

OIG

Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Employers Who Report Wages with
Significant Errors in the Employee
Name and Social Security Number

A-08-12-13036 / August 2013

MEMORANDUM

Date: August 9, 2013

Refer To:

To: The Commissioner

From: Inspector General

Subject: Employers Who Report Wages with Significant Errors in the Employee Name and Social Security Number (A-08-12-13036)

The attached final report presents the results of our audit. Our objectives were to identify patterns of errors and irregularities in wage reporting for (1) 100 employers who had the most suspended wage items and (2) 100 employers who had the highest percentage of suspended wage items for Tax Years 2007 through 2009

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

Employers Who Report Wages with Significant Errors in the Employee Name and Social Security Number

A-08-12-13036



August 2013

Office of Audit Report Summary

Objectives

To identify patterns of errors and irregularities in wage reporting for (1) 100 employers who had the most suspended wage items and (2) 100 employers who had the highest percentage of suspended wage items for Tax Years (TY) 2007 through 2009.

Background

Because the Social Security Administration (SSA) calculates future benefit payments based on the earnings an individual has accumulated over his/her lifetime, it is critical that the Agency accurately record those earnings. SSA's ability to do so, however, depends, in part, on employers and employees correctly reporting names and Social Security numbers (SSN) on Forms W-2, *Wage and Tax Statement*. SSA uses automated edits to match employees' names and SSNs with Agency records to ensure it properly credits earnings to the Master Earnings File. SSA places wage items that fail to match name and SSN records in its Earnings Suspense File (ESF). For TYs 1937 through 2010, the ESF accumulated approximately 320 million wage items representing about \$1.1 trillion in wages. In TY 2010 alone, SSA posted approximately 7.3 million wage items, representing about \$70.3 billion, to the ESF.

Our Findings

For TYs 2007 through 2009, the 100 employers who had the most suspended wage items had submitted over 2.3 million wage items for which the employees' names and/or SSNs did not match SSA's records. These wage items represented \$15.7 billion in suspended earnings over the 3-year period. The 100 employers who had the highest percentage of suspended wage items for TYs 2007 through 2009 submitted over 111,000 wage items for which the employees' names and/or SSNs did not match SSA's records. These wage items represented \$409 million in suspended earnings over the 3-year period.

We identified various types of reporting irregularities, such as invalid and unassigned SSNs and SSNs that belonged to young children and deceased individuals. While we recognize there were legitimate reasons why a worker's name and SSN may not match SSA's files, such as a legal name change, we believe the magnitude of incorrect wage reporting may indicate SSN misuse.

Although SSA continued working with the Internal Revenue Service (IRS) and Department of Homeland Security (DHS) and educating employers about the importance of accurate wage reporting, obstacles remained. We believe SSA's ability to combat SSN misuse was hindered because employers did not use the Social Security Number Verification Service and E-Verify. In addition, the IRS did not routinely fine/penalize employers who consistently submitted erroneous or incorrect wage reports. Furthermore, privacy and disclosure issues limited SSA's ability to share information with DHS regarding employers who filed high numbers or percentages of wage statements with inaccurate SSNs.

Our Recommendation

We recommend SSA continue working with the IRS and DHS to develop a coordinated strategy to reduce growth of the ESF.

SSA agreed with our recommendation.

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ABBREVIATIONS

DHS	Department of Homeland Security
ESF	Earnings Suspense File
ESLO	Employer Service Liaison Officer
EVS	Employee Verification Service
FY	Fiscal Year
GAO	Government Accountability Office
IRS	Internal Revenue Service
OMB	Office of Management and Budget
SSA	Social Security Administration
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
TY	Tax Year
U.S.C.	United States Code

Forms

W-2	<i>Wage and Tax Statement</i>
W-2C	<i>Corrected Wage and Tax Statement</i>

OBJECTIVES

Our objectives were to identify patterns of errors and irregularities in wage reporting for (1) 100 employers who had the most suspended wage items and (2) 100 employers who had the highest percentage of suspended wage items for Tax Years (TY) 2007 through 2009.

