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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**COLLECTION OF BACK-UP  
WITHHOLDING  
TAXES FROM VENDORS**

**April 2012**

**A-03-10-11053**

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**AUDIT REPORT**

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## **Mission**

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

## **Authority**

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

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

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

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

## **Vision**

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



# SOCIAL SECURITY

## MEMORANDUM

Date: April 3, 2012

Refer To:

To: The Commissioner

From: Inspector General

Subject: Collection of Back-up Withholding Taxes from Vendors (A-03-10-11053)

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) was appropriately collecting back-up withholding taxes from vendors and reporting those taxes to the Internal Revenue Service (IRS).

## BACKGROUND

Federal agencies pay billions of dollars each year to vendors for various types of services. However, it has been reported that some vendors have failed to report income and have accrued billions of dollars in delinquent Federal taxes. Therefore, it is critical that the IRS receive accurate informational returns from Federal agencies on vendor payments so it can determine whether vendors have paid their taxes.

Section 3406 of the Internal Revenue Code (IRC)<sup>1</sup> requires that payers withhold 28 percent of certain payments<sup>2</sup> reported on information returns, such as IRS Form 1099-MISC, *Miscellaneous Income*,<sup>3</sup> if a vendor fails to furnish its Taxpayer

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<sup>1</sup> IRC, 26 U.S.C. § 3406; Backup Withholding for Missing and Incorrect Name/TIN(s), IRS Publication 1281 (Rev. 4-2009, p. 3).

<sup>2</sup> SSA issues Forms 1099-MISC to vendors for goods or services that total \$600 or more in a calendar year.

<sup>3</sup> The Form 1099-MISC is issued to report goods and service payments such as rents, attorney payments, and other income payments to the IRS.

Identification Number (TIN)<sup>4</sup> or if the IRS notifies the payer that the TIN is invalid.<sup>5</sup> In October of each year, the IRS notifies payers of possible errors included on the Form 1099-MISC submitted for the previous tax year by mailing them a *Notice of Possible Payee Name/TIN Discrepancy* (CP 2100 Notice). The Notice is accompanied by a list of missing, mismatched, and unassigned TINs.<sup>6</sup> The Notice instructs the payers to compare the list with their records to determine what actions should be taken.

- For missing TINs,<sup>7</sup> payers are to start back-up withholding immediately and continue until the vendor provides the correct name/TIN combination.<sup>8</sup>
- For mismatched TINs, if the payer's records agree with the list, within 15 business days of receiving the CP 2100 Notice, the payer must send a *Backup Withholding Notice* (B Notice)<sup>9</sup> along with a *Request for Taxpayer Identification and Certification* (Form W-9) to the payee requesting a correct name/TIN combination. If the payee fails to return a signed Form W-9 after 30 business days, the payer should begin back-up withholding. Payer's records that do not agree could be the result of a recent update to a payer's records, an error in the information submitted, or an IRS processing error. If an error occurred, the payer should correct its records, if necessary.

To further aid Federal agencies in complying with annual information return requirements, in August 2003, the IRS began sending Federal agencies a *Notice for Federal Government Entities of Tax Identification Number Mismatch* (1313 Notice). This Notice contains the same information included in the CP 2100 Notice and informs agencies of the need to initiate back-up withholding for any vendor who fails to provide a valid TIN.

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<sup>4</sup> A TIN is an Employer Identification Number (EIN) issued by the IRS or a Social Security number (SSN) issued by SSA.

<sup>5</sup> The IRS considers a TIN to be invalid if it does not contain exactly nine digits, it has an alpha character as one of the nine positions, it cannot be found on IRS or SSA files, or the name/TIN combination does not match.

<sup>6</sup> For a copy of a CP 2100 Notice, see Appendix B.

<sup>7</sup> The IRS considers a TIN to be missing if it is not provided or if it is obviously incorrect. Examples are a TIN with more or less than nine digits or with a mixture of digits and letters.

<sup>8</sup> In addition, payers are to make up to three solicitations for a TIN (initial, first annual, second annual) to avoid a penalty for failing to include a TIN on the information return.

<sup>9</sup> For a copy of the notice sent to payers, see Appendix C.

