

OIG

Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Potential Misuse of Foster Children's
Social Security Numbers

A-08-12-11253 September 2013

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: September 25, 2013

Refer To:

To: The Commissioner

From: Inspector General

Subject: Potential Misuse of Foster Children's Social Security Numbers (A-08-12-11253)

The attached final report presents the results of our audit. Our objective was to assess the potential misuse of foster children's Social Security numbers.

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

Potential Misuse of Foster Children's Social Security Numbers

A-08-12-11253



September 2013

Office of Audit Report Summary

Objective

To assess the potential misuse of foster children's Social Security numbers (SSN).

Background

Recent studies have shown that children are at risk for identity theft and SSN misuse. Children make an attractive target for identity thieves because they do not usually discover the crime until they reach adulthood and apply for credit. Foster children may be at a higher risk of identity theft because their sensitive personal information (including SSNs) passes through the hands of many individuals as they move around the foster care system. Furthermore, young adults leaving the foster care system may learn they cannot obtain credit or get a job because someone misused their SSNs while they were in foster care.

To accomplish our objective, we identified a population of over 96,000 foster children (under age 14) in the 5 States with the largest number of foster children. To determine whether these children's SSNs were potentially misused for work, we reviewed wage items in SSA's earnings records. We also worked with a national credit reporting agency (CRA) to determine whether these children's SSNs were potentially misused for credit. In addition, we conducted online research to determine other potential misuse of their SSNs, such as obtaining a driver's license.

Our Findings

Our analysis of earnings information disclosed potential misuse of foster children's SSNs for work, credit, and other purposes. For example, we identified over 3,600 (4 percent) foster children who had wage items in SSA's Earnings Suspense File. We believe the multiple names and employers associated with these SSNs may indicate SSN misuse. We also identified 67 foster children who had earnings posted to SSA's Master Earnings File. We believe these earnings may indicate SSN misuse because the foster children had wages from employers not generally associated with the employment of young children, such as agriculture, construction, and food service.

Of the 96,000 foster children in our population, the CRA estimated that over 4,900 (5 percent) had credit files that contained evidence that someone may have used their SSNs for credit or other purposes. For these credit files, someone used the child's SSN for most, or all, of the individual credit items in the file, including utilities, credit cards, and installment loans. Because of the numerous incidents of identity theft and the recognition that SSNs are linked to vast amounts of sensitive personal information, some States have taken actions to address identity theft involving foster children.

Our Recommendations

1. Partner with State and local governments to inform the foster care community about the potential risks associated with collecting and using SSNs as identifiers or for other purposes.
2. Encourage State and local governments to reduce unnecessary collection and use of foster children's SSNs and implement stringent safeguards to protect SSNs when collected. For example, remove SSNs from foster children's identification cards and other caregiver paperwork.
3. Promote the best practices of States that have taken steps to address SSN misuse and identity theft involving foster children.

SSA agreed with our recommendations.

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ABBREVIATIONS

CRA	Credit Reporting Agency
ESF	Earnings Suspense File
MEF	Master Earnings File
OI	Office of Investigations
OIG	Office of the Inspector General
SSA	Social Security Administration
SSN	Social Security Number
Stat.	Statutes at Large
U.S.C.	United States Code
YCER	Young Children's Earnings Record

Form

W-2	<i>Wage and Tax Statement</i>
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OBJECTIVE

Our objective was to assess the potential misuse of foster children's Social Security numbers (SSN).

BACKGROUND

Recent studies have shown that children are at risk for identity theft and SSN misuse. Children make an attractive target for identity thieves because they do not usually discover the crime until they reach adulthood and apply for credit. Foster children may be at a higher risk of becoming victims of identity theft as they move around the foster care system because their sensitive personal information (including SSNs) passes through the hands of many individuals, such as parents, grandparents, foster parents, social workers, and group home personnel. Each time a foster child moves to a new home, their sensitive personal information is further exposed. Furthermore, young adults leaving the foster care system may learn they cannot obtain credit or get a job because someone misused their SSNs while they were in foster care.

