



## SOCIAL SECURITY

### MEMORANDUM

Date: December 17, 2003

Refer To:

To: The Commissioner

From: Inspector General

Subject: Utility of Older Reinstated Wages from the Earnings Suspense File (A-03-02-22076)

Attached is a copy of our final report. Our objective was to determine how older reinstated wages impact individuals' earnings records and the amount of benefits paid to them.

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.

A handwritten signature in blue ink, appearing to read "James G. Huse, Jr.", written in a cursive style.

James G. Huse, Jr.

Attachment

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**UTILITY OF OLDER REINSTATED  
WAGES FROM THE EARNINGS  
SUSPENSE FILE**

**DECEMBER 2003**

**A-03-02-22076**

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**AUDIT REPORT**

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## **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.**
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## **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.**

# *Executive Summary*

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## **OBJECTIVE**

To determine how older reinstated wages impact individuals' earnings records and the amount of benefits paid to them.

## **BACKGROUND**

Suspended wages can affect a worker's eligibility for and/or the amount of retirement, disability, or survivor benefits. Wages can be reinstated from the Earnings Suspense File (ESF) to an individual's earnings record once the correct name and Social Security number is determined. The Social Security Administration (SSA) reinstates these wages through automated and manual processes. We reviewed the SWEEP automated process and the item correction manual process since these actions were more likely to relate to older reinstatements.

## **RESULTS OF REVIEW**

Our review indicated that removing ESF wages 30 years or older would impact approximately 0.07 percent of the individuals awarded benefits in Calendar Year 1999. In those cases where a beneficiary was impacted, the reduction in benefits would have been an average of \$4.22 per month. We found the manual processes reinstated approximately 70 percent of the wages that led to reduced benefits, and the remaining 30 percent involved SWEEP edits. Furthermore, we found that (1) most of the manual actions lacked sufficient detail to determine whether the wages in the ESF were necessary before the wage information was posted to the earnings record and (2) the full impact of the SWEEP edits may be difficult to determine since not all of the reinstatements were captured in SSA's management information system. Finally, the Office of Quality Assurance and Performance Assessment (OQA) has implemented a new software edit that may increase the usefulness of this older information in the ESF.

## **CONCLUSIONS AND RECOMMENDATIONS**

Removing ESF wages 30 years or older would have reduced monthly payments for very few of the individuals awarded benefits in Calendar Year 1999. These older wage items represent 34 percent of the accumulated items in the ESF and 3.5 percent of the accumulated wages. Although SSA's systems lacked sufficient detail to determine the role of ESF in the reinstatements as well as the full extent of SWEEP edits, we do not believe this information would have altered our overall conclusion on the utility of the older ESF data. Nonetheless, the Agency's new software edits may increase the usefulness of the older information in the ESF.

To further assist SSA management in determining the role of the W-2 versus the ESF in posting older wage items, we still believe SSA needs to implement our earlier recommendation to ensure sufficient information is recorded during the manual reinstatement process. We also recommend that SSA:

- Modify the current edit processes so a record of all individuals impacted by SWEEP reinstatements is captured in the ESF Reinstates File.
- Consider removing wages that are 30 years or older from the ESF after OQA completes its planned reinstatement efforts since we believe SSA can safely remove these wages without hindering the Agency's programs and operations.

## **AGENCY COMMENTS**

SSA agreed with both recommendations. Regarding the SWEEP transactions, SSA noted that the 2004 SWEEP process will create a unique Earnings Posting Source code for each item that is reinstated through this process. Regarding the removal of wages that are 30 years or older, SSA stated it will consider using a 30-year cutoff to remove wage items from the ESF when the current OQA matching initiative is completed. SSA will also take into consideration other criteria, including the employer, the composition of the name and Social Security number, the amount and type of earnings, and the number of suspense items with the same name and Social Security number.

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# Acronyms

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CY	Calendar Year
EM 2.8	Earnings Modernization 2.8
ESF	Earnings Suspense File
ICOR	Item Correction
MBR	Master Beneficiary Record
MEF	Master Earnings File
OQA	Office of Quality Assurance and Performance Assessment
OIG	Office of the Inspector General
SSA	Social Security Administration
SSN	Social Security Number
TY	Tax Year
W-2	Wage and Tax Statement

# Introduction

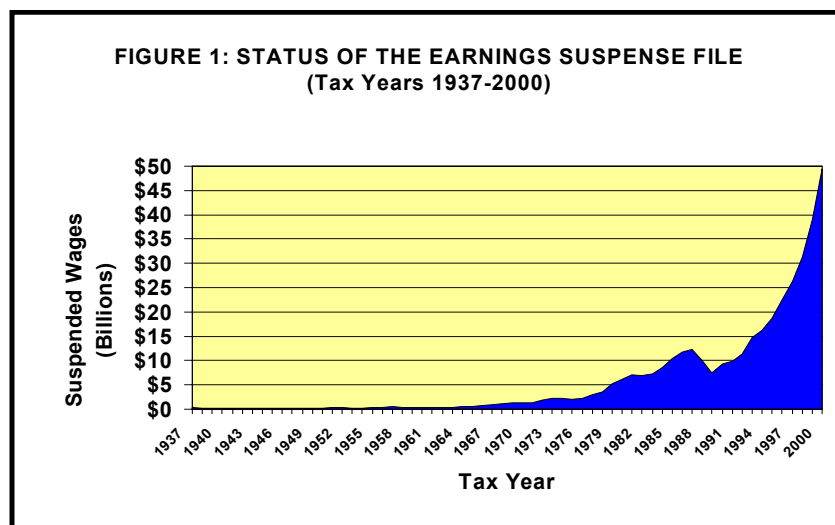
## OBJECTIVE

To determine how older reinstated wages impact individuals' earnings records and the amount of benefits paid to them.

