



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Accuracy of Quarterly Wage Data  
and Their Impact on Social Security  
Benefits

*A-03-12-11213 / March 2013*

**MEMORANDUM**

**Date:** March 12, 2013

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Accuracy of Quarterly Wage Data and Their Impact on Social Security Benefits  
(A-03-12-11213)

The attached final report presents the results of our audit. Our objectives were to assess the accuracy of the quarterly wage data collected by the Federal Office of Child Support Enforcement and determine their effectiveness in helping identify overpayments in the Social Security Administration's benefit programs.

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

# Accuracy of Quarterly Wage Data and Their Impact on Social Security Benefits

## A-03-12-11213



March 2013

Office of Audit Report Summary

### Objectives

To assess the accuracy of the quarterly wage data collected by the Office of Child Support Enforcement (OCSE) and determine their effectiveness in helping identify overpayments in the Social Security Administration's (SSA) benefit programs.

### Background

The National Directory of New Hires (NDNH) is a repository of wage and employment information that includes new hire (W-4), unemployment insurance, and quarterly wage information reported by State and Federal agencies. Our audit focused on the quarterly wage data included in the NDNH. SSA accesses the quarterly wage data to (1) establish or verify eligibility and/or payment amounts under the Supplemental Security Income (SSI) program; (2) establish or verify eligibility and/or continuing entitlement under the Disability Insurance program; and (3) administer the Ticket to Work (TTW) and Self-Sufficiency programs.

In addition, SSA verifies the names and Social Security numbers on all quarterly wage reports to ensure the data are accurate before OCSE transmits them to State and Federal agencies.

### Our Findings

During Fiscal Years (FY) 2006 to 2012, SSA was not always able to verify the accuracy of the names and Social Security numbers on the quarterly wage reports because many States submitted a partial set of, or no, letters in the employee name field. Specifically, SSA could not verify 29 percent of the records in FY 2006. This amount was reduced to 23 percent in FY 2012. Although some States may have had complete and accurate wage information in their records, their computer systems could not transmit all the required wage information to OCSE. Additionally, some States only required that employers submit partial names for employees. As of 2012, several States had taken, or would be taking, steps to ensure they complied with the reporting requirements for the quarterly wage data, which should help decrease the number of records posted to the non-verifiable file.

Despite the fact that the non-verifiable records represented a significant portion of quarterly wage records posted to the NDNH file, SSA was able to use the quarterly wage data included on these records to verify individuals' eligibility and continued eligibility for SSI, Disability Insurance, and administration of the TTW program. We found that 29 of the 83 S2 alerts we reviewed were generated based on non-verifiable quarterly wage reports. As SSA staff developed these alerts, they verified the identities of individuals included on the quarterly wage reports by contacting individuals to confirm the quarterly wages actually belonged to SSI recipients and provided advance notice prior to taking any action. Because SSA used the quarterly wages, it identified about \$114,000 in overpayments. Therefore, the non-verifiable records did not negatively impact SSA's ability to identify improper payments in its SSI program.

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## ABBREVIATIONS

CBA	Cost Benefit Analysis
CDR	Continuing Disability Review
D.C.	District of Columbia
DI	Disability Insurance
DoL	Department of Labor
Form SS-5	Application for a Social Security Card
FY	Fiscal Year
HHS	Department of Health and Human Services
IRC	Internal Revenue Code
NDNH	National Directory of New Hires
OCSE	Office of Child Support Enforcement
OIG	Office of the Inspector General
OQP	Office of Quality Performance
POMS	Program Operations Manual System
PRWORA	<i>Personal Responsibility and Work Opportunity Reconciliation Act of 1996</i>
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSR	Supplemental Security Record
TTW	Ticket to Work
U.S.C.	United States Code

## OBJECTIVES

The objectives of our review were to assess the accuracy of the quarterly wage data collected by the Office of Child Support Enforcement (OCSE) and determine their effectiveness in helping identify overpayments in the Social Security Administration's (SSA) benefit programs.