Because the Social Security Administration (SSA) calculates future benefit payments based on the earnings an individual has accumulated over his/her lifetime, it is critical that the Agency accurately record these earnings. SSA depends on employers and employees correctly reporting names and SSNs on Forms W-2, *Wage and Tax Statement*. SSA uses automated edits to match employees' names and SSNs with Agency records to ensure it properly credits earnings to the Master Earnings File (MEF).¹ SSA places wage items² that fail to match name and SSN records in its Earnings Suspense File (ESF). SSA also checks the date of birth for each SSN before posting wage items. If the SSN belongs to a child under age 7, SSA designates the wage item as a Young Children's Earnings Record (YCER) item and places the wage item in the ESF.

To accomplish our objective, we identified a population of over 96,000 foster children (under age 14) in the 5 States with the largest number of children in foster care.³ We reviewed relevant laws, policies, and practices regarding child identity theft issues. We also reviewed wage items in the MEF and ESF to determine potential SSN misuse for work. To determine potential SSN misuse for credit, we provided the foster children's names and SSNs to a national credit reporting agency (CRA) to determine whether credit files existed and identify evidence that someone may have used their SSNs to get credit. The credit study consisted of two phases. In Phase I, the CRA identified approximately 13,500 foster children whose SSNs appeared on credit headers, a part of the credit file that contained non-credit, personal information, such as

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

² A wage item is an individual employee report prepared by employers on a Form W-2 after the close of the calendar year that shows wages paid and taxes withheld during the prior calendar year.

³ The five States were California, Florida, Michigan, New York, and Texas. These States account for approximately 35 percent of foster children in the United States.

names, addresses, dates of birth, and SSNs. These files also contained information about when each piece of information was first used and most recently used as well as how many times the information had been reported to the CRA. Based on the source of information and how many times the SSN had been reported, the CRA selected the name, address, and SSN used most on the credit file. The CRA then stratified the foster children's SSNs with credit headers into four groups (based on the number of credit headers associated with the SSNs and whether the name on the credit header matched the child's name).

In Phase II, the CRA analyzed a random sample of 400 (100 from each group) foster children's credit files to obtain a better understanding of how someone may have used their SSNs. Because some of the foster children had multiple credit files, the CRA analyzed 643 files to determine whether they likely belonged to the foster child, a family member, or neither. The CRA also identified the SSN used most in the credit file and determined whether it was the same, similar, or different from the child's. In addition, the CRA reviewed the credit files to determine whether someone may have used foster children's SSNs for various purposes, such as obtaining utilities, credit cards, and installment loans. Finally, the CRA estimated the number of occurrences in the population for their conclusions. See Appendix A for additional information on our scope and methodology.

RESULTS OF REVIEW

Our analysis of earnings and the CRA's analysis of credit information disclosed potential misuse of foster children's SSNs for work and credit. For example, we identified approximately 3,600 (4 percent) foster children who had wage items in the ESF because SSA's records did not match the reported name and SSN⁴ or indicated the child was under age 7.⁵ We believe the multiple names and employers associated with many of these SSNs may indicate SSN misuse. We also identified 67 foster children who had earnings posted to the MEF.⁶ We believe these earnings may indicate SSN misuse because many of the foster children had wages from employers not generally associated with the employment of young children, such as agriculture, construction, and food service.

Of the 96,000 foster children in our population, the CRA estimated that over 4,900 (5 percent) had credit files that contained evidence that someone may have used their SSNs to get credit or for other purposes. For these credit files, someone used the child's SSN for most, or all, of the individual credit items in the file, including utilities, credit cards, and installment loans. The CRA also determined that over 8,500 (9 percent) other SSNs had credit files. However, the CRA told us these occurrences were less likely SSN misuse, and some could have been the result of incorrect data reported to the CRA. According to the CRA, the presence of the child's SSN on a

⁴ If the name and SSN do not match, even after SSA has performed its computer matching routines, SSA cannot credit the wages to the individual's account. Instead, SSA places the earnings in the ESF.

⁵ Of the foster children in our population, 94 had at least 1 YCER item in the ESF.

⁶ We excluded three children who had reinstated YCER items on the MEF. SSA confirms the date of birth and wages before transferring YCER items from the ESF to the MEF.

credit file did not always indicate SSN misuse or identity theft. Additional online research also disclosed evidence that individuals may have used foster children's SSNs for utilities, driver's licenses, criminal filings, and voter registration.

We believe the collection and use of SSNs is a significant vulnerability for foster children. Recent data indicate the number of children whose identities have been stolen is growing. This is particularly troubling given that some foster children may not become aware of such activity until they reach adulthood and apply for credit.