## BACKGROUND

Title II of the Social Security Act requires that the Social Security Administration (SSA) maintain records of wage amounts employers pay to individuals. Employers report their employees' wages to SSA at the conclusion of each tax year (TY). Wages on those employer reports containing invalid names and/or Social Security numbers (SSN) cannot be posted to an individual's earnings record in SSA's Master Earnings File (MEF).<sup>1</sup> Instead, these wages are placed in the Earnings Suspense File (ESF)—a repository for unmatched wages.<sup>2</sup> Suspended wages can affect a worker's eligibility for and/or the amount of retirement, disability, or survivor benefits. Suspended wages can be reinstated from the ESF when they are matched to the correct individual. SSA reinstates these wages through automated and manual processes.

As of July 2002, the ESF contained approximately 236 million wage items totaling about \$374 billion related to TYs 1937 through 2000 (see Figure 1). In TY 2000 alone, 9.6 million items and \$49 billion in wages were posted to the ESF. Of the amounts in the ESF, approximately 80 million wage items (34 percent) and \$13 billion in wages (3.5 percent) relate to earnings that are 30 years or older.



<sup>1</sup> The MEF contains all earnings data reported by employers and self-employed individuals. These data are used to calculate the Social Security benefits due an individual with an earnings record.

<sup>2</sup> SSA is also required to maintain the wages of self-employed individuals and has a separate ESF for these submissions. We are not commenting on the self-employment process in this report.



## **PRIOR AUDIT WORK**

In a prior report, we commented on a study conducted by an SSA contractor to reduce the size and growth of the ESF.<sup>3</sup> The contractor considered various criteria and alternatives for reducing the size of the ESF, including removing wage items several years old to keeping all suspense file records. Our report noted that the earnings data used in the contractor study could have been expanded to provide SSA with a better understanding of the risks related to record removal. We recommended that SSA conduct further analysis to ensure any data maintained in the ESF will make a difference in earnings accuracy in terms of eligibility and/or benefit amount for the wage earner. We also noted that SSA could safely implement a number of the removal options offered by the contractor, including removing items in the ESF that were 43 years or older (see Appendix A). This report is intended to assist SSA with this analysis.

## **SCOPE AND METHODOLOGY**

Our audit included tests to ensure the reliability of the data and a review of the internal controls. We found the data to be reliable for the purposes of our review, except as noted within the findings of this report. We discuss our methodology and data reliability in greater detail in Appendix B. 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 Office of Audit in Philadelphia, Pennsylvania, between September 2002 and May 2003. We conducted our review in accordance with generally accepted government auditing standards.

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<sup>3</sup> *Management Advisory Report: Recent Efforts to Reduce the Size and Growth of the Social Security Administration's Earnings Suspense File (A-03-01-30035)*, May 2002.

# Results of Review

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Our review indicated that removing ESF wages 30 years or older would impact very few of the individuals awarded benefits in Calendar Year (CY) 1999. In those cases where a beneficiary was impacted, the reduction in benefits would have been an average of \$4.22 per month. We found the manual processes reinstated approximately 70 percent of the wages that led to reduced benefits, and the remaining 30 percent involved automated edits. Furthermore, we found that (1) most of the manual actions lacked sufficient detail to determine whether the wages in the ESF were necessary before the wage information was posted to the earnings record and (2) the full impact of the automated edits may be difficult to determine since not all of the reinstatements<sup>4</sup> were captured in SSA's management information system. Finally, recent efforts to improve software edits may increase the usefulness of this older information in the ESF.

## IMPACT OF OLDER REINSTATED WAGES ON BENEFITS

We reviewed the earnings records of beneficiaries (1) who were awarded disability or retirement benefits in CY 1999 and (2) whose earnings history included wages that were reinstated 30 years or more after they were reported.<sup>5</sup> We found that 137 beneficiaries met these criteria and determined that 75 (55 percent) of the 137 beneficiaries had reduced benefits when the reinstated data 30 years or older were removed from their earnings histories. Based on an extrapolation of our results, we estimate that 1,500 beneficiaries awarded benefits in CY 1999 would have been underpaid if the older reinstatement data had not been available in the ESF. These 1,500 beneficiaries represent about 0.07 percent of the approximately 2.3 million individuals awarded retirement and disability benefits in CY 1999.

We also determined that the 75 beneficiaries impacted by the removal of the older wages would have experienced a total of \$317 in reduced monthly benefits or a \$4.22 reduction in each beneficiary's monthly payment. Based on an extrapolation of our results, we estimate the 1,500 beneficiaries would have been underpaid a total of approximately \$76,000 in CY 1999 by the removal of these older reinstatement data from the ESF (see Appendix C). The remaining 1,240 individuals (45 percent) would not have been impacted since the benefits they were paid would have been the same with or without the reinstated information. Furthermore, we did not find any instances where individuals would have been denied benefits if the reinstated wages were no longer available.

