

U.S. House of Representatives
Committee on Ways and Means
Subcommittee on Social Security

Statement for the Record

Third in Series of Subcommittee Hearings on Social Security Number High-Risk Issues

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Good Morning, Chairman McCrery, Congressman Levin, Members of the Subcommittee. I am pleased to be here this morning at the third in the series of hearings by the Social Security Subcommittee regarding "Social Security Number High-Risk Issues." These Social Security issues are of critical importance to the American people. Today's topic, the Social Security Administration's (SSA) assignment of Social Security numbers (SSN) and payment of benefits to foreign-born individuals, is especially timely.

More than a century ago, the words inscribed at the base of the Statue of Liberty welcomed millions to our shores to realize their own dreams and help build a thriving nation. Needless to say, the world has changed, and while America still welcomes many eager to contribute to a free society, immigration issues are vastly more complex than anyone working on Ellis Island a century ago could have dreamt.

The Social Security Administration is involved in several of these issues, and the Office of the Inspector General has done much to aid SSA in this regard, in addition to our efforts in the arena of Homeland Security.

Social Security issues dealing with foreign-born individuals fall into three broad categories: enumeration, earnings, and benefits.

Enumeration of Foreign-Born Individuals

The crux of SSA's programs and operations is the enumeration process. The SSN is key for SSA to accurately maintain its records so that it may provide retirement and disability benefits to individuals. Today, more than ever, it is critical that SSA know who has applied for an SSN. The enumeration of foreign-born individuals encompasses several issues of interest to the OIG, particularly: (1) verification of the identity of the foreign-born individual applying for an SSN, and (2) verification of the individual's entitlement to an SSN.

With respect to verifying the identity and entitlement of foreign-born SSN applicants, we have conducted audits and issued reports. If I were to summarize their findings as a whole, I would say that we are more certain than ever that the foreign-born individuals receiving SSNs are who they claim to be, and that they are entitled to SSNs under the law. This is true in large part because of measures SSA took to strengthen its enumeration procedures after 9/11 and in

response to many of our audit recommendations. Additionally, further improvements have resulted from the Social Security Protection Act of 2004 (SSPA) and the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA).

As mentioned, over the past several years, we have made numerous recommendations through our audit reports that were designed to strengthen SSA's enumeration process and SSN integrity in general. I would like to commend the leadership of this Subcommittee, as it is through your hard work that several of our recommendations were included in section 7213 of the IRTPA.

Included is the requirement that the Commissioner, within one year of enactment, establish minimum standards for verification of documents or records submitted by an individual to establish eligibility for an original or replacement Social Security number or card, other than for enumeration at birth. This was an important step in improving the integrity of the enumeration process, as was the requirement for verification of birth records submitted in support of an individual's eligibility for an SSN. Because these modifications were recently implemented, we will monitor and report back on the Agency's progress to the Subcommittee, but we are very optimistic that the impact will be significant. Thank you again for your leadership.

Another important aspect in the improvement of these processes is the Enumeration at Entry (EAE) program with the Departments of State and Homeland Security. In March 2005, we issued an audit report, Assessment of the Enumeration at Entry Process (A-08-04-14093). From our review, it is our view that SSA is to be commended for its work on the EAE initiative. The goal of the initiative is to reduce the possible acceptance of counterfeit immigration documents by SSA personnel and to eliminate duplicate contacts immigrants must make with Federal agencies. SSA currently only allows immigrants who are lawfully admitted as permanent residents and age 18 or older to voluntarily apply for an SSN through EAE. Rather than completing SSA's form SS-5, Application for a Social Security Card, participants apply for an original or replacement SSN card on the Department of State's Form DS-230, Application for Immigrant Visa and Alien Registration. The Department of Homeland Security (DHS), once it admits the individual into the United States, electronically transmits to SSA certain data elements needed for SSN assignment. SSA then processes the data and forwards the SSN card to the address the individual provided to either the State Department or DHS.