## BACKGROUND

The *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (PRWORA) authorized the Department of Health and Human Services' (HHS) OCSE to manage the National Directory of New Hires (NDNH) database.<sup>1</sup> The NDNH is a repository of wage and employment information that includes new hire (W-4), unemployment insurance, and quarterly wage information reported by State and Federal agencies. Our audit focused on the quarterly wage data included in the NDNH. Congress authorized State and specific Federal agencies<sup>2</sup> to receive and use the NDNH information for specific purposes. The quarterly wage component is critical to State and Federal agencies' child support enforcement, fraud identification, benefit establishment, and debt recovery.

SSA accesses the quarterly wage data<sup>3</sup> via a routing file match and online queries to (1) establish or verify eligibility and/or payment amounts under the Supplemental Security Income (SSI) program; (2) establish or verify eligibility and/or continuing entitlement under the Disability Insurance (DI) program; and (3) administer the Ticket to Work (TTW) and Self-Sufficiency programs.

For the file match, SSA systems generate an S2 alert<sup>4</sup> when the match between the Supplemental Security Record (SSR) and the quarterly wage file shows there is significant unreported or underreported wages. SSA uses established criteria, such as tolerances, to generate the S2 alerts and post them to the recipient's record for development by field office staff.

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<sup>1</sup> Pub. L. No. 104-193, § 316, 110 Stat. 2105, 2216 (codified at *Social Security Act*, § 453(i), 42 U.S.C. § 653(i).

<sup>2</sup> *Social Security Act*, § 453(i)(3) and (j), 42 U.S.C. § 653(i)(3) and (j). See Appendix A for a list of Federal agencies authorized to access the NDNH database.

<sup>3</sup> *Social Security Act*, § 453 (j)(4), 42 U.S.C. § 653(j)(4).

<sup>4</sup> SSA matches the SSR against the quarterly wage file looking for significant wage discrepancies for SSI recipients and deemors in all States and the District of Columbia. An alert is generated when the wage amount for a quarter exceeds the SSR wage amount for that quarter by more than the "tolerance." The tolerance for a recipient's wage is \$250 for a quarter. The tolerance for a deemor's wage is \$500 for a quarter. The S2 alert will not be generated for self-employment income because it is reported annually, not quarterly.

## Verification of Quarterly Wage Data

The PRWORA mandates SSA verify the names and Social Security numbers (SSN) on all quarterly wage reports to ensure the data are accurate before OCSE transmits them to State and Federal agencies.<sup>5</sup> SSA compares the name and SSN on the quarterly wage report with those on its Numident File.<sup>6</sup> Based on the verification responses provided by SSA, OCSE provides the following responses to State and Federal agencies.<sup>7</sup>

- **Verified:** The name/SSN combination matches SSA records. The matched records are posted to the NDNH file.
- **Unverified:** The name/SSN combination does not match SSA's record or SSA never issued the SSN. The record is not posted to the NDNH file. Instead, it is returned to the submitter with an error code.
- **Non-verifiable:** A valid SSN is provided, but the name field is blank or does not include the minimum number of characters for verification. The minimum requirements are (1) first name must contain one letter, middle name must contain at least one letter, and last name must contain at least four letters or (2) first name must contain at least one letter, and last name must contain at least seven letters. The records are posted to the NDNH non-verifiable file because they may contain valuable information that could be useful to States and Federal agencies.

## METHODOLOGY

To accomplish our objectives, we gained an understanding of the quarterly wage submission process and gathered information regarding State reporting trends as they related to the completeness and accuracy of the quarterly wage data. We reviewed States with a significant number of non-verifiable responses from Fiscal Years (FY) 2006 to 2012 and determined the reasons for missing or incomplete data. Further, we reviewed a sample of 83 S2 alerts identified in our December 2012 audit of *The Social Security Administration's Development of Earnings*

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<sup>5</sup> Pub. L. No. 104–193, § 316, 110 Stat. 2105, 2217, (codified at *Social Security Act*, § 453(j)(1)(B), 42 U.S.C. § 653(j)(1)(B).

<sup>6</sup> The Numident File 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/her *Application for a Social Security Card* (Form SS-5) for an original SSN card and subsequent applications for replacement SSN cards. Each record is housed in the Numident File.