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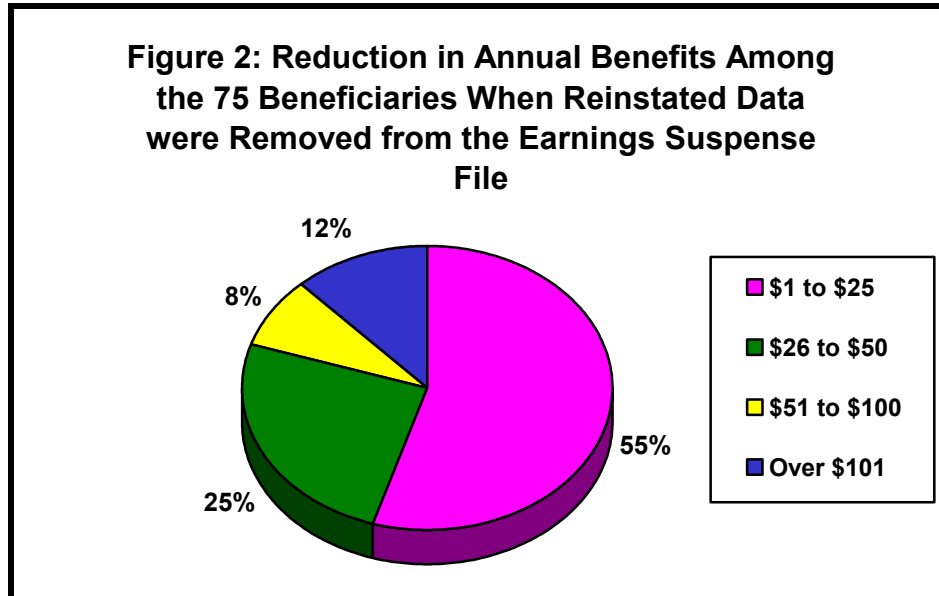
<sup>4</sup> A reinstatement is an earnings item that has been posted to the MEF after the reported name and/or SSN has been corrected.

<sup>5</sup> We reviewed one segment of the Master Beneficiary Record (MBR), which represents 1/20<sup>th</sup> of the entire file. The MBR consists of information related to a beneficiary's entitlement to Title II benefits.

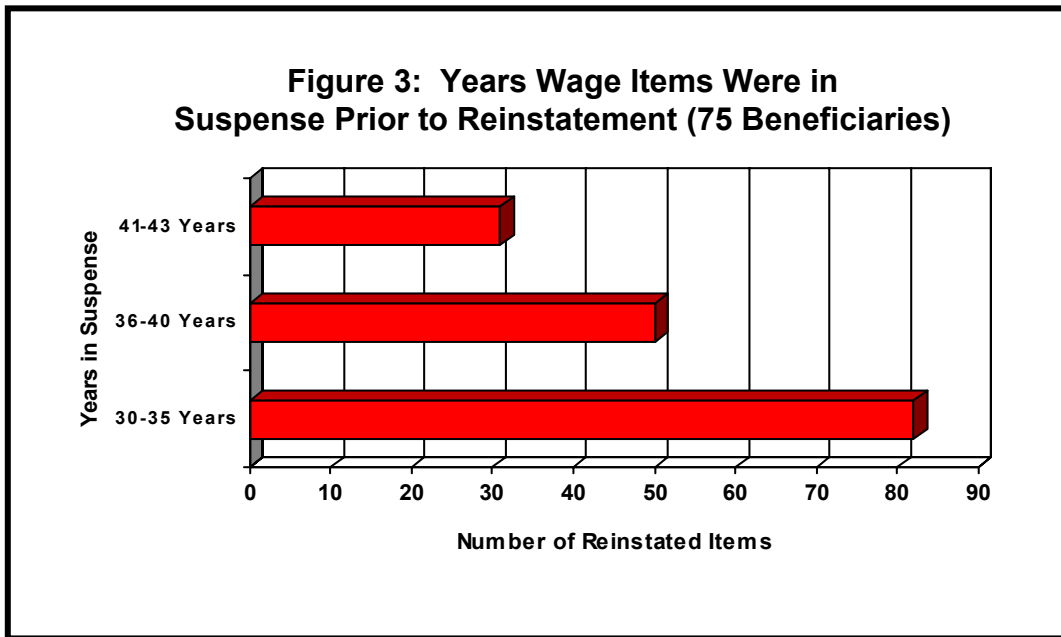
We found the following characteristics among the 75 beneficiaries who would have experienced reduced benefits:

- 69 beneficiaries (92 percent) were receiving retirement benefits, with the remaining 6 beneficiaries (8 percent) receiving disability benefits;
- the average underpayment was \$51 a year, which is less than 1 percent of the average monthly payment of \$789 to these beneficiaries;
- an average of 2.2 reinstates were recorded per beneficiary, with the number of reinstated wages per beneficiary ranging from 1 to 22;
- suspended wages were maintained in the ESF for an average of 36 years, with the number of years in the ESF ranging from 30 to 43 years; and
- 63 percent of the underpayments related to military wages.

Figure 2 shows a distribution of the underpayments for the 75 beneficiaries if the older reinstated wages were removed from their earnings history. Approximately 88 percent of the beneficiaries would be underpaid from \$1 to \$100, annually, with the remaining 12 percent of the beneficiaries experiencing a greater reduction in benefits (see Appendix D for the underpayments related to each of the 75 beneficiaries).



We also found that 50 percent of the reinstated wage items were in the ESF 30 to 35 years before being posted to earners' records. Another 31 percent were in the ESF for 36 to 40 years, with the remaining 19 percent in the ESF 41 to 43 years before reinstatement (see Figure 3).



### **WAGES IN THE EARNINGS SUSPENSE FILE FOR 43 OR MORE YEARS**

As part of this audit, we reviewed the number of beneficiaries who would be underpaid if wages 43 years and older were removed from the ESF. In an earlier audit, we stated that SSA could safely remove these wages from the ESF. Among the 75 beneficiaries in our review impacted by the removal of the older wages, we found 3 cases where wages were in the ESF for 43 years or more before reinstatement. By extrapolating our results, we find that these older reinstated wages increased the retirement and disability benefits paid to an estimated 60 beneficiaries by approximately \$3,336, annually (or \$4.63 per beneficiary per month). See Appendix C for more on our estimation methodology.

