



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Employers Reporting Wages with  
Nonwork Social Security Numbers

*A-03-18-50537 | September 2018*



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

**MEMORANDUM**

**Date:** September 25, 2018

**Refer To:**

**To:** The Commissioner

**From:** Acting Inspector General

**Subject:** Employers Reporting Wages with Nonwork Social Security Numbers (A-03-18-50537)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether employees were working under nonwork Social Security numbers.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.

A handwritten signature in black ink that reads "Gale Stallworth Stone".

Gale Stallworth Stone

Attachment

# Employers Reporting Wages with Nonwork Social Security Numbers

## A-03-18-50537



September 2018

Office of Audit Report Summary

### Objective

To determine whether employees were working under nonwork Social Security numbers (SSN).

### Background

The Social Security Administration (SSA) issues nonwork SSNs to noncitizens who lack Department of Homeland Security (DHS) work authorization but have valid nonwork reasons for the SSNs, such as to obtain a federally funded benefit that requires an SSN.

Section 414 of the *Illegal Immigration Reform and Immigrant Responsibility Act of 1996* requires that SSA provide DHS an electronic file, known as the Nonwork Alien File (NWALIEN) that includes the SSNs, names, and addresses of noncitizens working with nonwork SSNs; the employer reporting the wages; and the earnings amount. Additionally, each year SSA is required to send a report to the Congress on the aggregate quantity of nonwork SSNs used to earn wages.

For Tax Years (TY) 2014 to 2016, SSA's NWALIEN File included about 422,000 individuals who were assigned nonwork SSNs but earned about \$50 billion in wages.

### Findings

In TY 1996, there were about 607,000 individuals working under nonwork SSNs. In TY 2016, that number decreased about 43 percent to 343,000 individuals. Further, about 80 percent of the employers in the NWALIEN files for TYs 2014 to 2016 may not have been aware their employees were not authorized to work because they had not registered to use E-Verify to confirm their employees' employment eligibility. Moreover, since 2007, SSA was unable to provide the NWALIEN file to DHS because the data exchange agreement had expired and had not been renewed in 12 years.

Finally, based on our review of SSA's records for two sample populations of individuals assigned nonwork SSNs with wages posted to the NWALIEN File for TYs 2014 to 2016, we estimate SSA

- erroneously placed 6,000 individuals on the NWALIEN file because staff did not update their work authorization status on the Numident when they provided the Agency with supporting evidence during the benefit claims process, and
- incorrectly assigned nonwork SSNs to 2,700 individuals who were U.S.-born citizens.

### Recommendations

We recommended SSA re-examine controls and procedures to ensure citizenship/work authorization information is updated on the Numident during the claims process and continue working with DHS to develop a data-exchange agreement to share the NWALIEN file, as required by law.

SSA agreed with our recommendations.

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## ABBREVIATIONS

C.F.R.	Code of Federal Regulations
DHS	Department of Homeland Security
ESF	Earnings Suspense File
Fed. Reg.	Federal Regulation
IIRIRA	<i>Illegal Immigration Reform and Immigrant Responsibility Act</i>
iSSNRC	Internet SSN Replacement Card
NWALIEN	Nonwork Work Alien
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSN	Social Security Number
TY	Tax Year
U.S.C.	United States Code

## OBJECTIVE

Our objective was to determine whether employees were working under nonwork Social Security numbers (SSN).

## BACKGROUND

The Social Security Administration (SSA) designed the nine-digit SSN to allow employers to identify and report an individual's earnings covered under the new Social Security program, and to help SSA track earnings, determine eligibility for benefits, and pay the correct benefit amount.<sup>1</sup> When SSA assigns an SSN, it creates a master record, known as the Numident, that includes relevant information about the numberholder, such as name, date of birth, place of birth, indication of citizenship, and parents' names.<sup>2</sup> SSA issues nonwork SSNs to noncitizens who lack Department of Homeland Security (DHS) work authorization but have valid nonwork reasons for the SSNs, such as obtaining a federally funded benefit that requires an SSN.<sup>3</sup> Nonwork SSNs are identified by a combination of fields on the Numident including the citizenship, interview, and foreign country indicator codes in the Numident. The foreign country indicator identifies when an individual was born outside the United States. In addition, it could include U.S. citizens born abroad or noncitizens who have work authorization.

Section 414 of the *Illegal Immigration Reform and Immigrant Responsibility Act of 1996* (IIRIRA) requires that SSA provide DHS the SSNs, names, and addresses of noncitizens working with nonwork SSNs; the employer reporting the wages; and the earnings amount.<sup>4</sup> Wages reported on a *Wage and Tax Statement* (Form W-2) with nonwork SSNs are recorded on SSA's Nonwork Alien (NWALIEN) file. Additionally, each year, SSA is required to report to the Congress the aggregate quantity of nonwork SSNs for which earnings were reported.