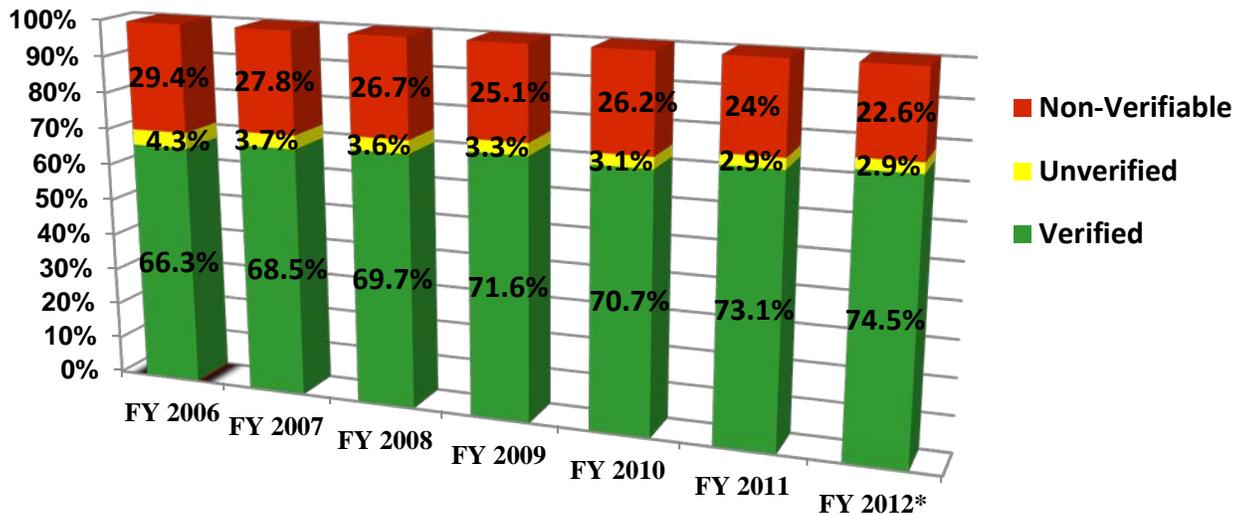
<sup>7</sup> *The National Directory of New Hires Guide for Data Submission*, Version 12.0, August 12, 2011, pages 12-1 and 20-1.

Alerts for Supplemental Security Income Recipients, (A-02-11-11185)<sup>8</sup> to determine whether the alerts were generated based on non-verifiable quarterly wages.<sup>9</sup>

## RESULTS OF REVIEW

During FYs 2006 to 2012, SSA was not always able to verify the accuracy of the names and SSNs on the quarterly wage reports because many States submitted a partial set of, or no, letters in the employee name field. Specifically, SSA could not verify 29 percent of the records in FY 2006. This amount was reduced to 23 percent in FY 2012. For example, in FY 2011, SSA processed about 603 million transactions through its verification program but was unable to verify names and SSNs on about 145 million (24 percent) quarterly wage records because of incomplete names. Although some States may have had complete and accurate wage information in their records, their computer systems could not transmit all the required wage information to OCSE. Additionally, some States only required that employers submit partial names for employees. As of 2012, several States had taken, or would be taking, steps to ensure they complied with the reporting requirements for the quarterly wage data,<sup>10</sup> which should help decrease the number of records posted to the non-verifiable file.

**Figure 1: Verification Response of Quarterly Wage File**



\*As of May 2012

<sup>8</sup> We obtained a sample of 250 earnings alerts that included 83 S2 alerts. The remaining 167 cases were either K6 or K7 alerts, which are generated when the wage amount on the Master Earnings File exceeds the SSI record by a certain threshold.

<sup>9</sup> See Appendix B for further details about our scope and methodology.

<sup>10</sup> Pub. L. No. 104-193, § 313(b) 110 Stat.2105, 2211 (codified at *Social Security Act*, § 453a(g)(2), 42 U.S.C. § 653a(g)(2)).

Despite the fact that the non-verifiable records represented a significant portion of quarterly wage records posted to the NDNH, SSA used the quarterly wage data in these records to verify individuals' eligibility and continued eligibility for SSI, DI, and administration of the TTW program. We found that 29 of the 83 S2 alerts we reviewed were generated based on non-verifiable quarterly wage reports. As SSA staff developed these alerts, they verified the identities of individuals on the quarterly wage reports by contacting individuals to confirm the quarterly wages actually belonged to SSI recipients and provided advance notice before taking action.<sup>11</sup> Because SSA used the quarterly wages, it identified about \$114,000 in overpayments. Therefore, the non-verifiable records did not negatively impact SSA's ability to identify improper payments in its SSI program.