### **SOCIAL SECURITY ADMINISTRATION PROCESSES FOR REINSTATING OLDER WAGES**

We reviewed the reinstated wage items related to the 75 beneficiaries to determine which processes were more effective in identifying missing wages. We found that manual processes reinstated approximately 70 percent of wages, whereas the remaining 30 percent related to automated reinstatements. Nonetheless, most of these manual actions lacked sufficient detail for us to determine whether the wages in the ESF were necessary before posting the wage information to the earnings record. In a prior audit, we recommended SSA include additional details to improve available management information. Furthermore, the full impact of the automated edits may be difficult to determine since not all of the reinstatements are captured in SSA's management information system.

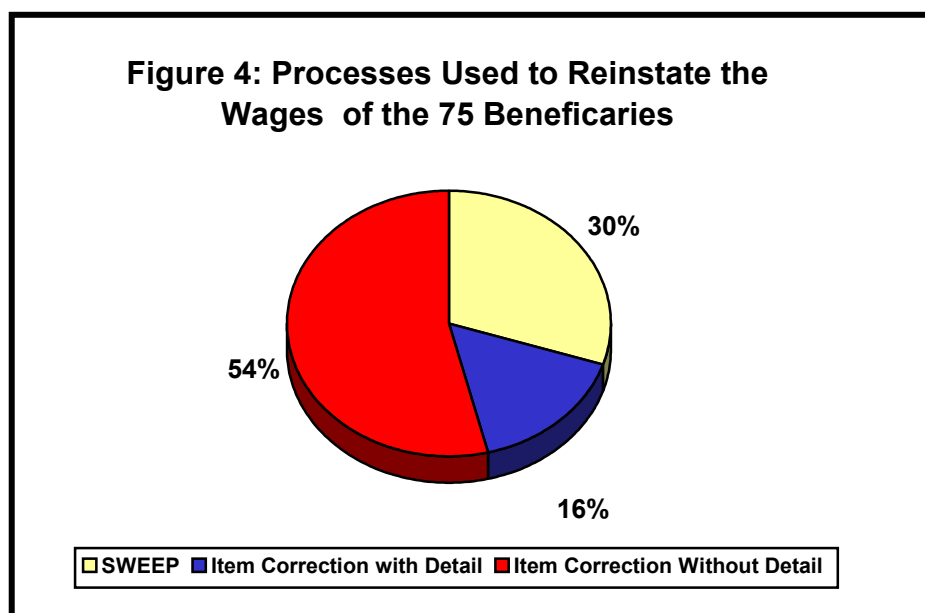
## REINSTATEMENT PROCESSES

SSA reinstates wages through manual and automated processes. The wage items in our review were reinstated through either of the following processes.

- **SWEEP** is an electronic operation that periodically uses SSA’s latest system enhancements and validation rules, including the more than 20 routine edits used on incoming wages, to remove items from the ESF and reinstate them to wage earners’ MEF records.
- **Item Correction (ICOR)** allows SSA staff to correct an individual’s earnings record through a system called Earnings Modernization 2.8 (EM 2.8). EM 2.8 is a computerized process for adjusting an individual’s earnings record thereby helping SSA establish and maintain an accurate and complete MEF. This system allows SSA employees to add, change, move, or delete an individual’s earnings overnight via on-line interactive screens. This is basically a paperless system—with proofs and rationale recorded electronically after an initial inspection by an SSA employee(s).

Of the 75 beneficiaries whose benefits increased as a result of the reinstated wages, we found:

- SWEEP reinstated 30 percent of the dollars that led to benefit increases;
- ICOR with W-2s or other secondary information reinstated 16 percent of the dollars that led to benefit increases; and
- ICOR with insufficient detail reinstated 54 percent of the dollars that led to benefit increases (see Figure 4).



As noted above, approximately 54 percent of all the reinstated wages increasing the beneficiaries' payment amounts related to ICOR transactions that lacked sufficient information to determine whether a W-2 or other evidence was provided as part of the reinstatement process. As a result, we cannot make a final determination on these ICOR reinstatements as to whether the older wage data in the ESF were critical in determining the individual's ownership of the wages.

Regarding the remaining 46 percent of the reinstated wages under SWEEP and ICOR, it is likely that, under current procedures, data would not need to be held for 30 years for the beneficiary to be credited with the wages. Wage items reinstated by SWEEP relate to an edit that is performed every few years, so the wages that were reinstated by SWEEP should now be reinstated shortly after being reported to SSA.<sup>6</sup> Furthermore, the ICOR reinstatements related to individuals providing W-2s and/or secondary evidence did not appear to require the presence of wage data in the ESF, and their reinstatement may have been an extra step rather than a required step to update the beneficiary's earnings history. It is also possible that the presence of the wage item in the ESF, in addition to the secondary evidence, was relevant to the final reinstatement of wages.

Moreover, the accumulation of suspended wages may decrease over time as wage earners review their Social Security statements and request that their missing wages be reinstated. This should lessen the number of older suspended items available for reinstatement. SSA mails Social Security statements to individuals who have earnings and are age 25 or older. In FY 2002, SSA mailed about 138 million such statements. If an individual whose wages are in suspense contacts SSA about missing earnings, these amounts are either reinstated from the ESF to the MEF or added as new earnings to the MEF. These wage problems would most likely be resolved through ICOR and relate to circumstances where the individual is more likely to have available wage evidence.

## **REINSTATEMENT DETAILS ON SOCIAL SECURITY ADMINISTRATION SYSTEMS**

SSA's systems did not capture all of the reinstatements, nor did it collect sufficient detail on reinstatements that were present in the systems, which limited our ability to determine the full impact of the older reinstatements and the role of the ESF in resolving these missing wages. SSA's Reinstates File did not capture all of the SWEEP transactions, whereas more than two-thirds of the ICOR transactions lacked sufficient detail to determine whether a W-2 or other secondary evidence was provided as part of the reinstatement process.