BACKGROUND

Because the Social Security Administration (SSA) calculates future benefit payments based on the earnings an individual has accumulated over his/her lifetime, it is critical that the Agency accurately record those earnings. SSA's ability to do so, however, depends, in part, on employers and employees correctly reporting names and Social Security numbers (SSN) on Forms W-2, *Wage and Tax Statement*. SSA uses automated edits to match employees' names and SSNs with Agency records to ensure it properly credits earnings to the Master Earnings File. SSA places wage items¹ that fail to match name and SSN records in its Earnings Suspense File (ESF). The ESF has accumulated approximately 320 million wage items representing about \$1.1 trillion in wages for TYs 1937 through 2010. In TY 2010 alone, SSA posted 7.3 million wage items, representing about \$70.3 billion, to the ESF, as shown in Table 1.

Table 1: Number of Items and Dollar Amounts Posted to the ESF for TYs 2006 Through 2010

TY	Number of ESF Items (millions)	Dollar Amount for ESF Items (billions)
2006	11.0	\$86.2
2007	10.8	\$90.7
2008	9.5	\$87.5
2009	7.8	\$73.4
2010	7.3	\$70.3

Our April 2005 review of *Social Security Number Misuse in the Service, Restaurant, and Agriculture Industries* (A-08-05-25023) determined that service, restaurant, and agriculture employers submitted millions of wage items for which their employees' names and/or SSNs did not match SSA's records, resulting in billions of dollars in suspended wages.² Because of continued congressional interest in the ESF and employers who consistently submit inaccurate wage reports, we elected to update our earlier work and develop a better understanding of the issues that contribute to SSN misuse and the growth of the ESF.

1 A wage item is an individual employee report prepared by employers on a Form W-2 after the close of the calendar year that shows wages paid and taxes withheld during the prior calendar year.

2 We use the term "SSN misuse" throughout the report to refer to situations in which individuals used SSNs not issued to them by SSA to obtain employment.

To accomplish our objectives, we obtained ESF data for TYs 2007 through 2009.³ These data represented the most complete tax data available at the start of our audit, given the inherent lag in posting annual wage information. We then identified the 100 employers who contributed the most wage items to the ESF for the 3-year period. We also identified the 100 employers (with a minimum of 100 employees) who had the highest percentage of suspended wage items for TYs 2007 through 2009.⁴ For the 200 employers selected, we analyzed ESF data to identify reporting irregularities, such as SSNs that SSA either had never issued or assigned to another individual. We also contacted Employer Service Liaison Officers (ESLO)⁵ to obtain information on their experiences with employers who provided names and/or SSNs that did not match SSA's records. See Appendix A for additional information on our scope and methodology.

RESULTS OF REVIEW

For TYs 2007 through 2009, the 100 employers who had the most suspended wage items had submitted over 2.3 million wage items for which the employees' names and/or SSNs did not match SSA's records. These wage items represented \$15.7 billion in suspended earnings over the 3-year period. In total, 18 percent of the wage items these employers submitted did not match names/SSNs in SSA's files.

The 100 employers who had the highest percentage of suspended wage items for TYs 2007 through 2009 had submitted over 111,000 wage items for which the employees' names and/or SSNs did not match SSA's records. These wage items represented \$409 million in suspended earnings over the 3-year period. In total, 93 percent of the wage items submitted by these 100 employers did not match the names/SSNs in SSA's files.

We identified various types of reporting irregularities, such as invalid and unassigned SSNs and SSNs that belonged to young children and deceased individuals. While we recognize there were legitimate reasons why a worker's name and SSN may not match SSA's files, such as a legal name change, we believe the magnitude of incorrect wage reporting may indicate SSN misuse.

Although SSA continued working with the Internal Revenue Service (IRS) and Department of Homeland Security (DHS) and educating employers about the importance of accurate wage reporting, obstacles remained. We believe SSA's ability to combat SSN misuse was hindered because employers did not use the Social Security Number Verification Service (SSNVS) and

³ TY 2010 data were not available when we began our analysis of ESF data for TYs 2007 through 2009.

⁴ While we recognize that some employers may report wages under more than one employer identification number, we did not combine ESF wage items posted under multiple employer identification numbers to determine the 200 employers we identified.