Because of the numerous incidents of identity theft and the recognition that SSNs are linked to vast amounts of sensitive personal information, some States have taken steps to address identity theft involving foster children. We are encouraged by these steps and believe SSA can help reduce potential SSN misuse and identity theft by partnering with State and local governments to better safeguard the sensitive and personal information of foster children.

SSNs Used for Work

Of the 96,000 foster children in our population, we identified approximately 3,600 (4 percent) who had wage items in the ESF because SSA records did not match the reported name and SSN or indicated the child was under age 7. Moreover, 99 of these foster children's SSNs were associated with 20 or more wage items in the ESF. We believe the multiple names and employers associated with many of these SSNs may indicate SSN misuse. For example, 1 foster child had earnings from 212 employers, and another had earnings from 87 employers.

We also identified 67 foster children who had earnings in the MEF. We believe these earnings may indicate SSN misuse because the foster children had wages from employers that were not generally associated with the employment of young children, such as agriculture, construction, and food service. For example, one 10-year-old had over \$28,000 in earnings from a nursing home for 2 consecutive years. Another foster child had over \$23,000 in earnings from a restaurant. We also identified an 11-year-old who had earnings from six employers in 1 year. We have referred all incidents of potential SSN misuse to our Office of Investigations (OI). OI is investigating those cases that appear to be violations of the *Social Security Act* and working with the Criminal Investigations Division of the Internal Revenue Service for those cases that appear to also be violations of Federal tax law.

SSNs Used for Credit

Of the 96,000 foster children in our population, the CRA estimated that over 4,900 (5 percent) had credit files that contained evidence that someone had used their SSNs to obtain credit. For these credit files, someone used the child's SSN for most, or all, of the individual credit items in the file. According to the CRA, individuals used the foster children's SSNs for a variety of purposes, the most common being utilities (household gas and electric accounts, cable, Internet, and telephone). These accounts were most often unpaid and in collection. The CRA also found evidence that someone used the foster children's SSNs to obtain credit cards, installment loans, medical services, and mortgages. For example, one foster child had eight credit files: two included mortgages, three included utility collections, and seven included such types of credit accounts as credit cards or installment loans.

Additionally, the CRA identified over 8,500 (9 percent) foster children in our population with SSNs associated with a credit file in some way. However, the CRA told us the evidence in these credit files did not always indicate potential SSN misuse or identity theft. According to the CRA, there could be multiple reasons why a child's SSN is in a credit file. The CRA provided the following explanations regarding these SSNs.

- Incomplete or inconsistent information prevented the creation of a full credit report, even though these SSNs were part of a credit file. The CRA told us it had guidelines on verifying information to avoid releasing credit data to the wrong individual. When the information available does not meet these guidelines, the CRA will not produce a credit report.
- The foster child's SSN could be part of the credit file because of an error. For example, a child's SSN could become part of a credit file when a parent guarantees payment for medical services. In addition, the SSN could also become part of a credit file when someone makes a typographical error on a credit application.

We also searched LexisNexis⁷ for 5,000 (1,000 from each of the 5 States we reviewed) foster children and determined that 555 (11 percent) had reports associated with their SSNs. Many of the records indicated that someone may have used the foster children's SSNs to obtain utilities. We also identified instances where 12 individuals may have used the foster children's SSNs to obtain driver's licenses, and 2 individuals may have used their SSNs to register to vote. We identified other instances where the child's SSN was associated with judgments/liens and criminal filings.

Foster Children's Risk of Identity Theft

Collection and use of foster children's SSNs entails certain risks. Each time a foster child's SSN is used, the potential for a dishonest individual to unlawfully access and misuse the SSN increases. Identity thieves often target children because their credit histories are clean, and their records may be used for years before anyone realizes someone has stolen their identities or misused their SSNs. Over the past few years, numerous cases involving identity theft and SSN misuse involving foster children have been reported. Because States often use SSNs as a key identifier, foster children's exposure to identity theft and SSN misuse remains. The following examples illustrate this risk.

- A Federal judge sentenced a man to 6 years in prison for participating in an identity theft ring that stole the records of children in foster homes to file fraudulent income tax returns.
- A Wisconsin social worker found a \$50,000 child support judgment on a foster child's credit report. The foster child's father, an undocumented immigrant, used the child's SSN to get a job. The father's wages were garnished for child support, which affected the child's credit.