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<sup>6</sup> We may not have captured all of the SWEEP transactions in this audit. See our comments in the next section.

## ***SWEEP Transactions***

While we were able to use the ESF Reinstates File to identify relevant reinstatements in our review, this File was not designed to capture all reinstated items. The Reinstates File captures the latest entry in a series of reinstatements so this information can be used in resolving similar problems in the future. SSA staff explained to us that the Reinstates File is more of a “processing file” than a management information system. In our review, we used the reinstatements in the File as an audit trail and later captured most of the data missing from this File by conducting a full review of each individual’s earnings history.

We also learned that the ESF Reinstates File does not provide a complete listing of all individuals with wages reinstated under the SWEEP process since the system was designed to post some of the reinstated transactions directly to the MEF without leaving a record on the Reinstates File. When we asked why this happens, we were told that some SWEEP reinstatements occur because a Numident record may have been updated with a new or corrected name. If SWEEP can now locate the owner of the earnings because of this new information, the posting is treated as a normal wage posting and no record needs to be maintained in the Reinstates File since this information will not be needed to resolve similar problems in the future.

At the exit conference, SSA noted that approximately 80 percent of the SWEEP transactions bypassed the Reinstates File because of these circumstances. SSA maintains summary reports on the SWEEP process showing how many items were reinstated under SWEEP as well as the types of matches performed. For example, the report notes if an exact match occurred or only one letter in a name was off. However, more specific details, such as the identity of the earning account impacted by the reinstated wages, are not available in such reports. As a result, we could not verify the information provided by the Agency, and we cannot be sure we accounted for all of the individuals with older wages reinstated under the SWEEP process. While we do not believe these missing transactions, if we could verify them, would alter our overall conclusion, the extra transactions may have increased our earlier estimate of beneficiaries with increased retirement or disability benefits resulting from the older reinstatement.<sup>7</sup>

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<sup>7</sup> When we attempted to account for these missing SWEEP transactions, with the assumption that these extra SWEEP transactions had the same characteristics as those in our review, we determined that while the number of individuals with underpayments would increase, the average monthly underpayments per beneficiary would decrease. This is due to the fact that our review found the average underpayment related to SWEEP reinstatements was smaller than the average underpayment related to ICOR reinstatements.

## ***Item Corrections***

Information in SSA's EM 2.8 system did not adequately document the evidence provided by an individual that later led to reinstated wages. As a result, for the 54 percent of wages reinstated through the ICOR process, we could not determine whether (1) a W-2 or other secondary evidence was provided or (2) the ESF was the primary source of wage information. For example, we did find EM 2.8 transactions where the "Basis for Change" field noted a W-2 was provided. We also found some evidence in the remarks section of the screen. However, most of the EM 2.8 transaction screens did not contain the evidence used to reinstate the wages.

In a prior audit,<sup>8</sup> we found the EM 2.8 management controls were inadequate to ensure the accuracy and integrity of all transactions processed. We recommended that SSA use the EM 2.8 documentation and development screens for ESF reinstatements. SSA disagreed with our recommendation and stated its procedures to move the reinstated item to a separate reinstatement file<sup>9</sup> provide adequate documentation of the transaction. However, as we have learned in this review, the lack of such detail can hinder SSA's ability to determine the value of ESF information in identifying missing wages.

## ***Manual Transactions Since Our Previous Audit***

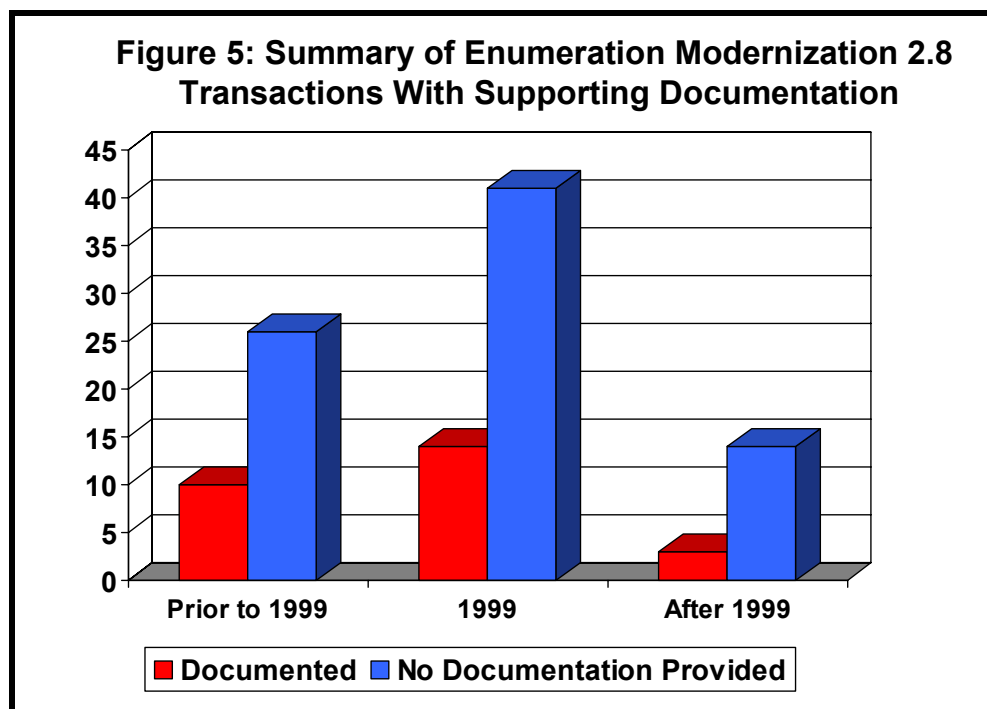
We reviewed the EM 2.8 transactions related to all 137 beneficiaries in our audit before and after the release of our 1999 audit report to determine whether documentation had improved. We determined that, the proportion of EM 2.8 transactions with adequate evidence decreased from 28 percent before 1999 to 26 percent in 1999. After 1999, the rate fell to 18 percent. Hence, we found no evidence in this review that the amount of detail in the EM 2.8 system has improved since our 1999 audit (see Figure 5).