### Non-Verifiable Quarterly Wage Data

SSA could not verify the names and SSNs on 29 percent of the quarterly wages in FY 2006, which was reduced to 23 percent in FY 2012. This occurred because many States submitted only a partial set of, or no, letters in the employee name field (see Table 1). In 2006, SSA could not verify the names and SSNs on 184 million (29 percent) of the 626 million quarterly wage reports States submitted. However, as of May 2012, the non-verifiable records had been reduced to 98 million (23 percent) of the 431 million quarterly wage reports—a 6-percent reduction over the 6-year period.

**Table 1: Quarterly Wage Submissions (FYs 2006 Through 2012)**

FY	Verified		Unverified		Non-Verifiable		Total (millions)
	Submissions (millions)	Percent	Submissions (millions)	Percent	Submissions (millions)	Percent	
2006	415	66.3	27	4.3	184	29.4	<b>626</b>
2007	447	68.5	24	3.7	181	27.8	<b>652</b>
2008	466	69.7	24	3.6	179	26.7	<b>669</b>
2009	445	71.6	21	3.3	156	25.1	<b>622</b>
2010	438	70.7	19	3.1	163	26.2	<b>620</b>
2011	441	73.1	17	2.9	145	24.0	<b>603</b>
2012*	321	74.5	12	2.9	98	22.6	<b>431</b>

\*As of May 2012

<sup>11</sup> SSA, Program Operations Manual System (POMS), SI 02310.007, *Processing Alerts from Computer Matches* (June 23, 2008) and SSA, POMS, NL 00601.030, *Advance Notices* (December 16, 2002).

## *Major Contributors to the Non-Verifiable File*

In 2006, 16 States were major contributors to the non-verifiable file. Fifty-nine to 100 percent of their submissions was posted to the non-verifiable file because of missing or incomplete first and/or last names. Of the 16 States, 12 did not include any names on their quarterly wage reports.

To understand why the States were submitting missing or incomplete records, we contacted officials at the Department of Labor (DoL), which coordinates with OCSE to help ensure States were complying with the reporting requirements for the NDNH.<sup>12</sup> DoL conducted a survey in November 2011 to determine why some States were submitting incomplete or missing data on their quarterly wage reports.<sup>13</sup> According to the responses, although some States may have had complete and accurate wage information in their records; their computer systems could not transmit all the required wage information to OCSE. Additionally, some States only required that employers submit partial names, such as a first name, middle initial, or only a last name. DoL officials stated that if funds are available for this purpose, States could request funding from DoL to improve their computer systems to help ensure they are compliant when reporting quarterly wage data.

As shown in Table 2, 7 of the 16 States had made improvements in 2012 by submitting the minimum number of characters needed to verify the names and SSNs. In 2006, these seven States submitted non-verifiable records ranging from 59 to 100 percent. However, in 2012, the non-verifiable records ranged from 0 to 60 percent. For example, the State of Wyoming had significantly improved, from submitting no names on the quarterly wage reports in 2006 to including full names on its records in 2012. In January 2012, the State of Wyoming upgraded its computer system to allow it to start capturing and reporting the full names on the quarterly wage reports submitted to OCSE.

The nine remaining States continued reporting 100 percent of their records as non-verifiable in 2012. Four States indicated they would be taking steps to allow their computer systems to report full names to ensure compliance with the NDNH reporting requirements as well as requiring that employers submit full names. For example, the State of Arizona had not been capturing or storing employee names. In 2011, it received funding from DoL to improve their computer system that would allow the State to electronically store employee names and send compliant files to OCSE. Additionally, Arizona indicated it would phase in optical character recognition technology that could capture employee names from paper reports. The five remaining States indicated they had no immediate plans to collect or transmit employees' full names or did not respond to the survey.

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<sup>12</sup> Pub. L. No. 104–193, §§ 313(b) and 316 (j), 110 Stat.2105, 2211 and 2217 (codified at *Social Security Act*, §§ 453a(g)(2) and 453(j), 42 U.S.C. §§ 653a(g)(2) and 653(j)).