⁷ LexisNexis is an online service that provides comprehensive information, such as legal, news, business, and public records.

- Foster parents in California used a child’s SSN to apply for credit cards and open bank accounts. When the child left the foster care system, she spent 6 years attempting to recover from thousands of dollars of debt and serious damage to her credit history.
- California officials, with the assistance of 3 national credit reporting agencies, identified 104 foster children (5 percent of the project sample) in Los Angeles County, California, who had 247 separate credit accounts opened in their names. One foster child had a \$217,000 home loan associated with their credit report.⁸

Steps Taken to Address Identity Theft Involving Foster Children

Although no Federal law regulates the collection and use of foster children’s SSNs, the *Child and Family Services Improvement and Innovation Act of 2011*⁹ requires that States ensure each foster child (age 16 and older) obtains a copy of a consumer credit report annually until the State discharges the foster child from care. The Act also requires that States assist with interpreting and resolving any inaccuracies in the credit report.

Recognizing the vulnerability of foster children, some States have enacted laws to assist foster children with identity theft.¹⁰ California requires that county welfare departments request credit reports on behalf of children in foster care at age 16 to determine whether identity theft has occurred.¹¹ It also requires that the counties ensure the foster children receive assistance in resolving any inaccuracies in their credit reports, for example, the county could refer the child to a counseling organization that provides services to victims of identity theft. We identified several other States with similar laws.¹² A Texas Department of Family and Protective Services official told us her department performed annual credit checks on all foster children.

We also identified instances in which some States educated foster children about identity theft. For example, the Wisconsin Department of Children and Families developed a foster youth identity theft brochure, tip sheet for youth and foster care coordinators, and letter to foster youth about identity theft. These documents provide information about preventing identity theft, checking credit reports, and resolving fraudulent account activity on credit reports. In addition, the Michigan Department of Human Resources developed an identity theft tip sheet for child welfare staff to use when discussing identity theft issues with foster youth. The tip sheet

⁸ California Office of Privacy Protection, *A Better Start: Clearing Up Credit Records for California Foster Children*, August 2011.

⁹ *Child and Family Services Improvement and Innovation Act of 2011*, Pub. L. No. 112-34, § 106, 125 Stat. 377 (2011), *Social Security Act* § 475(5)(I), 42 U.S.C. 675(5)(I).

¹⁰ We do not intend to suggest that the States discussed in Footnotes 11 and 12 are the only States that have taken actions to address identity theft involving foster children.

¹¹ California Welfare and Institutions Code § 10618.6.

¹² These States were Connecticut, Colorado, Delaware, Texas, and Virginia.

instructs case managers to assist foster youth age 16 and older in requesting, obtaining, and reviewing his/her credit report each year until he/she exits foster care.

In previous audits,¹³ we identified instances in which universities and K-12 schools used SSNs as student identifiers or for other purposes. However, numerous incidents of identity theft led some schools to reconsider this practice. In addition, some States enacted laws to regulate the use of SSNs. We believe State and local governments should give foster children the same protections.

CONCLUSIONS

Based on the results of this audit, we estimate that individuals may have used thousands of foster children's SSNs for work and to get credit. We recognize SSA cannot prohibit State and local governments from collecting and using foster children's SSNs. However, we believe SSA can help reduce potential SSN misuse and identity theft by partnering with State and local governments to better safeguard foster children's sensitive and personal information.

RECOMMENDATIONS

We recommend that SSA:

1. Partner with State and local governments to inform the foster care community about the potential risks associated with collecting and using SSNs as identifiers or for other purposes.
2. Encourage State and local governments to reduce unnecessary collection and use of foster children's SSNs and implement stringent safeguards to protect SSNs when collected. For example, remove SSNs from foster children's identification cards and other caregiver paperwork.
3. Promote the best practices of States that have taken steps to address SSN misuse and identity theft involving foster children.

