procedures for the performance indicators are kept current.

Recommendations specific to performance indicator, "Social Security Numbers (SSN) Processed"

Recommendation 2

Ensure that the performance indicator title, definition, and goals are explicit, complete, and consistent.

Comment

We agree. SSA has clarified the language in the Fiscal Year (FY) 2005 Performance and Accountability Report (PAR).

Recommendation 3

Enhance the discussion of the linkage of the performance indicator to the Agency's strategic objective to "Strengthen the Integrity of the SSN."

Comment

We agree. During the development of the new Agency Strategic Plan for FY 2006 through FY 2011, the language for the "SSN" strategic objective was expanded so that there will now be a clear linkage between the performance indicators that relate to SSNs and the strategic objective. In the interim, we have expanded the language in the performance section of the FY 2005 PAR to enhance the linkage.

Recommendations specific to performance indicator, "Percent of SSNs Issued that are Free of Critical Error"

Recommendation 4

Restrict access to production data used to calculate the indicator result. Specifically, SSA should ensure that personnel do not have the ability, through inappropriate access, to modify, create or delete the data used to calculate the results of this indicator.

Comment

We agree. SSA took immediate action to restrict access to the production data files upon being notified of the situation. Only those persons who are directly related to the review process now have access to the data. Additionally, SSA is currently implementing the Standardized Security Profile project that will also address this issue.

Recommendation 5

Ensure that the performance indicator title, definition, sampling methodology description and goals are explicit, complete, and consistent in the PAR.

Comment

We agree. We have clarified the language in the FY 2005 PAR.

Recommendation 6

Consider modifying the performance indicator to present a more complete description of all types of errors that are identified and include a more representative measurement of the processes to issue an SSN.

Comment

We agree. Beginning in FY 2006, this performance indicator, Percent of SSNs Issued that are Free of Critical Error, will only include original SSNs in its data calculation.

Recommendations specific to performance indicator, "Annual Earnings Items Processed"

Recommendation 7

Enhance the discussion of the linkage of the performance indicator to the Agency's strategic objective to "Increase the accuracy of earnings records."

Comment

We agree. During the development of the new Agency Strategic Plan for FY 2006 through FY 2011, the language for the "earnings" strategic objective was expanded so that there will now be a clear linkage between the performance indicators that relate to earnings and the strategic objective. In the interim, we have expanded the language in the performance section of the FY 2005 PAR to enhance the linkage.

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts and/or supervises 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 and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts and coordinates investigative activity 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 OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

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