

Edit Routines Used to Reinstate Wage Items from the Earnings Suspense File

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Office of Audit Report Summary

Objective

To determine the accuracy and costs of edit routines the Social Security Administration (SSA) uses to reinstate wage items from the Earnings Suspense File (ESF).

Background

Under 20 C.F.R. § 422.114, employers are required to report their workers' Forms W-2, *Wage and Tax Statements*, to SSA. The *Social Security Act* requires that SSA record each worker's earnings for benefit purposes.

SSA processes all Forms W-2 during its annual wage-reporting process. Forms W-2 with names and Social Security numbers (SSN) that do not match SSA's records post to the ESF as well as those that SSA assigns a special indicator code because the numberholder disclaimed the wages, is deceased, or is a child age 6 or younger. Wages in the ESF are not used to determine eligibility for, or the amount of, Social Security benefits.

After wage items have been placed in the ESF, SSA uses 12 back-end edit routines to assist with posting wage items to numberholders' earning records. Our review focused on these 12 back-end edit routines that reinstated wage items posted to the ESF: 9 rely on information from SSA's systems or the Internal Revenue Service, and 3 use informational correspondence letters.

Results

In general, SSA accurately reinstated earnings from the ESF using the 12 back-end edit routines. Of the 540 sampled reinstatements, 509 (94 percent) were accurate. For the inaccurate reinstatements, SSA employees or its systems' automation reinstated wage items to workers' records with names and/or SSNs that did not match the information employers reported.

We asked SSA to provide the cost associated with the 12 back-end edit routines. Given the limited cost information SSA had available, we could not determine the edit routines' overall costs, and SSA lacks key management information needed to determine whether its edit routines provide a good return for resources invested. As stewards of public funds, SSA should ensure it has the information needed to monitor whether the edit routines' costs are justified by their results.

As of October 2021, the ESF had accumulated over 381 million wage items for Tax Years (TY) 1937 to 2019. In recent years, SSA has annually added about 8 million new wage items to, and reinstated about 1 million wage items from, the ESF, which added to the ESF's overall growth. While the ESF grows, and the number of wage items annually reinstated from it remains relatively consistent, SSA has not reviewed its back-end edit routines to determine whether additions or modifications are needed. According to SSA, it has not identified any needed changes to its reinstatement processes. Per SSA, there are more U.S. workers working more jobs, which leads to more wage items. Some of these items come in with data that do not allow SSA to match the wage item to a numberholder.

Recommendations

We made three recommendations for SSA to take corrective actions on the reinstatement errors we identified that it had not reviewed or corrected; establish a process to regularly determine whether back-end edit routines should be added, updated, or discontinued to increase the accuracy and number of reinstatements; and track all back-end edit routine costs to regularly determine whether each edit routine is a prudent use of SSA's limited resources. SSA agreed with our recommendations.