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<sup>8</sup> *Management Controls in Place for Earnings Modernization 2.8 Transactions Processed at Field Offices and Teleservice Centers* (A-03-97-31001), September 1999.

<sup>9</sup> The ESF Reinstates contains the most recent reinstated earnings items with details on the name and SSN reported to SSA as well as the corrected name and SSN.





## NEWLY DEVELOPED SOFTWARE

SSA's Office of Quality Assurance and Performance Assessment (OQA) is modifying its edits to locate the owners of suspended wages. Whereas previous edits used only the name and SSN of the suspended wage, OQA stated the new processes would use information stored on the earnings and benefit records. As a result, in addition to matching names and SSNs, the processes will use employment history and earnings patterns to help identify the number holder related to the suspended items. OQA also noted that the new processes should also be able to resolve some of the millions of wage items reported with a "zero" SSN, which have proven to be the most difficult items to correct. OQA has estimated that at least 30 million items would be removed from the suspense file and credited to the records of individual workers. In addition, OQA estimates that the reinstatement of wages held in the ESF for 40 or more years could increase benefit payments by \$50 million. However, the actual impact of these older reinstated wages will not be known until this process is complete.

SSA recently reported that it has already used a variation of the processes as part of its recent SWEEP operation. SSA staff stated that the operation reinstated an additional 600,000 items in the fall 2002, and another 800,000 this past summer. The final OQA software was being validated in the spring 2003 before being run against earnings records.

# Conclusions and Recommendations

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Removing ESF wages 30 years or older would have impacted very few of the individuals awarded benefits in CY 1999. These older wage items represent 34 percent of the accumulated items in the ESF and 3.5 percent of the accumulated wages. Although SSA's systems lacked sufficient detail to determine the role of ESF in the reinstatements as well as the full extent of SWEEP edits, we do not believe this information would have altered our overall conclusion on the utility of the older ESF data. Nonetheless, the Agency's new software edits may increase the usefulness of the older information in the ESF.

To further assist SSA management in determining the role of the W-2 versus the ESF in posting older wage items, we still believe SSA needs to implement our earlier recommendation to ensure sufficient information is recorded in the EM 2.8. We also recommend that SSA:

1. Modify the current edit processes so a record of all individuals impacted by SWEEP reinstatements is captured in the ESF Reinstates File.
2. Consider removing wages 30 years or older from the ESF after OQA completes its planned reinstatement efforts since we believe SSA can safely remove these wages without hindering the Agency's programs and operations.

## AGENCY COMMENTS

SSA agreed with both recommendations. Regarding the SWEEP transactions, SSA noted that the 2004 SWEEP process will create a unique Earnings Posting Source code for each item that is reinstated through this process. Regarding the removal of wages that are 30 years or older, SSA stated it will consider using a 30-year cutoff to remove wage items from the ESF when the current OQA matching initiative is completed. SSA will also take into consideration other criteria, including the employer, the composition of the name and SSN, the amount and type of earnings, and the number of suspense items with the same name and SSN.

# *Appendices*

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## **Prior Audit Work Related to Removal of Earnings Suspense File Items**

In 1999, the Social Security Administration (SSA) hired a contractor to determine whether SSA should modify its existing practices in managing the Earnings Suspense File (ESF) to follow sound business and accounting practices and more properly reflect the Agency's activities regarding unidentified earnings. Specifically, SSA's objectives for the contractor's review were to

- assess current and identify alternative approaches for managing ESF;
- recommend record removal criteria that could be applied to the ESF;
- recommend ways to improve the integrity of the data maintained in the ESF;
- recommend approaches to administer the ESF in a more cost-effective way;
- determine the appropriate presentation of the ESF in SSA's records and accounting systems; and
- recommend ways to treat ESF items in reports to the public.

The contractor stated it (1) analyzed processes for receiving and matching earnings items; (2) assessed alternatives for removing ESF data; and (3) reviewed ways of reporting ESF information to the public.

### **RECORD REMOVAL ALTERNATIVES**

The contractor provided SSA management with seven alternatives for reducing the growth and size of the ESF. These alternatives ranged from an aggressive approach that would eliminate all ESF items older than 3 years, 3 months and 15 days to a conservative approach that would basically leave the ESF untouched. These alternatives were ranked using four objectives set by the contractor: (1) improved accuracy of earnings records; (2) minimize costs; (3) reduce suspense file size; and (4) reduce suspense file growth. The contractor's study indicates that earnings accuracy will decline, and administrative/program costs will increase as SSA moves from the conservative alternatives toward the more aggressive alternatives. However, the more aggressive alternatives will reduce the overall size of the ESF. The contractor did not quantify the potential costs related to the alternatives. In addition, the data used in the study, as well as the associated analysis, could have been expanded to provide SSA with a better understanding of the risks related to record removal.

Our May 2002 report, *Management Advisory Report: Recent Efforts to Reduce the Size and Growth of the Social Security Administration's Earnings Suspense File* (A-03-01-30035), recommended that SSA limit its removal activities to the following conservative alternatives until more is known about the costs and impact of record removal. We stated SSA could safely implement the following options without hindering its programs and operations:

- remove W-2 records more than 43 years old;
- remove W-2 records more than 50 years old;
- remove suspense file records that have been held for 75 years; or
- hold all suspense file records.