## Central Contractor Registration

Effective October 2003, individuals, businesses, and organizations must register in the Central Contractor Registration (CCR)<sup>10</sup> database to receive a contract, purchase order, or blanket purchase agreement from the Government. CCR validates vendors' information, such as the name and TIN, with the IRS and electronically shares the data with Federal agencies' finance offices to facilitate paperless payments through electronic funds transfer. SSA uses CCR to update its Vendor File, which contains payment delivery records for vendors who provide goods or services to SSA. SSA uses the Vendor File to issue the Form 1099-MISC and record each vendor's banking, TIN, and address information. Each day, SSA automatically updates the Vendor File through an interface with the CCR database.<sup>11</sup> However, SSA staff can override certain information generated from the CCR database to include vendors' names and TINs.

## IRS TIN Matching Program

To help avoid TIN errors and reduce the number of back-up withholding notices, the IRS developed the TIN Matching Program. Federal agencies that want to participate in the Program must sign a memorandum of understanding with the IRS. Once Federal agencies are registered, the Program permits them to verify the TIN furnished by a payee against the name/TIN combination in the IRS database. Federal agencies can either submit the name/TIN combination through the TIN matching online interactive program or by a bulk file. The TIN matching online interactive program provides the results of up to 25 requests in real time. A bulk file of up to 100,000 TIN match requests can be processed overnight via a secure mailbox. SSA does not participate in the IRS TIN Matching Program.

## SCOPE AND METHODOLOGY

We reviewed the Forms 1099-MISC that SSA issued for Tax Years (TY) 2008 and 2009 to determine whether the Agency collected back-up withholding taxes, as appropriate, and reported those taxes to the IRS.<sup>12</sup> As shown in Table 1, for the 2-year period, SSA issued about 32,400 Forms 1099-MISC, totaling approximately \$2.8 billion in payments, to the IRS.

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<sup>10</sup> The Department of Defense manages the CCR database.

<sup>11</sup> SSA automatically updates its Vendor File when vendors update their status, address, or banking information in CCR. However, changes to the Dun and Bradstreet Data Universal Number System, name, and TIN require that SSA staff manually update the Vendor File.

<sup>12</sup> See scope and methodology in Appendix D.

**Table 1: Vendor Payments Issued in TYs 2008 and 2009**

| TYs          | Total Issued  | Total Payments <sup>(a)</sup> |
|--------------|---------------|-------------------------------|
| 2008         | 8,302         | \$ 730,412,998                |
| 2009         | 24,113        | \$ 2,055,924,654              |
| <b>Total</b> | <b>32,415</b> | <b>\$ 2,786,337,652</b>       |

**Note (a):** SSA issued payments to State and local government agencies, corporations, representatives, and individuals who provided goods or services to the Agency. Starting with TY 2009, SSA issued about 15,400 Forms 1099-MISC, totaling about \$1.2 billion, to representatives who requested direct payment of their fees.

## RESULTS OF REVIEW

Although the IRS had notified SSA that in TYs 2008 and 2009, it issued 1,245 Forms 1099-MISC, totaling \$155 million that contained potential invalid name/TIN combinations, the Agency had not determined whether back-up withholding was warranted. SSA staff indicated that this occurred because the component responsible for the back-up withholding procedures did not receive the CP 2100 or 1313 Notices issued by the IRS. However, the Agency has taken steps to resolve the invalid name/TIN combinations by contacting the IRS to rectify the delivery notification issue as well as obtain copies of the CP 2100 Notices issued for TYs 2008 and 2009.

Our review of the 1,245 Forms 1099-MISC found that SSA did not need to initiate back-up withholdings for 747 vendor payments, totaling about \$147.5 million, because of updates to the vendors' records and reporting errors. However, the Agency needs to review the remaining 498 vendor payments, totaling approximately \$7 million, to determine whether back-up withholding is required on any future payments to these vendors.