⁵ SSA has ESLOs in each of its regions nationwide to answer employers' questions on wage reporting submissions and encourage employers to use SSA's various programs. However, ESLOs do not routinely identify employers who submit large numbers or high percentages of inaccurate wage reports and contact them to determine why this is occurring.

E-Verify.⁶ In addition, the IRS did not routinely fine/penalize employers who consistently submitted erroneous or incorrect wage reports.⁷ Furthermore, privacy and disclosure issues limited SSA’s ability to share information with DHS regarding employers who filed large numbers or percentages of wage statements with inaccurate SSNs.

SSN Misuse Remains Widespread

Over 2.4 million (19 percent) of the 13 million wage items⁸ submitted by the 200 employers we reviewed did not match SSA records and were posted to the ESF, as shown in Table 2.

Table 2: Wage Items Posted to the ESF for TYs 2007-2009

Category	100 Employers with Most Wage Items	100 Employers with Largest Percentage of Wage Items	Totals
Number of W-2s Submitted	12,798,611	120,159	12,918,770
Number of W-2s Posted to the ESF	2,366,353	111,193	2,477,546
Percent of W-2s Posted to the ESF	18	93	19

Additional analysis of employers with the most suspended wage items showed 1 employer had 117,792 wage items posted to the ESF over the 3-year period. Our analysis of employers with the highest percentage of suspended wage items showed one employer had 98 percent of its wage items posted to the ESF over the 3-year period.

Types of Reporting Irregularities

During our review of ESF data for these 200 employers, we identified various types of reporting irregularities that we believe may indicate SSN misuse. These irregularities included high

⁶ SSNVS and E-Verify are services that allow employers to verify employees’ names and SSNs and employment eligibility, respectively. See section Employers Did Not Routinely Use SSNVS or E-Verify of this report for information regarding employers’ use of these services.

⁷ Internal Revenue Code 6721 (26 U.S.C. § 6721) authorizes IRS to penalize employers for failure to file an information return by the required filing date, failure to include complete information, and failure to include correct information.

⁸ The total number of wage items submitted by employers is cumulative and includes adjustments.

numbers of invalid and unassigned SSNs and SSNs belonging to young children and deceased individuals (see Appendix B). Our analysis showed the following.

- SSA had not assigned about 489,000 (20 percent) of the reported SSNs. About 54,000 of these SSNs were not valid because they did not fall within the ranges of numbers SSA had authorized for use.
- SSA had assigned the remaining 2 million (80 percent) SSNs to someone else. About 380,000 of these SSNs belonged to young children, and about 258,000 belonged to deceased individuals.

While we recognize there are legitimate reasons why a worker's name and SSN may not match SSA's files, such as a name change, we believe the magnitude of the reporting irregularities discussed above and in Appendix B may indicate SSN misuse.

Unauthorized Noncitizen Workforce Remains a Contributor to SSN Misuse

In previous reports,⁹ SSA acknowledged unauthorized noncitizens'¹⁰ intentional misuse of SSNs has been a major contributor to the ESF's growth. SSA staff told us employers hired unauthorized workers because nothing prevented them from doing so. That is, employers know SSA had no legal authority to levy fines and penalties, and they were not concerned about potential IRS sanctions. Several of the employers and industry associations we contacted acknowledged that unauthorized noncitizens contributed to SSN misuse. For example, one employer told us his and many restaurants would close if they did not hire unauthorized noncitizens. A temporary labor service employer acknowledged that some of his former employees were unauthorized noncitizens who used invalid, unassigned, and deceased individuals' SSNs. Furthermore, the president of a large growers' association stated that farm labor contractors employed a large number of unauthorized noncitizens.

Several ESLOs we contacted during this review stated employers that experienced the most wage reporting problems were in such industries as agriculture, restaurant, and lawn service. In addition, one large restaurant employer we contacted acknowledged that unauthorized noncitizens accounted for about half of its wage items that went into the ESF. Furthermore, a senior employment tax official at the IRS acknowledged that unauthorized noncitizens accounted for a high percentage of inaccurate wage reporting.