AGENCY COMMENTS

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

¹³ SSA OIG, *Universities' Use of Social Security Numbers as Student Identifiers in Region IV* (A-08-05-15034), December 2004, and *Kindergarten Through 12th Grade Schools' Collection and Use of Social Security Numbers* (A-08-10-11057), July 2010.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objectives, we:

- Reviewed applicable laws and Social Security Administration (SSA) policies and procedures.
- Reviewed prior relevant audits reports.
- Reviewed selected studies and articles regarding identity theft and foster children.
- Determined the five States with the largest population of foster children using the Department of Health and Human Services' Administration for Children and Families report *Foster Care FY2002-FY2009 Entries, Exits, and Numbers of Children in Care on the Last Day of Each Federal Fiscal Year as of July 29, 2010*. Based on this report, we selected California, Florida, Michigan, New York, and Texas.
- Contacted the five States selected and obtained the names and Social Security numbers (SSN) of foster children (as of September 30, 2011). From these 5 States, we identified a population of 96,456 foster children under age 14.
- Used SSA's Enumeration Verification System to validate the SSNs the States provided.
- Reviewed Master Earnings File (MEF) data using Detailed Earnings Queries for 2009 through 2011 and reviewed Numident¹ records for foster children with posted earnings.
- Reviewed Earnings Suspense File (ESF) data and identified wages posted in the ESF using the foster children's SSNs.
- Selected a random sample of 1,000 foster children from each State and performed LexisNexis² searches using the SSNs to identify potential SSN misuse.
- Contracted with a national credit reporting agency (CRA) to identify potential misuse of SSNs for credit and other purposes. The credit study consisted of two phases. In Phase I, the CRA searched existing data and identified credit header information using foster children's SSNs. This search produced 13,540 foster children with credit header information. In Phase II, the CRA analyzed detailed credit files for 400 of these foster children to obtain a better understanding of how someone may have used these SSNs. The CRA analyzed these credit files (including name, SSN, and address) to determine whether the credit files likely belonged to the foster child, a family member, or neither. The analysis also identified the

¹ The Numident is a record of identifying information (such as name, date of birth, date of death, mother's maiden name, etc.) provided by the applicant on his or her application for an SSN.

² LexisNexis is an online service that provides comprehensive information, such as legal, news, business, and public records.

SSN used for most of the individual credit items on the credit file and determined whether it was equal to, similar, or different from the child's. In addition, the CRA reviewed the credit files for collections (such as utilities), credit actions (such as credit cards or mortgages), victim statements, credit inquiries, public records, and employment information. Finally, the CRA provided a report including estimated occurrences in the population for each of their conclusions.

The SSA entity reviewed was the Office of Earnings, Enumeration, and Administrative Systems under the Office of the Deputy Commissioner for Systems. This audit did not include an evaluation of SSA's internal controls over the wage reporting process. We also did not attempt to establish the reliability or accuracy of the wage data. However, we determined that the MEF and ESF data were sufficiently reliable for purposes of our review. Because the CRA is recognized as an industry expert, we relied on it to analyze the credit files of foster children and opine on the potential of SSN misuse. We conducted our audit from September 2012 through May 2013 in Birmingham, Alabama. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and conduct 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.

Appendix B – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

August 22, 2013

Refer To: S1J-3

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

From: Katherine Thornton /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Potential Misuse of Foster Children's Social Security Numbers" (A-08-12-11253)--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 Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“POTENTIAL MISUSE OF FOSTER CHILDREN’S SOCIAL SECURITY NUMBERS”
(A-08-12-11253)**

Recommendation 1

Partner with State and local governments to inform the foster care community about the potential risks associated with collecting and using Social Security numbers (SSN) as identifiers or for other purposes.

Response

We agree. Since fiscal year 2010, we have worked with State and local government agencies to discourage the collection and use of SSNs as primary identifiers or for other tracking purposes. We conduct outreach through conference calls, electronic “Dear Colleague” letters, and newsletters. We will continue to partner with State and local government agencies.

Recommendation 2

Encourage State and local governments to reduce unnecessary collection and use of foster children's SSNs and implement stringent safeguards to protect SSNs when collected. For example, remove SSNs from foster children's identification cards and other caregiver paperwork.

Response

We agree. We will incorporate the report recommendations into our ongoing outreach efforts (described above) to discourage State and local government agencies from collecting and using SSNs.

Recommendation 3

Promote the best practices of States that have taken steps to address SSN misuse and identity theft involving foster children.

Response

We agree. We will continue to promote best practices and encourage the use of alternative identifiers (e.g., linking to Bureau of Vital Statistics and other State data sources) through our ongoing outreach efforts.

Appendix C – MAJOR CONTRIBUTORS

Theresa Roberts, Acting Director, Atlanta Audit Division

Jeff Pounds, Audit Manager, Birmingham Office of Audit

Kathy Yawn, Senior Auditor

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