### SSA DID NOT FOLLOW BACK-UP WITHHOLDING PROCEDURES

The IRS notified SSA that in TYs 2008 and 2009, it submitted 1,245 Forms 1099-MISC, totaling about \$155 million, that contained invalid name/TIN combinations. However, SSA had not taken the proper steps to determine whether back-up withholding should have been initiated. Specifically, SSA had submitted 613 information returns in TY 2008 and 632 in TY 2009 that included mismatched and unassigned TINs. In addition, 254 vendors appeared on the invalid name/TIN combination list for both years.

**Table 2: TYs 2008 and 2009 Forms 1099-MISC with Invalid Name and TIN Combinations**

| Type of Invalid TIN | TY 2008    | TY 2009    | Total        |
|---------------------|------------|------------|--------------|
| Mismatched          | 567        | 598        | 1,165        |
| Unassigned          | 46         | 34         | 80           |
| <b>Total</b>        | <b>613</b> | <b>632</b> | <b>1,245</b> |

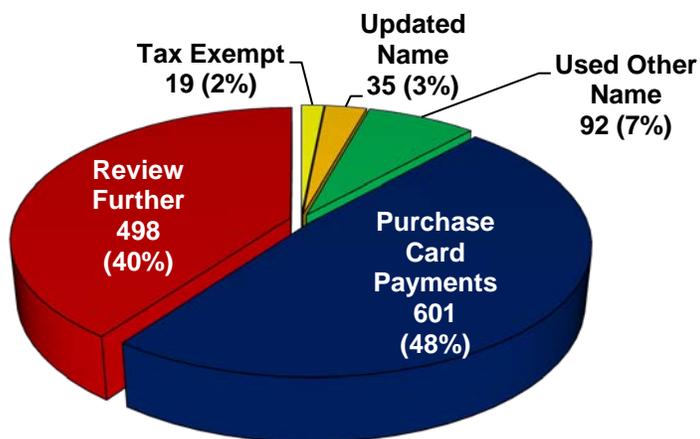
According to IRS policy, SSA was required to compare the list of invalid name/TIN combinations with its business records and determine whether the submitted information matched. If the information matched, SSA was required to request a correct name/TIN combination from the vendor. If the vendor failed to provide a corrected TIN, SSA should have initiated back-up withholding on future payments. If the information did not match, the Agency was to determine whether the invalid name/TIN combination was the result of a recent update to its records, an error with the information submitted to the IRS, or an IRS processing error. If it was the result of an error, SSA should update its records to prevent the mismatch from reoccurring.

However, through discussions with SSA staff, we learned the Agency did not take any actions to resolve the invalid name/TIN combinations because the component responsible for back-up withholding procedures was not aware of the mismatches. While the IRS had mailed notices (CP 2100 and 1313 Notices) to SSA, the notices were not forwarded to the component responsible to take action. Once we brought this issue to the Agency's attention, it contacted the IRS to resolve the discrepancy with the mailing address to ensure the notices were sent to the responsible components. In addition, the Agency requested and received copies of the CP 2100 Notices for TYs 2008 and 2009.

#### TY 2008 AND 2009 INVALID FORMS 1099-MISC

Back-up withholding is important because the process assists the IRS with ensuring vendors have paid their taxes. When the name/TIN on an information return is invalid, the IRS cannot ascertain the correct TIN and therefore cannot detect whether a taxpayer underreported income or failed to file a tax return. Based on our review of the 1,245 Forms 1099-MISC that contained invalid name/TIN combinations, we determined that 747 vendor payments, totaling \$147.5 million, did not require back-up withholding.

Figure 1: Invalid Forms 1099-MISC  
Issued in TYs 2008 and 2009



The 747 vendor payments did not require back-up withholding for the following reasons.