<sup>13</sup> DoL contacted those States that were not submitting names and/or not submitting quarterly wage records for all four quarters. DoL's survey results were solely based on responses provided by States.

**Table 2: States with High Percentage of Non-Verifiable Records**

States	Non-Verifiable 2006	Non-Verifiable 2012	Responses
<b>States that Improved</b>			
Wyoming	100%	0%	
Oklahoma	100%	16%	
Colorado	100%	60%	
Maryland	83%	57%	
Montana	68%	49%	
Arkansas	61%	11%	
South Dakota	59%	11%	
<b>States that Did Not Improve</b>			
Arizona	100%	100%	States that had plans to improve their quarterly wage submissions
Maine	100%	100%	
West Virginia	100%	100%	
Iowa	100%	100%	
District of Columbia	100%	100%	States that did not provide a plan of action to improve their quarterly wage submissions
North Carolina	100%	100%	
South Carolina	100%	100%	
Kansas	100%	100%	
Tennessee	100%	100%	Did not provide response

### SSA's Use of Quarterly Wage Data

Despite the fact that the non-verifiable records represented a significant portion of quarterly wage records posted to the NDNH file, SSA was able to use the quarterly wage data via a batch match and online queries to verify some individuals' eligibility for SSI and DI benefits and administration of the TTW program. SSA's use of the quarterly wage data allowed the Agency to make faster decisions on its benefit programs.

#### *Quarterly File Match*

Since 1998, SSA has performed a quarterly match between SSI payment rolls and the NDNH quarterly wage file. SSA matches records based on the SSN only. The purpose of the match is to identify unreported or underreported income for SSI recipients and deemors.<sup>14</sup> When the match shows there are significant un- or underreported wages, SSA uses established criteria, such as tolerances, to generate S2 alerts that are posted to the individual's record. Since the

<sup>14</sup> SSA, POMS, SI 01310.001, *The Role of Deeming* (November 17, 2010).

match is based on SSNs only, the alerts are generated from both verified and non-verifiable data and are sent to the field offices to resolve wage discrepancies, determine past and continuing SSI eligibility and/or payment amounts, and pursue any overpayment recovery. The S2 alerts generated from non-verifiable data include a message indicating that alerts were generated without a surname match.

We found that 29 of the 83 S2 alerts we reviewed were generated based on quarterly wage reports that were non-verifiable, and the wage reports had missing or incomplete first and/or last names. As SSA staff developed these alerts, they verified the identities of some of the individuals on the quarterly wage reports by contacting individuals to confirm whether the quarterly wages belonged to SSI recipients before taking any actions.<sup>15</sup> SSA staff confirmed that the quarterly wages belonged to 22 recipients who were overpaid approximately \$114,000 in benefits, of which SSA identified \$73,000, and the prior audit<sup>16</sup> identified \$41,000 (see Table 3).

**Table 3: Non-Verifiable S2 Alerts**

	Individuals	SSA Identified Overpayment	OIG Identified Overpayment	Total
<b>SSA Identified Overpayment</b>	7	\$31,435	\$0	\$31,435
<b>SSA Identified Overpayment, but OIG Identified Additional Overpayment</b>	9	\$42,044	\$25,784	\$67,828
<b>SSA Identified No Overpayment, but OIG Identified Overpayment</b>	6	\$0	\$15,189	\$15,189
<b>No Overpayment</b>	7	\$0	\$0	\$0
<b>Total</b>	<b>29</b>	<b>\$73,479</b>	<b>\$40,973</b>	<b>\$114,452</b>

Moreover, SSA’s most recent cost-benefit analysis of the quarterly match between SSA and OCSE showed that, in FY 2009, the processing of the S2 alerts resulted in SSA detecting about \$108 million in overpayments and a decrease of about \$33 million in recurring monthly payments.<sup>17</sup> By using verified and non-verifiable records, SSA estimated it detected about \$141 million in improper SSI benefit payments. Therefore, the non-verifiable records did not negatively impact SSA’s ability to identify improper payments in the SSI program.

<sup>15</sup> SSA, POMS, SI 02310.007, *Processing Alerts from Computer Matches* (June 23, 2008).

<sup>16</sup> SSA, OIG, *The Social Security Administration’s Development of Earnings Alerts for Supplemental Security Income Recipients*, (A-02-11-11185) December 2012.