During our review of the EAE process, however, we found several weaknesses in the existing controls and operations that we believe need to be addressed by SSA to improve the efficiency and effectiveness of the EAE process. These include: (1) assigning multiple SSNs to immigrants; (2) SSA's Modernization Enumeration System (MES) could not process approximately one fourth of the EAE applications during FY 2004 because of data incompatibility issues among SSA, State and DHS; (3) immigrants applied for SSNs through the EAE process and also visited a SSA Field Office; and (4) EAE records did not always include immigrants' complete name or SSNs.

Based on those findings, we made a number of recommendations to SSA. Specifically, we recommended that SSA:

- (1) enhance its duplicate record and previously assigned SSN edits to provide greater protection against multiple SSN assignments;
- (2) reemphasize to Field Office personnel the importance of appropriate enumeration feedback messages resolution to avoid multiple SSN assignment;
- (3) cross-reference multiple SSNs it assigned to immigrants we had identified during our review;
- (4) continue to work with State and DHS to provide clear instruction to immigrants on SSN attainment;
- (5) consider providing its handout regarding SSN attainment to immigrants in their native languages;
- (6) continue to work with State and DHS to resolve data incompatibility issues, including name standardization; and,
- (7) consider contacting EAE applicants to resolve pending records, until it resolves its data compatibility problem.

SSA agreed with our first six recommendations and we believe its planned actions adequately address these recommendations. Regarding recommendation number (7), SSA stated that it did not have complete or correct address information on pending EAE applications, making contact with the applicants difficult or impossible. We have encouraged SSA to reconsider its response. While SSA may not always have complete or correct address information on pending EAE applications, the address it has is the address to which it would have mailed the SSN card had MES processed the application. Our findings were that MES failed to process EAE records primarily because of minor data incompatibility problems, such as commas, periods, colons, and other improperly placed blank spaces. Thus we believe the address information is generally adequate.

Earnings of Foreign-Born Individuals

At the first hearing in this series, several members of the subcommittee posed questions about foreign-born individuals receiving work credit for unauthorized work. I would like to clarify that issue. Prior to the SSPA, foreign-born individuals with earnings for unauthorized work received credit for those wages, and could apply for and receive benefits based on that work, even if they never became authorized to work in the United States. The SSPA changed the law so that, if a noncitizen worker was first assigned an SSN on or after January 1, 2004, Title II benefits are precluded based on his/her earnings unless the noncitizen was ever

- assigned an SSN for work purposes, or
- admitted to the United States as a visitor for business (B-1 visa) or as an allied crewman (D-1/D-2 visa).

Accordingly, after January 2004, to receive benefits from SSA, an individual must first become legally authorized to work in the United States. Once legally authorized, both legally and illegally earned wages may be used to determine benefit eligibility.

The Senate conference report stated the following: “The Social Security program should not reward those who violate our immigration laws. This provision would begin to address this issue by limiting benefits to those who were authorized to work in the United States at some point in time. [It] does not fully address this issue as individuals who begin working illegally and later obtain legal status could still use their illegal earnings to qualify for Social Security benefits. . . . [but] The Committee believes the proposal in the bill is the best approach to this issue at this time, [and] the Committee will continue to consider ways to more fully address [it] in the future.”

In September 2005, our Office of Audit issued a report, *Impact of Nonimmigrants Who Continue Working After Their Immigration Status Expires* (A-08-05-15073), in which we assessed the extent to which nonimmigrants may have continued working after their immigration status expired and the impact such unauthorized work may have had on SSA. Based on the sample we obtained, we estimated that approximately 4 percent of nonimmigrants (31,787 individuals) who obtained SSNs during FY 2000 either continued working after their immigration status expired or someone else may have used their SSNs to work after they left the United States. We believe this estimate may be conservative because complete earnings information was not available for 11 percent of the nonimmigrants in our sample whose immigration status had expired. We provided a copy of our report to the Inspector General of DHS.