⁹ SSA, Office of the Inspector General, *Obstacles to Reducing Social Security Number Misuse in the Agriculture Industry* (A-08-99-41004), January 2001, and *Social Security Number Misuse in the Service, Restaurant, and Agriculture Industries* (A-08-05-25023), April 2005.

¹⁰ We use the term "unauthorized noncitizens" when referring to individuals who do not have permission from the DHS to work in the United States but who are working – regardless of whether they entered the country legally or illegally.

Obstacles Continued Hindering SSA's Ability to Combat SSN Misuse

Our 2005 report discussed several obstacles that hindered SSA's ability to reduce SSN misuse. Although SSA continued working with the IRS and DHS and educating employers about the importance of accurate wage reporting, obstacles remained. Employers' resistance to routinely using SSNVS or E-Verify hindered SSA's ability to combat SSN misuse. In addition, the IRS was reluctant to impose existing fines or penalties against employers who consistently submitted erroneous or inaccurate wage reports. Furthermore, the Agency informed us that privacy and disclosure issues limited SSA's ability to share information with DHS regarding employers who filed large numbers or percentages of wage statements with inaccurate SSNs.¹¹

Employers Did Not Routinely Use SSNVS or E-Verify

Our 2005 report noted that employers did not routinely use the Agency's Employee Verification Service (EVS) to assist them in verifying employee names and SSNs against SSA records. The employers we interviewed who did not routinely use EVS experienced increases in the percentage of suspended wage items for the years we reviewed. In contrast, one employer began using EVS and experienced a significant decrease in the percentage of suspended wage items.

To make verification more attractive to employers, SSA implemented SSNVS in 2005. SSNVS is a voluntary, free, secure Internet service that provides employers with an immediate response for a limited number of SSN verification requests or a next business day response for a high volume of SSN verification requests. In Fiscal Year (FY) 2012, approximately 40,000 registered employers submitted about 102 million verifications. In FY 2011, about 43,000 employers submitted 106 million verifications.

SSA also supports DHS in administering the E-Verify program, a free Internet-based system that allows employers to verify electronically the employment eligibility of their employees. Federal and some State governments require that employers use E-Verify. The Office of Management and Budget (OMB) mandated that all Federal departments and agencies begin verifying their new hires through E-Verify by October 1, 2007.¹² The amended Executive Order 12989 directed all executive departments and agencies to require that contractors electronically verify employment authorization of employees performing work under qualifying Federal contracts.¹³ At least six States have laws requiring that all, or nearly all, businesses use E-Verify to determine

¹¹ Internal Revenue Code section 6103 (26 U.S.C. § 6103) provides that tax returns and return information are confidential and may not be disclosed by the IRS and others having access to the information, with certain specific exceptions.

¹² OMB Memorandum M-07-21, *Verifying the Employment Eligibility of Federal Employees*, August 10, 2007.

¹³ Executive Order 13465, *Amending Executive Order 12989, as Amended*, 73 Fed. Reg. 33285 (June 11, 2008); Executive Order 12989, *Economy and Efficiency in Government Procurement Through Compliance with Certain Immigration and Naturalization Act Provisions and Use of an Electronic Employment Eligibility Verification System*, June 6, 2008, 61 Fed. Reg. 6091 (February 15, 1996).

employment eligibility.¹⁴ At least 12 other States have laws requiring that public employers and/or public contractors use E-Verify.¹⁵ As of FY 2012, over 404,000 employers had enrolled to use E-Verify and submitted almost 23 million queries. This was an increase of more than 100,000 employers and almost 5 million queries submitted from the prior year.

Although the number of employers who use SSNVS and E-Verify has increased over the years, many employers still do not routinely use these services to help reduce incidents of incorrect wage reporting. Several ESLOs told us the ESF will not decrease until employers are required to use SSNVS and E-Verify.

We believe SSNVS and E-Verify are useful tools for employers who are committed to improving the accuracy of their wage reporting. However, until the IRS requires that employers who consistently submit erroneous or inaccurate SSNs use SSNVS and E-Verify, we do not believe employer wage reporting will significantly improve.