<sup>17</sup> SSA, Office of Quality Performance, CBA (*Match 1074*): *Consolidated Cost Benefit Analysis for the Online Query and Quarterly Batch Computer Between the Office of Child Support Enforcement and the Social Security Administration*, April 2011. SSA conducted the cost-benefit analysis as required by the Computer Matching Agreement Between SSA and HHS.

## *Online Query Access to Quarterly Wage File*

SSA had online query access to the quarterly wage file for the SSI, DI, and TTW programs. In FY 2009, the Agency generated over 6.4 million online queries. SSA employees accessed the quarterly wage data to assist with evaluating beneficiaries' work activity under the SSI, DI, and TTW programs. The information in these wage reports served as a lead or indication of earnings from employment. The quarterly wage screens included both verified and non-verifiable data. Again, the non-verifiable records had missing or incomplete names and included a verification code that indicated the name and SSN on the report were not verified via SSA's Numident. However, as mentioned previously, before taking any adverse action, SSA employees independently verified whether the wages belonged to recipients and beneficiaries.

The benefits of SSA having online query access to the quarterly wage data included, but was not limited to, the following.

- Real-time access to the quarterly wage information enabled field office staff to provide more timely assistance to claimants obtaining benefits and to make more accurate eligibility determinations.
- Cost avoidance of not having to conduct a work continuing disability review (CDR). A CDR is conducted when an issue, such as work activity or earnings above a specified amount, occurs and SSA must determine whether an individual continues meeting the law's disability requirements.<sup>18</sup> If the online query were not available, SSA would have to request a work CDR for each of the beneficiaries under review. The Agency estimated that in FY 2009, it avoided having to conduct over 813,000 CDRs for the DI and TTW programs.

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<sup>18</sup> SSA, POMS, DI 40501.010, *Events Which May Initiate a CDR* (September 16, 2002).

## CONCLUSIONS

Overall, we found that SSA was not always able to verify the accuracy of names and SSNs on the quarterly wage reports in the NDNH file because some States submitted reports with missing and incomplete names. Specifically, SSA could not verify 29 percent of the records in FY 2006, and this was reduced to 23 percent in FY 2012. Although States continued submitting reports with missing or incomplete names, we learned that several States had taken, or would be taking, steps to improve accuracy of their quarterly wage data to ensure compliance with the reporting requirements, which should further reduce the number of records posted to the non-verifiable file.

Even though the non-verifiable data represented a significant portion of the quarterly wage files, SSA was able to use the non-verifiable data to verify some individuals' eligibility and continued eligibility for SSI, DI, and administration of the TTW program. In FY 2009, using both verified and non-verifiable quarterly wage records, SSA estimated that it detected about \$141 million in improper SSI benefit payments. Therefore, the non-verifiable records did not negatively impact SSA's ability to identify improper payments within its SSI benefit program.

# *APPENDICES*

## Appendix A – FEDERAL AGENCIES’ USE OF QUARTERLY WAGE DATA

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Congress authorized State and specific Federal agencies to receive and use the National Directory of New Hires (NDNH) information for authorized purposes. The quarterly wage component is critical to State and Federal agencies for child support enforcement, fraud identification, benefit establishment, and debt recovery. There are five Federal agencies authorized to use the data to assist with administering their programs. The Social Security Administration (SSA) as well as the other Federal agencies, uses the NDNH quarterly wage data to detect overpayments, collect debt, verify income, and/or detect fraud.

**Table A-1: Federal Agencies’ Use of NDNH Data**

Federal Agency	Purpose
Social Security Administration	Establishing or verifying eligibility and/or payments under the Supplemental Security Income and Old-Age, Survivors Disability Insurance, and Ticket to Work and Self-Sufficiency programs.
Department of Health and Human Services	Child support enforcement.
Department of the Treasury	Administering: <ul style="list-style-type: none"> <li>• Section 32 (earned income tax credit) of the Internal Revenue Code (IRC)</li> <li>• advance payment of the earned income tax credit (Section 3507 of the IRC)</li> <li>• verifying a claim of employment in a tax return.</li> </ul> Collecting debt owed to the Government.
Department of Education	Debt collection from individuals who defaulted on student loans or owe an obligation to refund the overpayment of a grant.
Department of Housing and Urban Development	Verifying the employment and income of individuals participating in certain housing programs.