We analyzed reports SSA sent to the Congress for Tax Years (TY) 1996 to 2016 of workers using nonwork SSNs for employment. Further, we reviewed for TYs 2014 to 2016, SSA's NWALIEN file, which included about 422,000 individuals whose Numident records showed they were assigned a nonwork SSN and earned about \$50 billion in wages. Of these, we determined 9,209 individuals may have provided SSA with evidence of their work-authorization status when they applied for retirement and disability benefits. In addition, we identified 3,551 individuals who were assigned a nonwork SSN but did not have a foreign country indicator on their Numident record that indicated they were born outside the United States. From each of these 2 populations, we selected a random sample of 50 cases for review (see Appendix B).

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<sup>1</sup> SSA, *POMS*, RM 10201.001, sec. A (August 28, 2009) and RM 10201.005 (August 28, 2009).

<sup>2</sup> 20 C.F.R. § 422.103(a) (2018), SSA, *POMS*, RM 10205.001 (May 22, 2018).

<sup>3</sup> SSA, *POMS*, RM 10211.600, sec. A.1 (July 31, 2014) and RM 10211.610 (July 31, 2014).

<sup>4</sup> Pub. L. No. 104-208 Div. C, title IV, subtitle B, sec. 414(a) (1996).

## RESULTS OF REVIEW

The number of individuals working under nonwork SSNs had decreased by about 43 percent over a 21-year period that began in TY 1996. In TY 1996, there were approximately 607,000 individuals working under nonwork SSNs; in TY 2016, the number decreased to about 343,000 individuals.

We also found that 243,000 of approximately 303,000 employers (80 percent) included on TYs 2014 to 2016 NWALIEN files may not have been aware their employees were not authorized to work because they had not registered to use E-Verify to confirm their employees' employment eligibility.

Furthermore, since 2007, SSA was unable to provide DHS the NWALIEN file that identified individuals working under nonwork SSNs because the data exchange agreement used to share the data had expired and had not been renewed in 12 years. However, in April 2018, DHS expressed interest in receiving the NWALIEN file again to detect the fraudulent use of nonwork SSNs for employment.

Finally, based on our review of SSA's records for our sample populations of individuals with wages posted to the NWALIEN file for TYs 2014 to 2016, we estimate SSA

- erroneously placed about 6,000 individuals on the NWALIEN file because staff did not update their work-authorization status on the Numident when they provided the Agency with supporting evidence during the benefit claims process and
- incorrectly assigned nonwork SSNs to about 2,700 individuals who were U.S.-born citizens (see Appendix B).