- 19 payments were issued to tax-exempt vendors, and these vendors should not have been issued a Form 1099-MISC. For example, we found that SSA issued three Forms 1099-MISC, totaling about \$41,000, to the Office of Personnel Management. The TINs for these vendors should have been included on SSA's TIN Exclude Listing, which would have prevented the issuance of a Form 1099-MISC.<sup>13</sup>
- 35 payments did not require back-up withholding because either the vendor information was updated after the Form 1099-MISC was issued or a typographical error occurred when recording the vendor's name.
- 92 payments did not require back-up withholding because SSA staff did not include the correct legal business name for the vendors on the Forms 1099-MISC as required by IRS policy.<sup>14</sup> SSA instructed its staff to import into the Vendor File the names of vendors directly from the CCR database when applicable because the IRS verifies the data in the CCR database.<sup>15</sup> However, we found that staff's ability to enter a name other than the legal business name caused the invalid name/TIN combinations. For example, we found instances where SSA staff entered an abbreviated name or a name other than the legal business name for some vendors. Therefore, SSA should remind staff to capture the legal business name derived from the CCR database when entering a new vendor into the Vendor File.
- 601 payments did not require back-up withholding because they were made using purchase cards. Consequently, SSA did not have a mechanism in place to initiate back-up withholding for these types of payments. These payments will no longer be an issue for the Agency because the IRS issued new guidance, as of January 2011, requiring that banks and lending institutions report their transactions to the IRS online.<sup>16</sup>

For the remaining 498 invalid Forms 1099-MISC from TYs 2008 and 2009, we were not able to validate the vendor's information because our access to the CCR database was limited.<sup>17</sup> As shown in Table 3, these vendors received approximately \$7 million in

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<sup>13</sup> Accounting Manual Chapter 5-80-05, *Processing Miscellaneous Income Form 1099*.

<sup>14</sup> IRC, 26 U.S.C. § 6109.

<sup>15</sup> CCR validates the EIN/TIN and the vendor name of each new and updated CCR registrant with the IRS. SSA has been using CCR since September 2005.

<sup>16</sup> Form 1099-K, *Merchant Card and Third Party Network Payments*, is new for 2011 and is used to report payment card transactions made to businesses. The primary filers of this form include banks and payment settlement entities with a contractual obligation to make payments to merchants (Visa, PayPal, etc.). The recipients of this form are the merchants receiving the payments.

<sup>17</sup> Since we are not a registered user of the CCR database, we were restricted to use the public version which limits the amount of personal identifiable information available on vendors. As a result, we were not able to confirm whether all the vendor information was accurate, such as the vendor's TIN.

payments ranging from about \$600 to \$2.2 million. SSA should review the TY 2010 CP 2100 Notices to determine whether any of the 498 vendors continue to have name/TIN mismatches. If so, the Agency should send the vendors a B Notice along with a copy of a Form W-9 to satisfy the back-up withholding requirements. If vendors fail to provide a valid TIN, SSA should withhold 28 percent of any future payments made to these vendors.

**Table 3: 498 Invalid Forms 1099-MISC Issued in TYs 2008 and 2009**

| Range of Payments       | Number of Forms 1099-MISC | Total Payments     |
|-------------------------|---------------------------|--------------------|
| \$600 - \$49,999        | 483                       | \$2,513,161        |
| \$50,000 - \$99,999     | 10                        | \$615,204          |
| \$100,000 - \$149,999   | 2                         | \$279,604          |
| \$150,000 - \$199,999   | 1                         | \$162,360          |
| \$200,000 - \$2,199,999 | 2                         | \$3,653,154        |
| <b>Totals:</b>          | <b>498</b>                | <b>\$7,223,483</b> |

We believe the Agency should use the IRS' TIN Matching Program to verify vendors' TINs before issuing Forms 1099-MISC. This would help reduce the burden of penalty assessment and costs associated with mailing a B Notice to vendors. According to SSA staff, the Agency does not use the TIN matching program because the IRS registration process does not allow SSA to control who accesses the data and under what circumstances. However, the Agency is exploring methods of allowing its accounting system to interface with the IRS' TIN Matching Program to verify vendors' TINs. SSA staff believe this method would allow SSA to control the access of individual authorized users. For instance, it would allow a transaction record of each TIN matching request to be archived along with the requestor's identity.