The IRS Did Not Generally Penalize Employers for Inaccurate Wage Reporting

In previous reports, we noted that SSA relied on the IRS to enforce penalties for inaccurate wage reporting because SSA had no legal authority to levy fines and penalties against employers who submitted inaccurate wage reports. SSA senior staff did not believe employers had an incentive to submit accurate annual wage reports because the IRS rarely enforced existing penalties. SSA staff believed applying penalties would deter SSN misuse. Furthermore, SSA senior staff believed the Agency could provide the IRS with sufficient evidence to show an employer knew or should have known its employees' SSNs were incorrect. For example, a reasonable person should recognize that hundreds of workers could not have the same or consecutively numbered SSNs.

The Government Accountability Office (GAO) also previously reported that the IRS' program of employer penalties was weak and recommended the IRS consider strengthening employer requirements.¹⁶ Additionally, GAO reported that IRS regulations permitted the IRS to waive potential penalties if employers demonstrate a "reasonable cause" for the waiver. In its report, GAO opined that the IRS' criteria for meeting the waiver were such that few, if any, employers were likely to be penalized for submitting inaccurate SSNs.

A senior IRS employment tax official we contacted during this review acknowledged that the IRS has enforcement powers and can impose fines/penalties on employers who submit inaccurate wage reports. In fact, he noted that the penalty for employers who submit incorrect names and

¹⁴ Alabama, Arizona, Georgia, Mississippi, North Carolina, and South Carolina.

¹⁵ Florida, Idaho, Indiana, Louisiana, Minnesota, Missouri, Nebraska, Oklahoma, Pennsylvania, Tennessee, Utah, and Virginia.

¹⁶ GAO, *Tax Administration: IRS Needs to Consider Options for Revising Regulations to Increase the Accuracy of Social Security Numbers on Wage Statements* (GAO-04-712), August 2004.

SSNs recently increased from \$50 to \$100 for each incorrect wage item. Although the IRS periodically conducts compliance audits, which may identify wage reporting issues, it could not provide data on the number of employers it had penalized because of inaccurate wage reporting. Furthermore, the tax official told us the IRS needs stronger standards (additional legislation) to deter employers who submit inaccurate wage reports. In addition, several ESLOs told us they were not aware of any fines/penalties the IRS had levied against employers who consistently submit erroneous name and/or SSN information.

We acknowledge SSA's efforts in working with the IRS to improve employer wage reporting. Unless the IRS takes additional steps to hold employers who consistently submit erroneous or incorrect wage reports accountable for their actions through an effective employer penalty program, we do not believe employer wage reporting will significantly improve.

Privacy and Disclosure Issues Limited SSA's Ability to Share Information with DHS

We previously reported that SSA senior staff told us that collaboration between SSA and DHS had been limited. We recommended that SSA (1) collaborate with DHS to develop a better understanding of the extent immigration issues contribute to SSN misuse and ESF growth and (2) reevaluate its application of existing disclosure laws or seek legislative authority to remove barriers that would allow the Agency to share information regarding chronic problem employers with DHS. Although SSA recognized that unauthorized noncitizens contributed to SSN misuse and ESF growth, the Agency determined it could not share specific information with DHS regarding employers who experienced high name and SSN error rates because of privacy and disclosure laws.¹⁷

GAO previously testified that DHS officials believed the ESF could be useful for targeting its limited worksite enforcement resources.¹⁸ For example, they could use the ESF to identify employers who provide large numbers of invalid SSNs or names and SSNs that do not match. According to GAO, DHS officials stated these employers might knowingly hire unauthorized workers with no SSN or fraudulent SSNs. In fact, employers who knowingly report incorrect information about their workers might also be involved in illegal activities involving unauthorized workers.

SSA previously sent "no match" letters to employers who submitted Forms W-2 with employee names and SSNs that did not match SSA records. The Agency stopped sending these letters in response to litigation¹⁹ surrounding a proposed DHS regulation that would have required that employers follow a prescribed course of action upon learning of an employee name and SSN

¹⁷ *Ibid.* at footnote 11.

¹⁸ GAO, *Social Security Numbers: Coordinated Approach to SSN Data Could Help Reduce Unauthorized Work* (GAO-06-458T), February 16, 2006.