In our audit report entitled *Reported Earnings Prior to the Issuance of a Social Security Number* (A-03-04-14037, August 2005), we looked at 100 cases where individuals had been enumerated in Calendar Year (CY) 2000 and had earnings posted to their records for prior years. We found a majority of the SSNs related to noncitizens who appear to be: (1) working without proper authorization prior to CY 2000 and (2) misusing SSNs. Nonetheless, we found that all of the noncitizens may be entitled to benefits related to those earnings if they meet all factors of entitlement, even under the new restrictions put in place by Congress in the SSPA.

In these two audit reports we recommended SSA: (1) continue to coordinate with DHS regarding work authorization issues, including the potential for data sharing activities to identify and reduce the number of nonimmigrants who continue working after their immigration status expires; and (2) reemphasize to SSA field personnel the importance of following all SSA policies and procedures when enumerating individuals. SSA agreed with our recommendations. SSA and the OIG recognize that ultimate success in this vital area is contingent upon reciprocity with partnering agencies.

Social Security Benefits to Individuals Residing Abroad

Finally, the issue of Title II Social Security benefits paid to individuals living abroad is one that my office is carefully scrutinizing. SSA pays retirement, survivor and disability benefits to about 48 million people. Over 420,000 (or about 1 percent) are living in foreign countries. In Fiscal Year (FY) 2004, these individuals received approximately \$2.5 billion in benefit payments (of a

total of approximately \$490 billion paid under the Social Security program). This is a population that bears scrutiny.

Previously, we issued an audit report, Social Security Administration Controls Over the Taxation and Suspension of Payments to Foreign Beneficiaries, (A-14-03-23005, March 2004), wherein we examined how effectively SSA deducts taxes and stops payments to certain beneficiaries living outside the United States. We found SSA had not consistently applied alien tax withholding provisions as required by law or SSA policy. In addition, the Agency had not withheld benefits from certain non-resident beneficiaries as required by Agency guidelines. Moreover, SSA had not obtained or kept required documentation in cases where it did not withhold taxes from resident aliens who lived outside the United States. We estimated that these control weaknesses resulted in errors to the Social Security Trust Fund of approximately \$112 million since 1984. During this same period, SSA collected \$1.3 billion in taxes.

To prevent further loss of revenue and maintain the integrity of SSA's database, we made a number of recommendations to SSA. The Agency substantially agreed with our recommendations, although there appears to be a disagreement between IRS and SSA as to who is responsible for collecting past due taxes, which we believe needs to be clarified.

Recently, we have had discussions with officials in the Department of Human Resources and Skills Development of Canada, home to the largest number of external beneficiaries. We are currently exploring the possibility of a pilot where we would work together to confirm the identity and eligibility of United States Social Security beneficiaries residing in Canada. In this review, we anticipate that we will make a determination as to whether we believe SSA's current controls are working properly.

This project will follow up our audit report issued in June 2003, Data Matching with Foreign Countries (A-13-03-23015), in which we reviewed data contained in death records in Canada, England and Ireland because these countries had sizable Social Security beneficiary populations, maintained death information in the English language, and maintained bilateral Totalization agreements with SSA. We concluded that data matching with foreign countries could be a way to prevent improper Social Security benefit payments.

This planned initiative and future reviews should enable us to provide SSA and Congress with an accurate picture of the efficacy of SSA's international efforts.

Conclusion

SSA's assignment of SSNs and payment of benefits to foreign-born individuals is a complex issue. To sort through the underlying issues takes time and patience. Its resolution would have a profound effect on SSA's programs and operations. This is a public policy issue that Congress will have to continue to grapple with in the months and years to come; my office stands ready as always to assist you and SSA by providing accurate and meaningful audit and investigative work. Thank you, and I would be happy to answer any questions you may have.