## CONCLUSION AND RECOMMENDATIONS

SSA submitted 1,245 Forms 1099-MISC to the IRS with invalid name/TIN combinations for TYs 2008 and 2009. However, we found the Agency did not take steps to determine whether back-up withholdings was warranted for these vendors. For 747 vendor payments, we found the invalid name/TIN combinations occurred because of updates to vendors' records or errors by SSA staff in recording vendor information. The Agency needs to review the remaining 498 vendor payments to determine whether back-up withholding is required on future payments to the vendors. In addition, we discovered that 92 of the invalid name/TIN combinations were a result of SSA staff not capturing the legal business name from the CCR database. Moreover, we found that SSA was not taking advantage of the IRS' TIN Matching Program to ensure vendor information was accurate before issuing the Forms 1099-MISC. Since the accuracy of Forms 1099-MISC is important to the detection of taxpayer underreported income and/or unreported tax returns, we believe SSA needs to take steps to improve its Form 1099-MISC procedures.

We recommend that SSA:

1. Review the remaining 498 Forms 1099-MISC and initiate appropriate actions to resolve the invalid name/TIN combinations.
2. Remind staff to capture the legal business name derived from the CCR database when entering a new vendor into the Vendor File.
3. Continue developing a cost-effective method of automatically verifying vendor information with the IRS' TIN Matching program.

## AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix F.



Patrick P. O'Carroll, Jr.

# Appendices

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Notice of Possible Payee Name/Tax Identification Number Discrepancy

APPENDIX D – First B Notice

APPENDIX E – Notice for Federal Government Entities of Tax Identification Number Mismatch

APPENDIX F – Agency Comments

APPENDIX G – OIG Contacts and Staff Acknowledgments

### Acronyms

|        |  |
|--------|--|
| CCR    | Central Contractor Registration                        |
| EIN    | Employer Identification Number                         |
| IRC    | Internal Revenue Code                                  |
| IRS    | Internal Revenue Service                               |
| OIG    | Office of the Inspector General                        |
| SSA    | Social Security Administration                         |
| SSN    | Social Security Number                                 |
| SSOARS | Social Security Online Accounting and Reporting System |
| TIN    | Taxpayer Identification Number                         |
| TY     | Tax Year   |
| U.S.C. | United States Code                                     |

### Forms

|                |   |
|----------------|---|
| CP 2100 Notice | <i>Notice of Possible Payee Name/TIN Discrepancy</i>                                    |
| 1313 Notice    | <i>Notice of Federal Government Entities of Taxpayer Identification Number Mismatch</i> |
| Form 1099-K    | <i>Merchant Card and Third Party Network Payments</i>                                   |
| Form 1099-MISC | <i>Miscellaneous Income</i>   |
| B Notice       | <i>Backup Withholding Notice</i>  |
| Form W-9       | <i>Request for Taxpayer Identification Number Certification</i>                         |

## Scope and Methodology

To accomplish our objective, we:

- Reviewed applicable Federal laws, Social Security Administration (SSA) policies and procedures, and various sections of the Internal Revenue Code.
- Reviewed prior audit reports from the Government Accountability Office and Office of the Inspector General dealing with back-up withholding.
- Obtained from SSA Tax Years (TY) 2008 and 2009 *Miscellaneous Income Forms* (Form 1099-MISC) issued over \$600.
  - For TY 2008, SSA issued 8,302 Forms 1099-MISC payments to recipients. Specifically, 1,656 payments were made through the Purchase Card Program and 6,646 were made through the Social Security Online Accounting and Reporting System (SSOARS) Third Party Payment System and Account Payable module.
  - For TY 2009, SSA issued 24,113 Forms 1099-MISC to vendors and direct payment representatives. In particular, 1,679 payments were made through the Purchase Card Program; 7,018 were made through SSOARS Third Party Payment System and Account Payable module; and 15,416 direct fee representative payments were made through the Single Payment System.
- Obtained from the Internal Revenue Service counts for the number of Forms 1099-MISC that contained invalid name/Taxpayer Identification Numbers (TIN) for TYs 2005 through 2009.
- Obtained a copy of the TYs 2008 and 2009 *Notice of Possible Payee Name/TIN Discrepancy* (CP 2100) data file that the IRS sent to SSA. Specifically, we found there were 613 notices for TY 2008 and 632 notices for TY 2009.