¹⁹ American Federation of Labor, *et al.*, No. C 07-04472 CRB, N.D. Cal., 552 F. Supp. 2d 999 (October 10, 2007).

discrepancy. DHS later rescinded the proposed regulation,²⁰ and in 2011, SSA's Commissioner discontinued this process.

Although SSA continues coordinating with DHS on immigration issues and supporting the E-Verify program, privacy and disclosure issues limit SSA's ability to share information with DHS. In our opinion, an effective plan to address SSN misuse and ESF growth should allow SSA to share such information with DHS. We believe SSA, Congress, and other relevant stakeholders must recognize that, until the issue of SSN misuse by unauthorized noncitizens is addressed, the ESF will continue growing.

CONCLUSIONS

SSN misuse results in billions of dollars in wages that SSA cannot post to workers' earnings records each year. Through TY 2010, the ESF had grown to about \$1.1 trillion in wages reported by employers. We recognize no single agency can adequately combat this problem. In previous reports, recommendations have been made to help reduce the growth of the ESF. These reports are listed in Appendix C.

RECOMMENDATION

Although we are not repeating prior recommendations, SSA needs to continue its dialogue with the IRS and DHS to address the intentional misuse of SSNs. Therefore, we recommend SSA continue working with the IRS and DHS to develop a coordinated strategy to reduce growth of the ESF.

AGENCY COMMENTS

SSA agreed with our recommendation. See Appendix D for the full text of the Agency's comments.

²⁰ *Safe-Harbor Procedures for Employers Who Receive a No-Match Letter: Rescission*, 74 Fed. Reg. 159 (Aug. 19, 2009).

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed Social Security Administration (SSA) policies and procedures as well as applicable Federal laws, regulations, and cases regarding employer wage reporting.
- Obtained Earnings Suspense File (ESF) data for Tax Years 2007 through 2009 for all employers with mismatched wage items.
- Obtained data on the total number of Forms W-2, *Wage and Tax Statement*, and wages for employers with more than 10 items in the ESF.
- Identified 100 employers who contributed the most suspended wage items and 100 employers who had the highest percentage of suspended wage items (minimum of 100 wage postings) in the 3-year period.
- Calculated error rates for each employer by dividing the number of ESF wage items by the total number of Forms W-2 submitted by the employer for each year and the combined years.
- Contacted selected employers to obtain information on their experiences with employees who provided names and Social Security numbers (SSN) that did not match SSA's records.
- Contacted Employer Service Liaison Officers to obtain information on their experiences with the ESF and employers who reported wage items with a significant number of errors in the employee's name and SSN.
- Analyzed ESF data for each of the 200 employers. Specifically, we categorized the ESF wage items for each of the 3 years to include the following reporting irregularities: unassigned and invalid SSNs and SSNs belonging to young children (under age 13) and deceased individuals.
- Reviewed prior SSA Office of the Inspector General and Government Accountability Office reports. See Appendix C for a list of reports.

The SSA entity reviewed was the Office of Earnings, Enumeration, and Administrative Systems under the Office of the Deputy Commissioner for Systems. This audit did not include an evaluation of SSA's internal controls over the wage reporting process. We also did not attempt to establish the reliability or accuracy of the wage data. However, we determined that ESF data were sufficiently reliable for purposes of our review. We conducted our audit from September 2012 through March 2013 in Birmingham, Alabama. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B – ANALYSIS OF EMPLOYERS’ EARNINGS SUSPENSE FILE WAGE ITEMS FOR TAX YEARS 2007 THROUGH 2009

Types of Reporting Irregularities	100 Employers with Most Wage Items	100 Employers with Largest Percentage of Wage Items
Social Security Numbers (SSN) with All Zeros ¹ or with Zeros as the Area, Group, or Serial Numbers	37,985	4,179
SSNs with All 9’s	273	0
SSNs with Area Number 666	339	19
SSNs with Area Numbers 773-999	10,337	693
Valid Unassigned SSNs ²	415,198	19,616
Valid SSNs Assigned to Young Children ³	364,859	15,195
Valid SSNs Assigned to Deceased Individuals	244,400	13,325
Other Valid SSNs with Name Mismatches	1,292,962	58,166
Totals	2,366,353	111,193