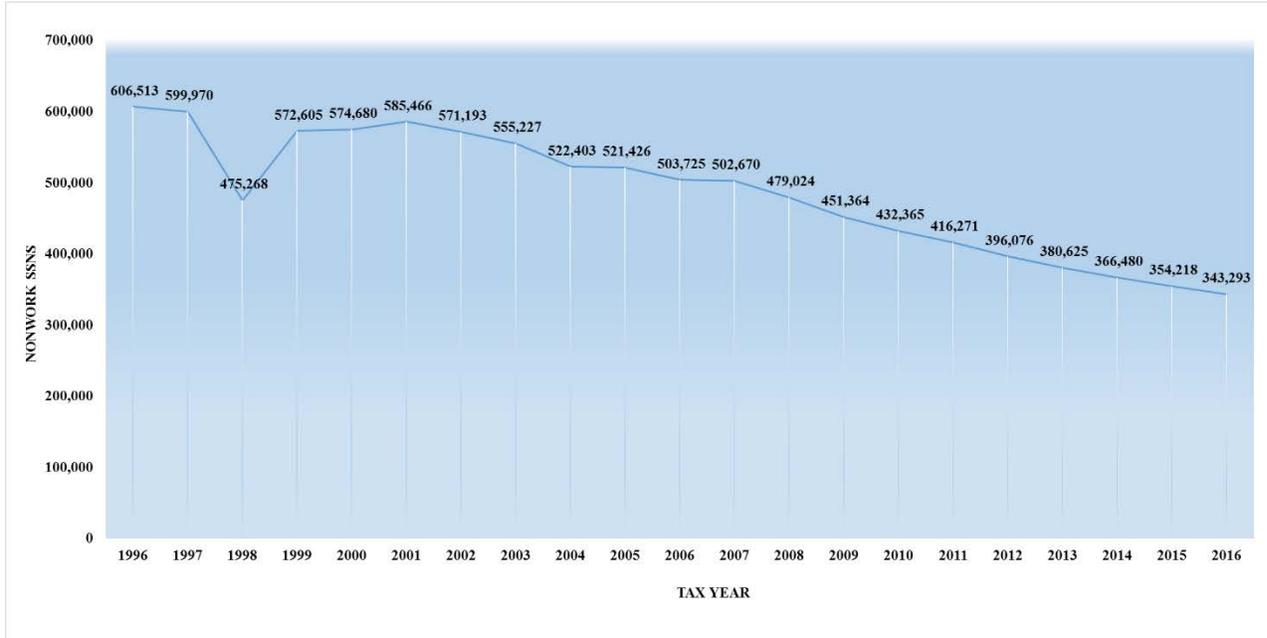
### Wages Reported with Nonwork SSNs

SSA had been reporting to Congress the number of noncitizens working with SSNs, as required by law.<sup>5</sup> From TYs 1996 to 2016, the number of individuals working with nonwork SSNs had decreased about 43 percent from about 607,000 to about 343,000. As shown in Figure 1, the number of individuals working with nonwork SSNs decreased every year except from TYs 1999 to 2001. During this 3-year period, the increase ranged from 97,000 in TY 1999 to 10,700 in 2001.

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<sup>5</sup> Pub. L. No. 104-208 Div. C, title IV, subtitle B, sec. 414(a) (1996).

**Figure 1: Nonwork SSNs with Earnings, TYs 1996 to 2016**



### *Status of the NWALIEN File*

Each year, SSA generates the NWALIEN file to report to the Congress on the aggregate number of nonwork SSNs for which earnings were reported.<sup>6</sup> Additionally, the law requires that SSA send DHS the NWALIEN file in an agreed upon electronic format that includes the noncitizens' names and addresses, the employer, and wage amounts. However, SSA staff indicated the Agency could not send DHS the file in 2007 because the data-exchange agreement between the two agencies had expired, and DHS had not attempted to renew the agreement. SSA sent DHS the last file in 2006, and that file included TY 2004 earnings data processed in Calendar Year 2005. According to SSA, in 2007, DHS staff advised SSA that it was not willing to sign a new data-exchange agreement. SSA determined it could not release the NWALIEN file to DHS without a new agreement because the creation of the NWALIEN file was not part of its core mission work for which the Agency received appropriations, DHS had to reimburse SSA for the full cost it incurred in furnishing the NWALIEN file.

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<sup>6</sup> Pub. L. No. 104-208 Div. C, title IV, subtitle B, sec. 414(a) (1996). Establishment of central file; information from other departments and agencies, 8 U.S.C. § 1360 (2018). Aliens and Nationality; Homeland Security; Reorganization of Regulations, 68 Fed. Reg. 9824 (February 28, 2003).

In April 2018, DHS submitted a data-exchange request to SSA to access SSA’s NWALIEN and Earnings Suspense Files (ESF).<sup>7</sup> The ESF is a repository of W-2s that failed SSA’s name and SSN matching criteria or had other wage discrepancies. DHS requested the SSNs and names included in both files to match against its records to verify an employee’s work eligibility. DHS indicated that accessing SSNs in the NWALIEN file and ESF would help detect noncitizens’ fraudulent use of SSNs. Further, DHS stated the match would reduce the number of noncitizens posted to the NWALIEN file and ESF because noncitizens could be deported. SSA staff reviewed the request and informed DHS that it could provide them with the NWALIEN file. However, the Agency indicated it was unable to provide DHS access to the ESF because SSA could not identify legal authority that authorizes the disclosure of the ESF to DHS.

### *Analysis of the NWALIEN File*

For TYs 2014 through 2016, the NWALIEN file included about 422,000 individuals working with assigned nonwork SSNs who earned about \$50 billion in wages. As shown in Table 1, about 303,000 employers had reported wages to SSA. The majority of the employers (97 percent) had submitted wage reports for fewer than 10 employees using nonwork SSNs. In contrast, about 600 employers reported wages for 100 or more employees using nonwork SSNs, ranging from 100 to 2,260 employees. The top 12 employers had reported wage reports for 1,000 or more employees using nonwork SSNs for employment. These employers were primarily in the staffing and retail industries. For example, an employer who is a national retailer had submitted wage reports totaling about \$188 million in TYs 2014 to 2016 for 2,260 employees using nonwork SSNs. As of August 2017, SSA’s Numident showed that 446 (20 percent) of these individuals were work-authorized.

