

Improper Use of Elderly Individuals' Social Security Numbers

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Office of Audit Report Summary

Objective

To determine whether the (1) identities of elderly individuals were being misused for work purposes and (2) Social Security Administration (SSA) had controls in place to prevent and detect the misuse.

Background

As part of the Annual Wage Reporting process, SSA verifies the name and Social Security number (SSN) included on *Wage and Tax Statements* (Form W-2) against the Numident to ensure the reported name and SSN is accurate before the information on the W-2s is posted to the Master Earnings File. When the Numident indicates a date of death is present, SSA places in the Earnings Suspense File (ESF) all wages reported the year after death and assigns an Earnings After Death Report indicator. SSA sends notices to the employers and employee to confirm employment.

Furthermore, when it appears excessive wages have been posted to a wage record, the numberholder can visit an SSA field office to disclaim the wages—often called scrambled wages. SSA then removes the scrambled wages from the individual's earnings record and posts them to the ESF with a Scrambled Wage Earnings Discrepancy indicator that prevents the wages from being reposted to the same earnings record.

Findings

Although SSA had controls in place to prevent and detect SSN misuse, we found individuals were using elderly individuals' identities for work purposes. Our review of a sample of 126 elderly individuals showed that 37 of their identities had been used to earn about \$4.6 million during Tax Years (TY) 2009 to 2014. SSA was aware of the SSN misuse in 8 of the 37 cases. Of the remaining 89 cases, 55 related to legitimate work activity, 28 related to Numident date of birth errors, and 6 related to Annual Wage Reporting posting errors.

In addition, we assessed wages reported after death using SSNs that had belonged to elderly individuals and found that 817 deceased elderly individuals' identities were being misused for work purposes. For TYs 2009 to 2014, someone other than the numberholders used their SSNs to earn about \$29 million in wages. Furthermore, about 72 percent of the wage items reported with SSNs belonging to elderly numberholders who were deceased related to employers in the entertainment industry. For TYs 2009 to 2014, the employers reported approximately \$2.5 million in wages related to residual and/or royalty payments on W-2s rather than on an Internal Revenue Service Form 1099-MISC, *Miscellaneous Income Form*.

Recommendation

We recommended that SSA consider conducting outreach with employers in the entertainment industry to educate them about how compensation should be reported for individuals after death. SSA agreed with our recommendation.