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## Scope and Methodology

To meet our objective, we:

- Reviewed pertinent laws and regulations, as well as prior audits and reviews, related to the Earnings Suspense File (ESF) and ESF Reinstates File.
- Interviewed staff and obtained relevant documents from the Office of Earnings, Enumeration and Administrative Systems and the Office of Quality Assurance and Performance Assessment staff concerning the ESF.
- Reviewed the full population of beneficiaries from one segment<sup>1</sup> of the Master Beneficiary Record (MBR) who (1) were approved to receive disability or retirement benefits in Calendar Year (CY) 1999 and (2) had earnings reinstated through the SWEEP and/or item correction (ICOR) process at least 30 years after they were initially posted. During our planning phase, we reviewed several reinstatement processes and determined that the SWEEP and ICOR processes were reinstating significant numbers of older wage items.<sup>2</sup> By matching relevant information from the Reinstates File with the MBR, we identified 1,509 cases where SWEEP and ICOR reinstatements were present on the earnings history of individuals approved to receive benefits in CY 1999. From these 1,509 cases, we selected the 137 cases with reinstatements 30 years or older for our review.
- We recomputed the benefits related to all 137 cases to determine whether the primary beneficiary would have lost eligibility or current and future benefit dollars. We extrapolated our findings back to the 20 segments to determine the number of SSA beneficiaries that would be underpaid and how much they would have been overpaid for those with reinstatements after 30 years. See Appendix C.
- We reviewed all of the wages reinstated through ICOR within the Earnings Modernization 2.8 to determine whether a *Wage and Tax Statement* (Form W-2) or other secondary evidence was presented to reinstate wages.
- We relied primarily on the MBR and ESF Reinstates File to complete our review, and determined that the MBR data used in the report is sufficiently reliable given the audit objective and intended use of the data, and should not lead to incorrect or

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<sup>1</sup> A segment represents one-twentieth of the MBR. The MBR is separated into 20 segments based on the last 2 digits of the Social Security number. Since these last digits are not specific to a region or period of issuance, each segment should be representative of the entire file.

<sup>2</sup> We analyzed a sample of reinstate transactions from the ESF to determine which processes met the following criteria: (1) the activity must be designed to reinstate older items and (2) the reinstatement activity should be a current, ongoing edit. We determined ICOR and SWEEP transactions met these criteria.

unintentional conclusions. As far as the ESF Reinstates File, we believe the data were sufficiently reliable, except for the following limitations, which we have disclosed within the body of the report as well as its potential impact on our findings. We performed compensating procedures for some of these weaknesses, but we do not believe we have the entire population of reinstated wages. First, the Reinstates File is incomplete in that it only records the latest reinstatement in a series of reinstatements. We were able to compensate for this missing information by fully reviewing the earnings history for each beneficiary in question. Even though earlier transactions were overwritten, the File is designed so that at least one SWEEP or ICOR transaction is in the Reinstates File so one can obtain the overwritten transactions. We are also aware of one additional problem with the Reinstates File—it may have failed to capture most of the SWEEP transactions. Toward the end of the audit, Social Security Administration staff told us that approximately 80 percent of the wage items reinstated under SWEEP are posted directly to the Master Earnings File and will not leave a record in the Reinstates File. However, we were unable to verify this new SWEEP information. Nonetheless, we have taken this information into consideration when reporting our findings.

## Sampling Methodology and Results

We reviewed the full population of beneficiaries from a representative one-twentieth of the Master Beneficiary Record (MBR) who (1) were approved to receive disability or retirement benefits in Calendar Year (CY) 1999 and (2) had earnings reinstated through the SWEEP and/or item correction processes at least 30 years after they were initially posted (see Appendix B). In our review, we identified and reviewed 137 cases with reinstated wages that were 30 years or older. Within these 137 cases, we also reviewed the 6 instances with reinstated wages that were 43 years and older.

<b>Sample Results and Estimation</b>	
Sample Size (1 Segment of MBR)	137
Estimated Population Size (20 Segments of MBR)	2740
<b>CY 1999 Population – 30 Year and Greater Attribute</b>	
Beneficiaries underpaid when wages 30 years or older were removed from the their earnings history	75
Estimated disabled and/or retired beneficiaries who were underpaid when wages 30 years or older were removed from their earnings history (Beneficiaries in 1 segment x 20 segments)	1,500
<b>CY 1999 Population – 30 Year and Greater Dollar Estimation</b>	
Monthly underpayment to beneficiaries when wages 30 years or older were removed from their earnings history	\$316.70
Estimated annual underpayment to beneficiaries when wages 30 years or older were removed from their earnings history (monthly underpayment x 12 months)	\$3,800.40
Estimated annual underpayments to disabled and/or retired beneficiaries when wages 30 years or older were removed from their earnings history (annual underpayment in 1 segment x 20 segments)	\$76,008.00
<b>CY 1999 Population – 43 Year and Greater Attribute</b>	
Beneficiaries underpaid when wages 43 years or older were removed from the their earnings history	3
Estimated disabled and/or retired beneficiaries who were underpaid when wages 43 years or older were removed from their earnings history (Beneficiaries in 1 segment x 20 segments)	60
<b>CY 1999 Population – 43 Year and Greater Dollar Estimation</b>	
Monthly underpayment to beneficiaries when wages 43 years or older were removed from their earnings history	\$13.90
Estimated annual underpayment to beneficiaries when wages 43 years or older were removed from their earnings history (monthly underpayment x 12 months)	\$166.80
Estimated annual underpayments to disabled and/or retired beneficiaries when wages 43 years or older were removed from their earnings history (annual underpayment in 1 segment x 20 segments)	\$3,336.00



## Impact of Older Reinstated Wages on Benefits

We reviewed the earnings records of beneficiaries who were (1) awarded disability or retirement benefits in Calendar Year 1999 and (2) whose earnings history included wages that were reinstated 30 years or more after they were reported. We determined that the 75 beneficiaries impacted by the removal of the older wages would have experienced a total of \$317 in reduced monthly benefits, or a \$4.22 reduction in each beneficiary's monthly payment. The table below shows a distribution of the underpayments for the 75 beneficiaries if the older reinstated wages were removed from their earnings history.