**Table 1: TYs 2014 to 2016 NWALIEN Data by Employer**

Number of Employees	Employers	Percent
1-9	294,296	97.2
10-49	7,162	2.4
50-99	842	0.3
100-2,260	608	0.2
<b>Total</b>	<b>302,908</b>	<b>100</b>

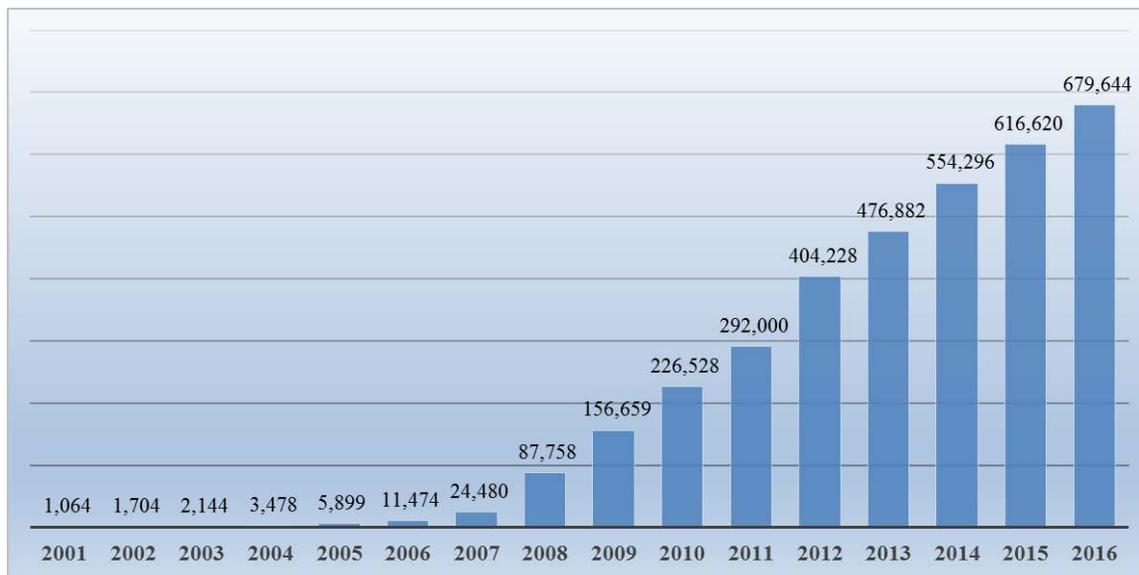
<sup>7</sup> SSA, *POMS*, RM 01101.002 (March 10, 2016).

Each year, SSA has reported to the Congress that, since the Agency did not routinely learn of changes in noncitizens' work authorization status until after SSNs have been assigned, wage reports under nonwork SSNs do not necessarily mean that unauthorized work was performed. Generally, SSA may not learn about a noncitizen's updated work-authorization status until he/she conducts business with SSA, such as requesting a replacement SSN card or filing a claim for Social Security benefits, which may not occur until years after his/her status has changed to work-authorized. Based on our review of SSA's Numident as of August 2017, we estimate about 58,000 (14 percent) of the 422,000 noncitizens included in TY 2014 to 2016 NWALIEN files had contacted SSA and provided evidence to show they were authorized to work in the United States. The approximate 364,000 remaining noncitizens still appeared as not authorized to work.

### *Registered Users of E-Verify*

The E-Verify program is an Internet-based employment eligibility verification program that DHS administers and SSA supports.<sup>8</sup> The E-Verify program assists participating employers in determining whether *newly hired* employees are authorized to work in the United States. SSA verifies the new hire's SSN, name, and date of birth and determines whether the alleged citizenship matches information on the Numident. For all noncitizens, if there is a match with SSA records, DHS then determines the new hire's current work-authorization status. As shown in Figure 2, since its inception in 2001, E-Verify's enrollment has increased from 1,064 in 2001 to 679,644 in 2016.

**Figure 2: Enrollment in E-Verify**



<sup>8</sup> DHS, *E-Verify Presentation*, e-verify.gov (last visited July 10, 2018).

Eight of 10 employers in TYs 2014 to 2016 NWALIEN files may not have been aware that their employees were not work-authorized because they had not registered to use E-Verify. Specifically, about 243,000 (80 percent) of the 303,000 employers had not signed up for E-Verify. Had they registered, approximately 101,000 employers that had hired about 125,000 new employees in TYs 2015 and 2016 would have found their employees were not authorized to work, as they would have received a tentative nonconfirmation response from E-Verify. This response would have prompted the employees to contact either SSA or DHS to resolve the discrepancy.