## Appendix B – SCOPE AND METHODOLOGY

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To accomplish our objective, we:

- Reviewed applicable Federal laws and sections of the Social Security Administration’s (SSA) regulations, policies, and procedures.
- Reviewed Office of the Inspector General (OIG) reports, Government Accountability Office reports, and other relevant documents.
- Reviewed applicable sections of the Federal Office of Child Support Enforcement’s (OCSE) National Directory of New Hires (NDNH) Guide for Data Submission, August 12, 2011,<sup>1</sup> and A Guide to the National Child Support Enforcement Directory of New Hires, December 7, 2011.<sup>2</sup>
- Reviewed the Interagency Information Exchange Agreements between SSA and the Department of Health and Human Services (HHS) authorizing access to the NDNH data for Fiscal Years (FY) 2009 through 2011.
- Reviewed the Computer Matching Agreements between SSA and HHS, OCSE, covering information exchange operations to include online query access for Supplemental Security Income (SSI), Disability Insurance (DI), and Ticket to Work (TTW) and Self Sufficiency programs, and SSI quarterly wage match.
- Reviewed the Office of Quality Performance’s (OQP) Cost Benefit Analysis (CBA) reports:
  - Evaluation of a Pilot Match Between the Supplemental Security Record (SSR) and the Office of Child Support Enforcement (OCSE) New Hires File (January 2007)
  - CBA Match (1074): Computer Matching Between the Office of Child Support Enforcement (OCSE) and Supplemental Security Record (SSR) (March 2008)
  - CBA (Match 1074): Consolidated CBA for the Online Query and Quarterly Batch Computer Between the Office of Child Support Enforcement and the Social Security Administration (April 2011)
- Reviewed data provided by OCSE that contained summary counts of all records in the NDNH from October 1, 2007 through May 10, 2012.

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<sup>1</sup> *The National Directory of New Hires Guide for Data Submission*, Version 12.0, August 12, 2011, provides general information concerning the NDNH and its purpose, as well as broad technical information for data submission.

<sup>2</sup> This guide provides a general overview of the data maintained in the NDNH and the limitations on its use.

- Discussed with OCSE staff State reporting trends as they relate to the completeness and accuracy of quarterly wage data.
- Reviewed the Department of Labor's survey results for States that submitted incomplete quarterly wage data. The survey was conducted in November 2011.
- Assessed the impact the incomplete quarterly wage data have on SSA's ability to establish or verify eligibility and/or payment amounts under the SSI and DI programs.
- Reviewed 83 S2 alerts obtained from a random sample of 250 earnings alerts identified during our review of *The Social Security Administration's Development of Earnings Alerts for Supplemental Security Income Recipients*, December 2012. We analyzed the 83 S2 alerts and reviewed online query and other pertinent SSA records to identify verifiable and non-verifiable records.
- Contacted five Federal agencies authorized to receive quarterly wage data: SSA, HHS, and the Departments of Education, Housing and Urban Development, and the Treasury to (1) gain a better understanding of how the agencies use the quarterly wage data in their programs and (2) determine whether the accuracy of the quarterly wage data affected their ability to identify improper payments in their programs.

We determined the quarterly wage NDNH data used for this audit were sufficiently reliable to meet our objective. The entities audited were the Offices of Earnings, Enumeration, and Administrative Systems and Applications and Supplemental Security Income Systems, under the Office of the Deputy Commissioner for Systems.

Our work was conducted at the Philadelphia Audit Division, Philadelphia, Pennsylvania, from March through December 2012. 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 objective.

## Appendix C – AGENCY COMMENTS

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### SOCIAL SECURITY

#### MEMORANDUM

**Date:** February 12, 2013

**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, “Accuracy of Quarterly Wage Data and Their Impact on Social Security Benefits” (A-03-12-11213)—INFORMATION

Thank you for the opportunity to review the draft report. We do not have any 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.

## Appendix D – MAJOR CONTRIBUTORS

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Cylinda McCloud-Keal, Director, Philadelphia Audit Division

Carol Madonna, Audit Manager

Mary Dougherty, Auditor-in-Charge

## MISSION

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

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