<b>Reduction in Monthly Benefits</b>	<b>Number of Beneficiaries</b>
\$77.30	1
\$31.50	1
\$14.10	1
\$13.40	1
\$11.10	1
\$11.00	1
\$10.20	1
\$9.60	1
\$9.50	1
\$6.80	1
\$6.50	1
\$6.10	1
\$5.60	1
\$5.20	1
\$4.60	1
\$4.00	1
\$3.90	2
\$3.70	1
\$3.60	1
\$3.50	1
\$3.40	1
\$3.30	2
\$2.90	2
\$2.80	2
\$2.60	2
\$2.50	2
\$2.40	1
\$2.20	1
\$2.00	1
\$1.90	1
\$1.80	1
\$1.60	2
\$1.40	2
\$1.30	5
\$1.20	3

<b>Reduction in Monthly Benefits</b>	<b>Number of Beneficiaries</b>
\$1.00	3
\$0.80	2
\$0.70	2
\$0.60	6
\$0.50	2
\$0.40	3
\$0.30	4
\$0.20	2
\$0.10	2
<b>Average = \$4.22</b>	<b>75</b>

## Agency Comments



## SOCIAL SECURITY

MEMORANDUM

32234-24-954

**Date:** December 2, 2003 **Refer To:** S1J-3

**To:** James G. Huse, Jr.  
Inspector General

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

**Subject:** Office of the Inspector General (OIG) Draft Report, "Utility of Older Reinstated Wages from the Earnings Suspense File" (A-03-02-22076)--INFORMATION

We appreciate OIG's efforts in conducting this follow-up review. Our comments on the recommendations are attached.

Please let us know if we can be of further assistance. Staff questions can be referred to Janet Carbonara at extension 53568.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “UTILITY OF OLDER REINSTATED WAGES FROM THE EARNINGS SUSPENSE FILE” A-03-02-22076**

We appreciate the opportunity to comment on the draft report. The Agency has, and continues to pursue, activities that would remove items from the Earnings Suspense File (ESF) and promote prevention efforts.

We will conduct further analysis to determine if any action is necessary to ensure that sufficient information is recorded in the Earnings Modernization 2.8, Item Correction (ICOR) as noted on page 9 of the report.

Below are our comments to the recommendations.

**Recommendation 1**

Modify the current edit processes so a record of all individuals impacted by SWEEP reinstatements is captured in the ESF Reinstatement File.

**Comment**

We agree. As previously shared with OIG during the audit and at the exit conference, the ESF Reinstatement File was not intended to be a reinstatement audit file. The purpose of the ESF Reinstatement File is to collect data so that if subsequent W-2 data is received where the Social Security number and name had been reported and previously reinstated, the subsequent W-2 data would not be placed on the ESF. Our name matching processes also utilize the ESF Reinstatement File for similar purposes. When reinstatement items are posted to the Master Earnings File (MEF), the Earnings Posting Source code is available to identify the fact and period where the earnings item was reinstated from the ESF. SSA routinely reviews and makes appropriate enhancements to the matching process.

We also shared with the auditors that beginning with the 2004 SWEEP process, the MEF will capture a unique Earnings Posting Source code for each item that is reinstated by the SWEEP process. This source code will allow users to quickly identify MEF postings that resulted from the SWEEP process. This covers the intent of the OIG’s recommendation.

**Recommendation 2**

Consider removing wages 30 years or older from the ESF after the Office of Quality Assurance and Performance Assessment (OQAPA) completes its planned reinstatement efforts since OIG believes those items can be safely removed without hindering SSA’s programs and operations.

**Comment**

We agree to consider using a 30 year cutoff to remove wage items from the suspense file when the current OQA matching initiative is completed. However, we expect that if an age criteria is

found that clearly distinguishes suspense items to be retained and or removed from the file (and if removal is still an option), it will not necessarily be "30 years or older."

The matching initiative currently underway may very well find good matches to an earnings record for suspense items for years well beyond the proposed 30 year cutoff period. At the conclusion of the project, much more information will be available regarding items not matched in the course of the project that have potential for being matched to an earnings record in the future.

The earnings year will be one of a group of factors considered in looking for improvements in how the suspense file is managed. Among the other factors that influence the potential for being matched to an earnings record and have an effect on benefits are the identity of the employer, the composition of the name and account number, the amount and type of earnings, and the number of suspense items with the same name and account number information.

Section 205(c)(2)(A) of the Social Security Act specifies that "the Commissioner of Social Security shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the periods in which such wages were paid and of the periods in which such income was derived." Accurate and complete earnings records are fundamental to high quality administration of Title II programs. Accordingly, any decision to change the way suspense records are maintained will be very carefully reached.

While the OQA matching project progresses, we will continue the reduction of suspense items that results from performing the current automated routines for correcting errors on information received from earnings report submitters. We also will continue to work with the employer community in improving wage reporting and we are pursuing related efforts with the Internal Revenue Service.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Walter Bayer, Director, (215) 597-4080

### ***Staff Acknowledgments***

In addition to those named above:

Mary Dougherty, Senior Auditor

Richard Devers, Senior Auditor

Kevin Joyce, IT Specialist

For additional copies of this report, please visit our web site at <http://www.ssa.gov/oig> or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-03-02-22076.

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The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

## **Office of Executive Operations**

The Office of Executive Operations (OEO) supports the Office of the Inspector General (OIG) by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

## **Office of Investigations**

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

## **Counsel to the Inspector General**

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.