## Evidence of Work Authorization Provided

Of the 50 sample individuals, SSA did not update the work authorization status for 37 who provided the Agency with supporting evidence when they applied for Social Security benefits. We did not find evidence in SSA's records that indicated the remaining 13 sample individuals were authorized to work. It appeared that SSA did not keep copies of the evidence obtained during the claims process or the individuals were not required to provide proof because they filed claims before 1996.<sup>9</sup>

When noncitizens apply for benefits, they must prove their lawful U.S. presence unless their status has been proven and documented in SSA records.<sup>10</sup> Some of these documents also provide proof of work authorization, such as a Permanent Resident Card<sup>11</sup> or Certificate of Naturalization.<sup>12</sup> SSA verifies noncitizens' immigration and work authorization status and naturalization certificates with DHS via the Systematic Alien Verification for Entitlements program and updates its benefit records.<sup>13</sup>

The 37 individuals who were assigned nonwork SSNs earned about \$4.4 million in wages during TYs 2014 to 2016. Evidence of citizenship and lawful presence, including work-authorization status was obtained from these individuals when SSA awarded them Social Security benefits between 1999 and 2018. During the claims process, the Agency obtained such documentation as a U.S. passport, Permanent Resident Card, or Certificate of Naturalization as proof the beneficiaries were lawfully present and work-authorized. However, SSA staff did not use the evidence to update the Numident for the 37 individuals to reflect they were work-authorized. See examples below.

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<sup>9</sup> These claims were filed before The *Illegal Immigration Reform and Immigrant Responsibility Act of 1996*, Pub. L. No. 104-208, 110 Stat. 3009-546 (1996) was enacted.

<sup>10</sup> SSA, *POMS*, RS 00204.010, sec. B.1 (January 4, 2017) and RS 00204.020, sec. A (August 8, 2017).

<sup>11</sup> *Permanent Resident card* (USCIS Form I-551).

<sup>12</sup> *Certificate of U.S. Naturalization* (Form N-550 or N-570).

<sup>13</sup> SSA, *POMS*, RS 00204.020, sec. C.4 (August 8, 2017).

- A citizen of Peru who earned \$147,000 in TYs 2014 to 2016 was assigned a nonwork SSN in January 1981. She filed for retirement benefits in June 2014 and provided SSA with a Permanent Resident Card that showed she had been a lawful permanent resident since July 1981. Therefore, she had been work-authorized for 33 years, but she did not report the change to SSA until she filed for retirement benefits. When she filed in June 2014, SSA did not update her Numident to reflect the current citizenship/work authorization status.
- A citizen of Poland who earned about \$254,000 in TYs 2014 to 2016 was assigned a nonwork SSN in 1981. She filed for retirement benefits in July 2012 and provided SSA with her Certificate of Naturalization. She became a naturalized citizen in November 2007 but did not report her change in citizenship at that time to SSA. Although, in 2012, she provided SSA with evidence of her updated citizenship status when she applied for benefits, SSA had not updated her citizenship status on the Numident record for the past 6 years.

As noted in a prior audit,<sup>14</sup> the Agency does not have a process to match the benefit and Numident records to identify inconsistencies in citizenship data. Therefore, SSA staff can adjudicate a claim for benefits without updating the Numident with the current citizenship status. However, staff could be alerted about the discrepancy during the application process because certain information from the Numident propagates to the claims process. In these cases, staff needs to take a separate, manual action to update the Numident. If the Numident is not updated, there may be inconsistent data between it and payment records. Although the payment records were correct, SSA staff's did not update the Numident, which caused inconsistencies in work-authorization data and could negatively affect an individual.

We also found SSA included 33 of the 37 individuals on the NWALIEN file for TYs 2014 to 2016 even though the Agency had evidence in its records that the individuals were authorized to work in the United States. Based on the 33 sample cases, we estimate SSA erroneously placed 6,078 individuals on the NWALIEN file because staff did not update their work-authorization status on the Numident when they applied for Social Security benefits. Therefore, SSA should re-examine its controls and procedures to ensure the citizenship/work-authorization information is updated on the Numident during the claims process.

## Assignment of Nonwork SSNs

Of the 50 sampled individuals with about \$6.3 million in wages reported with nonwork SSNs and no foreign indicator code on the Numident, SSA inaccurately assigned 38 individuals who were U.S. citizens a nonwork SSN. The remaining 12 sample individuals had either provided SSA evidence that they were foreign born even though they did not have a foreign country indicator on their Numident record or provided SSA with evidence of U.S. citizenship during our review.

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<sup>14</sup> SSA OIG, *Removal of Self-employment Income and the Impact on Social Security Benefits*, A-03-16-50102 (February 2018).