We conducted our audit between October 2010 and December 2011 in Philadelphia, Pennsylvania. We tested the data obtained for our audit and determined the data to be sufficiently reliable to meet our audit objectives. The entity audited was the Office of Financial Policy and Operations, under the Office of the Deputy Commissioner for Budget, Finance and Management. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Notice of Possible Payee Name/Tax Identification Number Discrepancy

### Notice of Possible Payee Name/TIN Discrepancy

This notice is to inform you of possible errors in the Forms 1099 B, DIV, INT, MISC, OID, or PATR you filed for the tax year shown above.

Section 3406(b) of the Internal Revenue Code requires banks, financial institutions, sole proprietors and others to withhold 28% of certain reportable payments if payees have failed to provide a correct Taxpayer Identification Number (TIN). A TIN may be a Social Security Number (SSN), issued by the Social Security Administration or an Employer Identification Number (EIN), issued by the Internal Revenue Service.

The IRS has determined that the payees shown on the enclosed list may have provided:

1. a Name/TIN combination that does not match IRS or SSA records (Incorrect Name/TIN),
2. a Name/TIN combination that cannot be found in IRS or SSA records (Not Currently Issued TIN) or,
3. a TIN that is not a nine-digit number or was not on the information return (Missing TIN).

Please compare the enclosed listing with your payee account records. Do not contact the IRS or send a B-Notice to the payee:

1. if you had the correct information in your records, but submitted Forms 1099 incorrectly,
2. if the payee information changed or was corrected after you filed your Information Returns or,
3. the IRS made a processing error and the payee name or TIN is misprinted on this notice.

If none of the above applies and the payee information on the enclosed list agrees with your records, you must send a First or Second B-Notice within 15 business days from the date of this notice to the payee to advise them of your requirement to begin backup withholding at a rate of 28%. If the payee TIN is missing from your records, send a Form W-9 to the payee to request the TIN and begin backup withholding immediately. Do not send a First or Second B Notice. This information cannot be solicited by telephone.

For more information, refer to IRS Publication 1281, "Backup Withholding for Missing and Incorrect TINs- Including Instructions for Magnetic Tape." You may order Publication 1281 by calling the

IRS toll-free at 1-800-829-3676 or, view it on the IRS website at <http://www.irs.gov>.

Note: For sole proprietors, you must show the individual's name on the first name line on Forms 1099; on the second name line, you may show the "doing business as" (DBA) name. You may not enter only the business name.

If you have questions on the notice or listing, you may call the Information Reporting Program Customer Service Section at (304) 263-8700 or, toll-free at (866) 455-7438. Assistors are available to respond to your inquiries Monday through Friday between the hours of 8:30 AM and 4:30 PM EST.

# First B Notice

## FIRST B NOTICE

### IMPORTANT TAX NOTICE

### ACTION IS REQUIRED

#### Backup Withholding Warning!

We need a Form W-9 from you before the date shown below.

Date \_\_\_\_\_ Otherwise, backup withholding will begin.

Account Number \_\_\_\_\_

Current Name on Account SEE ATTACHED LETTER

Current TIN on Account SEE ATTACHED LETTER

The Internal Revenue Service (IRS) has notified us that the taxpayer identification number (TIN) on your account with us does not match their records. The IRS considers a TIN as incorrect if either the name or number shown on an account does not match a name and number combination in their files or the files of the Social Security Administration (SSA). If you do not take appropriate action to help us correct this problem before the date shown above, the law requires us to withhold 28 percent of the interest, dividends, and certain other payments that we make to your account. This is called backup withholding.

In addition to backup withholding, you may be subject to a \$50 penalty by the IRS for failing to give us your correct name/TIN combination.

This notice tells you how to help us make your account records accurate and how to avoid backup withholding and the penalty.

#### Why Your TIN May Be Considered As Incorrect.

An individual's TIN is his or her social security number (SSN). Often a TIN does not match IRS records because a name has changed through marriage, divorce, adoption, etc., and the change has not been reported to SSA, so it has not been recorded in SSA's files.

Sometimes an account or transaction may not contain the correct SSN of the actual owner. For example, an account in a child's name may reflect a parent's SSN. (An account should be in the name and SSN of the actual owner.)