¹ If an employee has applied for an SSN card but has not received it when an employer files online, the Social Security Administration (SSA) instructs employers to enter all zeros in the SSN field. When the employee receives the card, the employer files Copy A of Form W-2C, *Corrected Wage and Tax Statement* with the employee’s correct SSN. SSA Website, http://ssa-custhelp.ssa.gov/app/answers/detail/a_id/231/~/requirement-to-see-social-security-card-for-employment (last visited Aug. 6, 2013). We could not readily distinguish which zeros were later adjusted with a correct SSN.

² This category includes SSNs that SSA has not assigned.

³ This category includes SSNs that SSA assigned to children under age 13.

Appendix C – PRIOR REPORTS

Report Identification Number	Report Title	Date Issued
GAO-06-814R	<i>Immigration Enforcement: Benefits and Limitations to Using Earnings Data to Identify Unauthorized Work</i>	July 2006
GAO-06-458T	<i>Social Security Numbers: Coordinated Approach to SSN Data Could Help Reduce Unauthorized Work</i>	February 2006
GAO-05-154	<i>Social Security: Better Coordination Among Federal Agencies Could Reduce Unidentified Earnings Reports</i>	February 2005
A-08-05-25023	<i>Social Security Number Misuse in the Service, Restaurant, and Agriculture Industries</i>	April 2005
A-03-03-13048	<i>Employers with the Most Suspended Wage Items in the 5-Year Period 1997 through 2001</i>	October 2004
GAO-04-712	<i>Tax Administration: Internal Revenue Service Needs to Consider Options for Revising Regulations to Increase the Accuracy of Social Security Numbers on Wage Statements</i>	August 2004
A-03-03-13026	<i>Follow-Up Review of Employers with the Most Suspended Wage Items</i>	October 2003
A-03-01-30035	<i>Recent Efforts to Reduce the Size and Growth of the Social Security Administration's Earnings Suspense File</i>	May 2002
A-03-00-10022	<i>Review of Service Industry Employer with Wage Reporting Problems</i>	September 2001
A-08-99-41004	<i>Obstacles to Reducing Social Security Number Misuse in the Agricultural Industry</i>	January 2001
A-03-97-31003	<i>The Social Security Administration's Earnings Suspense File Tactical Plan and Efforts to Reduce the File's Growth and Size</i>	February 2000
A-03-98-31009	<i>Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items</i>	September 1999

Appendix D – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: July 19, 2013

Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Katherine Thornton *Bob Hatcher for Kate Thornton*
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Employers Who Report Wages with a Significant Number of Errors in the Employee Name and Social Security Number" (A-08-12-13036)—
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 Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“EMPLOYERS WHO REPORT WAGES WITH A SIGNIFICANT NUMBER OF
ERRORS IN THE EMPLOYEE NAME AND SOCIAL SECURITY NUMBER”
(A-08-12-13036)**

Recommendation

Continue to work with the Internal Revenue Service (IRS) and Department of Homeland Security (DHS) to develop a coordinated strategy to reduce growth of the Earnings Suspense File (ESF).

Response

We agree. We will continue our efforts to reduce the growth of ESF.

Our efforts include promoting the use of the Social Security Number Verification Service (SSNVS), which allows registered employers to verify employee names and Social Security numbers for wage reporting purposes. We make the service available free at: www.ssa.gov/employer/. We also continue to support DHS in its mission to increase the number of employers who use E-Verify to verify employment eligibility. DHS currently enrolls approximately 1,550 employers each week. As of June 22, 2013, there are almost 460,000 employers registered to use E-Verify at 1,370,000 employment sites. Increased use of both SSNVS and E-Verify would result in fewer wage-reporting irregularities and, therefore, would reduce the growth in the ESF.

We consider this recommendation closed for tracking purposes.

Appendix E – MAJOR CONTRIBUTORS

Theresa Roberts, Acting Director, Atlanta Audit Division

Jeff Pounds, Audit Manager, Birmingham Office of Audit

Hollie R. Calhoun, Senior Auditor

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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