The 38 individuals had earned about \$4.5 million in wages during TYs 2014 to 2016 that was incorrectly included on the NWALIEN file. SSA had assigned them nonwork SSNs from 1974 to 2015. The numberholders indicated on their SSN applications that they were born in the United States (city and State) and provided SSA with evidence of their U.S. citizenship status, such as a birth certificate. However, Agency staff incorrectly coded their Numident record as alien not authorized to work. In 21 cases, the errors occurred because the numberholders selected other as their citizenship status on the SSN application even though they provided evidence of U.S. citizenship. In some instances, numberholders selected “Other” to explain why they were requesting the SSN.

For TYs 1996 to 2004, SSA disclosed to DHS tax information for 37 of the 38 U.S. citizens<sup>15</sup> (name, SSN, address, and wage amount) as part of the NWALIEN file process. During the 8-year period, the U.S. citizens earned about \$8.2 million in wages. The disclosure was inaccurate because the IIRIRA<sup>16</sup> only allows SSA to share tax information for noncitizens who are not authorized to work. Furthermore, section 6103 of the *Internal Revenue Code*<sup>17</sup> limits SSA in disclosing tax-related information to third parties.

For example, an individual who was born in Brooklyn, New York, in 1960 was issued a nonwork SSN in 1975. As proof of citizenship, she provided SSA with her U.S. birth certificate; however, the Agency erroneously issued her a nonwork SSN. For TYs 1996 to 2004, she earned about \$359,000 in wages and this information, along with her name, SSN, and employer data, was posted to the NWALIEN file and disclosed to DHS.

We referred the 38 cases to the Agency for review, and it indicated staff inaccurately issued the numberholders nonwork SSNs because of keying errors.<sup>18</sup> Primarily, these errors occurred before the Social Security Number Application Process that is now used by the field was implemented in 2010. The application was implemented as the Agency’s front-end input process for the enumeration workload. It is the primary method of entering SSN card applications for original, different, or replacement SSN cards. Additionally, the majority of U.S.-born children are assigned SSNs through SSA’s automated Enumeration at Birth (EAB) process that was first implemented in three States in 1987, but was not used nationally until 1997. The 38 SSNs were assigned before EAB was implemented nationally. According to the Agency, the Social Security Number Application and EAB Processes should help eliminate the application keying errors we found during this review.

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<sup>15</sup> The Numident showed one of the individuals was not issued a nonwork SSN until 2015.

<sup>16</sup> Pub. L. No. 104-208 Div C, title IV, subtitle B, section 414(a) (1996).

<sup>17</sup> *Internal Revenue Code*, 26 U.S.C. § 6103(a)-(b). SSA POMS, GN 03320.001 (December 19, 2017).

<sup>18</sup> The Agency reviewed 12 of the 38 cases and determined keying errors likely caused the improper issuance of the nonwork SSNs.

Based on sample results, we estimate SSA erroneously issued nonwork SSNs to about 2,700 U.S. citizens who did not have a foreign country indicator code on the Numident. However, SSA only maintains electronic files on individuals who are currently receiving benefits and the vast majority of the 2,700 individuals were not receiving benefits. Since the majority of these individuals are not currently entitled, SSA does not have current address information to contact them and therefore, attempting contact would involve a cumbersome manual effort that may not result in letters being sent to the correct individual. According to SSA, the Agency also would have no way of recording evidence of their contact or be able to track their progress on correcting these Numident records. Essentially, this manual effort could be logistically challenging to control, and SSA has concerns with reaching out to these individuals without having reliable address information. Furthermore, SSA stated the Agency could always work with individuals to update their records if any mismatch should occur in the future, such as when these individuals file for benefits, apply for other public benefits and services, or if their employers identify the discrepancy when using E-Verify.

However, the erroneous nonwork SSNs could inconvenience individuals assigned SSNs before the automated efforts now in place. For example, an individual would be prevented from using SSA's Internet SSN Replacement Card (iSSNRC) application, which is a secure interface through SSA's *my Social Security* portal, that allows U.S. citizens who meet certain criteria to apply for a replacement SSN card electronically.<sup>19</sup> Because SSA issued nonwork SSNs to the 38 U.S. citizens, they would not meet the criteria to use the iSSNRC application and would be prompted to come into a Social Security field office to verify their identification and citizenship information. This is because one feature of the iSSNRC is that it cross-references information the numberholder enters with information on his/her Numident and other records for SSA to verify it is conducting business with the correct person.