#### What You Need To Do.

##### Individuals

If you have never been assigned a social security number (or if you lost your social security card and do not know your SSN), call your local SSA office and find out how to obtain an original (or a replacement) social security card. Then apply for it.

If you already have a social security number: Compare the name and SSN on your account with us (shown at the beginning of this notice) with the name and SSN shown on your social security card. Then use the chart on the next page to decide what action to take.

**If:**

1. The last name and SSN on your account agree with the last name and SSN on your social security card
2. The SSN on your account is different from the SSN on your social security card, but the last name is the same
3. The last name on your account is different from the last name on your social security card, but the SSN is the same on both
4. Both the last name and SSN on your account are different from the last name on your social security card

**Then:**

1. Contact your local SSA office to ascertain whether the information on SSA's records is different from that on your social security card, and to resolve any problem. Also, put your name and SSN on the enclosed Form W-9 following the instructions on the form. Sign the Form W-9 and send it to us.
2. Put your name and SSN, as shown on your social security card, on the enclosed Form W-9, following the instructions on the form, sign it, and send it to us. You do not need to contact SSA.
3. Take one of the following steps (but not both):
  - (a) If the last name on your account is correct, contact SSA to correct the name on your social security card. Put your SSN and name shown on your account on the enclosed Form W-9 following the instructions on the form, sign it, and send it to us. However, if you are not able to contact SSA at this time, you can provide us with both last names. Put your SSN and the name shown on your social security card plus the last name shown on your account (in that order) on the enclosed Form W-9 following the instructions on the form, sign it, and return it to us. For example, if your social security card lists your maiden name, give us your SSN and your name in the following order: First/maiden/married name. Please note, however, that you should contact SSA as soon as possible so they can correct their records.
  - (b) If the last name on your social security card is correct, put that name and your SSN on the enclosed Form W-9 following the instructions on the form. Sign it, and return it to us. You do not need to contact SSA.
4. (a) If the last name and SSN on your social security card are correct, put that name and SSN on the enclosed Form W-9 following the instructions on the form. Sign it, and send it to us. You do not need to contact SSA.
  - (b) If the last name on your account and the SSN on your social security card are correct, follow the procedure in section 3(a) above. Be sure to put the name shown on your account and the name on your social security card on the Form W-9.

Once you have resolved what your correct name and TIN combination is, you must provide this information to us (and all your other payors) for all of your accounts to avoid a problem in the future. If you are required to visit an SSA office, take this notice, your social security card, and any other related documents with you. Before you go, you should call SSA so that they can explain what other documents you need to bring.

**Instructions for Nonindividuals and Certain Sole Proprietors**

For most nonindividuals (such as trusts, estates, partnerships, and similar entities), the TIN is the employer identification number (EIN). The EIN on your account may be incorrect because it does not contain the number of the actual owner of the account. For example, an account of an investment club or bowling league should reflect the organization's own EIN and name, rather than the SSN of a member. Please put the name and EIN on the enclosed Form W-9, sign it, and send it to us.

A sole proprietor must furnish his or her individual name and either his or her SSN or the EIN for his or her sole proprietorship. In addition to his or her individual name, the sole proprietor may also furnish the business name for the sole proprietorship, provided his or her individual name is listed before the business name. A sole proprietor must not furnish only the business name. Please put the individual name and SSN or EIN on the enclosed Form W-9, sign it, and send it to us.

**Important Reminder!**

**YOU MUST SEND US A SIGNED IRS FORM W-9 BEFORE THE DATE OF THIS NOTICE** even if the name and number (SSN or EIN) on your account with us match the name and number (SSN or EIN) on your social security card or the document issuing you an EIN. If we do not receive your Form W-9, and any other documents that we need to change the name or TIN (or both) on your account before the date of this notice, we are required by law to withhold 28 percent from any reportable payment that we pay to your account until we receive the necessary documents. A Form W-9 is enclosed for your convenience, as well as any additional documents allowing us to change the name/TIN combination on your account.

# Notice for Federal Government Entities of Tax Identification Number Mismatch

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
CINCINNATI, OH 45999

IF YOU WRITE OR CALL US, REFER TO THIS INFORMATION.