Furthermore, while SSA is not responsible for making citizenship and lawful presence/work authorization determinations, because other Federal agencies and employers rely on SSA's indication of citizenship associated with the SSN, the inaccurate citizenship information for the 38 U.S. citizens could result in nonconfirmation of citizenship status to employers or Federal agencies that rely on SSA's Numident. For example, under the *Affordable Care Act*,<sup>20</sup> SSA verifies the name and SSN and confirms the alleged citizenship status, as stated on the Numident, to help the Department of Health and Human Services make eligibility determinations for health care coverage. These individuals would instead have to provide proof of U.S. birth to the State for eligibility. According to SSA, the numberholders can subsequently present this evidence to the Agency so a technician can correct their Numident. They then would not encounter these discrepancies again in the future when they conduct business with SSA or other Federal agencies.

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<sup>19</sup> SSA, *POMS*, RM 10205.630 (April 6, 2018). As of April 2018, the iSSNRC was available in 29 States.

<sup>20</sup> *Patient Protection and Affordable Care Act*, Pub. L. No. 111-148, §1411(c), (e), 124 Stat. 226 (2010), as amended by the *Health Care and Education Reconciliation Act*, Pub. L. No. 111-152, §1411(c), p. 125 (2010), collectively referred to as the *Affordable Care Act*.

## CONCLUSIONS

Overall, the number of noncitizens working with nonwork SSNs had decreased about 43 percent from approximately 607,000 individuals in TY 1996 to about 343,000 in TY 2016. Furthermore, about 80 percent of the employers reporting wages using nonwork SSNs had not signed up for E-Verify to confirm their new hires' employment eligibility. Although the law requires that SSA share the NWALIEN file with DHS, it requires that the file be in an agreed-upon electronic format. The NWALIEN file data exchange agreement between SSA and DHS expired and had not been renewed since 2007. SSA determined it could not release the NWALIEN file to DHS without a new agreement because the creation of the NWALIEN file was not part of SSA's core mission, and therefore DHS had to reimburse SSA for the full cost it incurred in furnishing the NWALIEN file. DHS has expressed interest in obtaining the NWALIEN data from SSA to detect the fraudulent use on nonwork SSNs used by noncitizens to work. Finally, we estimate SSA erroneously placed 6,000 individuals on the NWALIEN file because it did not update their work authorization and citizenship status and had issued nonwork SSNs incorrectly to approximately 2,700 U.S.-born citizens.

## RECOMMENDATIONS

We recommend SSA:

1. Re-examine controls and procedures to ensure SSA employees update citizenship/work authorization information on the Numident during the benefit-claims process.
2. Continue working with DHS to develop a data exchange agreement to share the NWALIEN file as required by law.

## AGENCY COMMENT

SSA agreed with our recommendations. The Agency's comments are included in Appendix C.



Rona Lawson  
Assistant Inspector General for Audit

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objectives, we:

- Reviewed applicable Federal law, including the *Social Security Act* and Social Security Administration's (SSA) regulations, policies, and procedures relevant to issuing Social Security numbers (SSN) for citizens and noncitizens, the Annual Wage Reporting process, and benefit entitlement.
- Reviewed Office of the Inspector General reports, Government Accountability Office reports, and other relevant documents.
- Obtained and reviewed the Nonwork Alien (NWALIEN) file data for Tax Years (TY) 2014 through 2016 that included 422,000 individuals issued nonwork SSNs.
- Obtained and reviewed a data extract from the Numident for the 422,000 individuals in the NWALIEN file for TYs 2014 to 2016.
- Obtained and reviewed a data extract from the Employer Identification File for employers in the NWALIEN file.
- Obtained and reviewed data extracts from SSA's Master Beneficiary and Supplemental Security Records as of August 2017 to identify individuals who were awarded benefits.
- Obtained and reviewed the letters sent to the Congress on the status of the NWALIEN file for TYs 1996 to 2016 to provide a historical trend of the nonwork SSNs with reported wages.
- Obtained and reviewed the data exchange agreement between SSA and the Department of Homeland Security (DHS) that defined the terms under which SSA agreed to provide the NWALIEN file on or before January 1, 1997.
- Obtained and reviewed the data exchange request from DHS in April 2018 for access to the NWALIEN and Earnings Suspense Files.
- Selected a random sample of 50 individuals from the population of 9,209 individuals who were awarded Social Security benefits and had wages posted to the NWALIEN file to determine whether they provided SSA with evidence of their work authorization during the benefits claims process. We reviewed various SSA systems such as the Modernized Claims System and the Modernized Supplemental Security Income Claims System to obtain documentation used to provide proof of work authorization.
- Selected a random sample of 50 individuals from the population of 3,551 individuals included in the NWALIEN file but did not have a foreign country indicator on SSA's Numident. We obtained from SSA's enumeration systems a summary of the evidence provided for the SSN application.