NOTICE NUMBER, 1313 BOD CODE:  
DATE OF THIS NOTICE:  
TAXPAYER IDENTIFICATION NUMBER: XX-XXXXXXX  
FORM: CVL PEN TAX PERIOD:  
PENALTY REFERENCE CODE: 502

TAXPAYERS NAME  
ADDRESS

NOTICE 1313

OUR RECORDS SHOW THAT YOU DIDN'T FILE CERTAIN INFORMATION RETURNS CORRECTLY, AS REQUIRED BY PART 4.9 OF THE FEDERAL ACQUISITION REGULATIONS AND 26 UCS 6041 AND 6041A.

WE'VE ENCLOSED A LIST OF THE INFORMATION RETURNS YOU FILED THAT HAD MISSING OR INCORRECT TAXPAYER IDENTIFICATION NUMBERS (TINS). YOU SHOULD CHECK THIS LIST AGAINST YOUR RECORDS AND CONTACT THOSE PAYEES WHO HAVE NOT FURNISHED CORRECT TINS TO RESOLVE THESE DISCREPANCIES.

FEDERAL AGENCIES ARE SUBJECT TO BACKUP WITHHOLDING REQUIREMENTS. INCORRECT TINS MAY RESULT IN NOTIFICATION FROM THE IRS THAT YOU MUST IMPLEMENT BACKUP WITHHOLDING ON PAYEES WHO FAIL TO FURNISH CORRECT TINS. IF A PAYEE DOES NOT PROVIDE YOU WITH A TIN, YOU MUST BEGIN BACKUP WITHHOLDING IMMEDIATELY WHEN AGGREGATE PAYMENTS TO THE PAYEE EXCEED \$600 FOR THE CALENDAR YEAR. FOR INFORMATION ON BACKUP WITHHOLDING REQUIREMENTS AND RATES, SEE PUBLICATION 1679, A GUIDE TO BACKUP WITHHOLDING FOR MISSING AND INCORRECT NAME/TINS. YOU CAN OBTAIN THIS PUBLICAITON FROM WWW.IRS.GOV OR BY CALLING 1-800-629-3676.

IF YOU WOULD LIKE ASSISTANCE FROM THE IRS WITH INFORMATION REPORTING REQUIREMENTS FOR GOVERNMENTS, PLEASE CONTACT THE OFFICE OF FEDERAL, STATE, AND LOCAL GOVERNMENTS BY CALLING 202-283-9665, OR VISIT ITS WEBSITE AT WWW.IRS.GOV/GOVTS. FOR GENERAL FEDERAL TAX INFORMATION, YOU MAY CALL 1-800-629-1040.

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

Date: March 20, 2012

Refer To: S1J-3

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

From: Dean S. Landis /s/  
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Collection of Back-up Withholding Taxes from Vendors" (A-03-10-11053)—INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Teresa Rojas at (410) 966-7284.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
“COLLECTION OF BACK-UP WITHHOLDING TAXES FROM VENDORS”  
(A-03-10-11053)**

**Recommendation 1**

Review the remaining 498 Forms 1099-MISC payments and initiate appropriate actions to resolve the invalid name/Tax Identification Number (TIN) combinations.

**Response**

We agree.

**Recommendation 2**

Remind staff to capture the legal business name derived from the CCR database when entering a new vendor into the vendor file.

**Response**

We agree. We will incorporate the reminder into the vendor maintenance policy and procedures.

**Recommendation 3**

Continue developing a cost effective method to automatically verify vendor information with the IRS's TIN Matching program.

**Response**

We agree.

## OIG Contacts and Staff Acknowledgments

### ***OIG Contacts***

Cylinda McCloud-Keal, Director, Philadelphia Audit Division

Carol Madonna, Audit Manager

Virginia Harada, Audit Manager

### ***Acknowledgments***

In addition to those named above:

Frank Trzaska, Senior Auditor

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-03-10-11053.

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Social Security Advisory Board

## **Overview of the Office of the Inspector General**

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

### **Office of Audit**

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

### **Office of Investigations**

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

### **Office of the Counsel to the Inspector General**

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

### **Office of External Relations**

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

### **Office of Technology and Resource Management**

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