We conducted our audit between March and June 2018 in Philadelphia, Pennsylvania, and Baltimore, Maryland. We determined the data used for this audit were sufficiently reliable to meet our audit objective. The entities reviewed were the Offices of the Deputy Commissioners for Systems; Enterprise Information Systems; and Operations, Office of Public Service and Operations Support. 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 objectives.

## Appendix B – SAMPLING METHODOLOGY AND RESULTS

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We identified 12,760 individuals who were issued nonwork Social Security numbers (SSN) and placed on the Nonwork Alien File (NWALIEN) for Tax Years (TY) 2014 to 2016. During the 3 years, they earned about \$1.4 billion in wages. During the review, we identified that these individuals either had filed for Social Security benefits or did not have a foreign-country indicator code on their Numident record. From this, we identified two populations and selected two samples:

- 50 individuals from a population of 9,209 who earned about \$850 million in wages and were eligible and awarded Social Security benefits and
- 50 individuals from a population 3,551 who earned about \$510 million in wages, but did not have foreign country indicator code on the Numident that indicated they were born outside the United States.

### Evidence of Work Authorization Provided

The Social Security Administration (SSA) inappropriately placed 33 beneficiaries who earned about \$4.3 million in wages on the NWALIEN file in TYs 2014 to 2016. These beneficiaries provided the Agency with supporting evidence of their citizenship/work authorization status when they applied for Social Security benefits between March 1999 and November 2016. Projecting these results to our population of 9,209 beneficiaries, we estimate that SSA erroneously placed 6,078 beneficiaries on the NWALIEN file because staff did not update their work authorization status on the Numident.

### Assignment of Nonwork SSNs

SSA inappropriately assigned nonwork SSNs to 38 individuals who earned about \$4.5 million in wages for TYs 2014 to 2016. These individuals were U.S.-born citizens who were erroneously issued nonwork SSNs from 1974 to 2015. Projecting these results to our population of 3,551 individuals, we estimate SSA erroneously issued nonwork SSNs to 2,699 U.S. citizens who did not have a foreign country indicator code on the Numident.

The following tables provide the details of our sample results and statistical projections.

**Table B–1: Population and Sample Size**

Description	Work Authorization Provided	Inaccurate Nonwork SSNs
	Number of Beneficiaries	Number of Individuals
Population Size	9,209	3,551
Sample Size	50	50

**Table B-2: Projections**

Description	Work Authorization Provided	Inaccurate Nonwork SSNs
	Number of Beneficiaries	Number of Individuals
Sample Results	33	38
Point Estimate	6,078	2,699
Projection - Lower Limit	4,927	2,277
Projection - Upper Limit	7,092	3,035

**Note:** All statistical projections are at the 90-percent confidence level.

## Appendix C – AGENCY COMMENTS

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### SOCIAL SECURITY

#### MEMORANDUM

Date: September 21, 2018 Refer To: SIJ-3

To: Gale S. Stone  
Acting Inspector General

*Stephanie Hall*

From: Stephanie Hall  
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Employers Reporting Wages with Non-Work Social Security Numbers" (A-03-18-50537) -- 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 Trae Sommer at (410) 965-9102.

Attachment

**SSA COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT, “EMPLOYERS REPORTING WAGES WITH NON-WORK SOCIAL SECURITY NUMBERS” (A-03-18-50537)**

**GENERAL COMMENTS**

We recognize that maintaining the integrity of our records, including the Numident and earnings files, is critical to the successful administration of Social Security programs. We will continue our ongoing automation efforts to improve compliance with enumeration policies and procedures. We will also revise our claims instructions to ensure that technicians update citizenship or work authorization information on the Numident during the claims process when a change has occurred, and we will provide technicians with training and reminders.

While the law requires us to provide the Non-Work Alien File to the Department of Homeland Security (DHS), in order to provide it, DHS must reimburse us. As OIG acknowledged in its report, creating and sharing the file with DHS is not part of the core mission work for which we receive appropriations and, therefore, we are required to seek reimbursement. We have not provided the file to DHS since 2007 because we were unable to secure reimbursement. DHS recently reached out to us to resume sending the file and we approved the request and provided a start-up cost estimate. We expect DHS to determine whether to move forward with the exchange soon.

Our responses to the recommendations are below.

**Recommendation 1**

Re-examine controls and procedures to ensure SSA employees update citizenship/work authorization on the Numident during the benefit-claims process.

**Response**

We agree.

**Recommendation 2**

Continue working with DHS to develop a data exchange agreement to share the NWALIEN file as required by law.

**Response**

We agree.

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