



SOCIAL SECURITY

MEMORANDUM

Date: November 26, 2003

Refer To:

To: The Commissioner

From: Inspector General

Subject: Impact on the Social Security Administration's Programs When Auxiliary Beneficiaries Have Incorrect Social Security Numbers (A-01-03-33020)

The attached final report presents the results of our audit. Our objective was to determine the impact on the Social Security Administration's programs when auxiliary beneficiaries have incorrect Social Security numbers on their Master Beneficiary Records.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on our recommendations. 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.

James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**IMPACT ON THE SOCIAL SECURITY
ADMINISTRATION'S PROGRAMS
WHEN AUXILIARY BENEFICIARIES
HAVE INCORRECT
SOCIAL SECURITY NUMBERS**

November 2003

A-01-03-33020

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.

Executive Summary

OBJECTIVE

Our objective was to determine the impact on the Social Security Administration's (SSA) programs when auxiliary beneficiaries have incorrect Social Security numbers (SSN) on their Master Beneficiary Records (MBR).

BACKGROUND

Auxiliary beneficiaries are children, widows, spouses, and parents who receive Old-Age, Survivors and Disability Insurance (OASDI) benefits based on another wage earner's Social Security record. As such, the primary wage earner's SSN—not the auxiliary beneficiary's SSN—is used to track the auxiliary beneficiary's benefit payments on the MBR.

Many of SSA's systems use SSNs to control information about individuals. For example, death reports, Supplemental Security Income (SSI) records, earnings records, and prisoner information are associated with the SSNs of the individuals to whom the information pertains. Because this information can affect an individual's entitlement to benefits, SSA routinely compares or matches this information to its payment files to ensure payment accuracy.

RESULTS OF REVIEW

SSA's ability to ensure payment accuracy in both the OASDI and SSI programs is impacted when auxiliary beneficiaries do not have their correct SSNs on the primary wage earner's MBR. During our audit, we identified about \$1.1 million in improper payments due to incorrect auxiliary SSNs on the MBR.

CONCLUSIONS AND RECOMMENDATIONS

It is important that SSA take all cost effective steps to ensure payment accuracy within its programs—especially in light of SSA's Strategic Goals for Fiscal Year 2004, which include a goal to ensure "Superior stewardship of Social Security programs and resources." To help meet this goal, SSA hopes to prevent erroneous payments and increase the accuracy of its earnings records. Based on the results of our audit and to improve the Agency's stewardship, we make several recommendations that are discussed in detail in this report.

AGENCY COMMENTS

SSA agreed with our recommendations.

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Acronyms

A-101	Manual System Used to Process OASDI Claims
BOAN	Beneficiary's Own Account Number
DACUS	Death Alert, Control and Update System
DMF	Death Master File
ESF	Earnings Suspense File
EVS	Enumeration Verification System
FO	Field Office
MBR	Master Beneficiary Record
MCS	Modernized Claims System
MEF	Master Earnings File
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
PUPS	Prisoner Update Processing System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSR	Supplemental Security Record
TY	Tax Year
U.S.	United States

Introduction

OBJECTIVE

Our objective was to determine the impact on the Social Security Administration's (SSA) programs when auxiliary beneficiaries have incorrect Social Security numbers (SSN) on their Master Beneficiary Records (MBR).

BACKGROUND

Auxiliary beneficiaries are children, widows, spouses, and parents who receive Old-Age, Survivors and Disability Insurance (OASDI) benefits based on another wage earner's Social Security record. As such, the primary wage earner's SSN—not the auxiliary beneficiary's SSN—is used to track the auxiliary beneficiary's benefit payments. SSA commonly refers to the auxiliary beneficiary's SSN as the Beneficiary's Own Account Number (BOAN) and maintains this information on the MBR.¹ As of December 2001, SSA paid benefits to over 45 million OASDI beneficiaries, and about 11 million of these individuals were auxiliary beneficiaries.²

A January 1987 Office of the Inspector General (OIG) report found that auxiliary beneficiaries with incorrect SSNs on their MBRs impaired SSA's ability to monitor payment accuracy.³ Specifically, the report determined that requiring beneficiaries provide valid SSNs as a condition for payment of OASDI benefits would (1) allow SSA to better monitor their compliance with annual earnings limitations and (2) reduce SSA's improper payments to the deceased.

In November 1988, the Technical and Miscellaneous Revenue Act, Public Law No. 100-647 was enacted.⁴ This Law amended the Social Security Act to require that, as of June 1, 1989, an individual must present satisfactory proof of an SSN before receiving any Social Security benefits.

To comply with Public Law No. 100-647, SSA established the incorrect BOAN alert process. This process generates bi-monthly alerts to SSA field offices (FO) when the program detects an auxiliary beneficiary—first entitled in June 1989 or later—whose

¹ An MBR consists of information related to a beneficiary's entitlement to OASDI benefits—Program Operations Manual System (POMS), section SM 00510.002.

² Social Security Administration's report, *2002 Annual Statistical Supplement*, page 170.

³ *Review of Payment to Auxiliary Beneficiaries Without Their Own Social Security Number* (A-13-86-62608), January 1987.

⁴ Section 205(c)(2)(F) of the Social Security Act, as amended, (42 U.S.C. 405(c)(2)(F)), (Section 8009 of Public Law No. 100-647).

SSN is incorrect on the MBR.⁵ However, a March 1998 OIG report found that resolving BOAN alerts was a low priority for FO managers among the many other duties assigned to their offices.⁶

In November 1998, SSA also updated its automated OASDI claims process, referred to as the Modernized Claims System (MCS),⁷ to include a safeguard against incorrect SSNs and other identifying information from being placed on the MBR. Before this time, only invalid SSNs (that is, SSNs not assigned to anyone) could be detected. Most OASDI claims are taken and processed in MCS, which produces an MBR. With the November 1998 update to the automated system, an alert is produced when a discrepancy is detected between a claimant's (primary wage earner and/or auxiliary beneficiary) identifying data (SSN, name, and date of birth) and his or her Numident record (see Appendix A for an example of the alert).⁸ In other words, if a correct SSN is provided but typed incorrectly into MCS or an incorrect SSN is given, a Numident alert is produced.

The Numident alert can be overridden by either FO staff or management and is only produced in claims initiated in MCS. FO staff can skip the alert and process the claim with an incorrect SSN. However, a BOAN alert is generated when an incorrect SSN is detected on the MBR.

Some claims initiated in MCS must be finished using another system—SSA's A-101 system—while other claims must be completely handled on paper outside of MCS.⁹ Oftentimes information such as the claimant's SSN, name, and date of birth are copied from MCS to the A-101 system. Therefore, the Numident alert feature in MCS should prevent an incorrect SSN from entering the A-101 system. Sometimes, however, the auxiliary beneficiary's SSN does not copy to the A-101 system. In these cases, the SSNs need to be manually input into a system that does not have a Numident alert feature. Therefore, an incorrectly typed SSN would go undetected. When a claim is completed on paper there are no safeguards to prevent an SSN from being typed or provided incorrectly from being input into the system.

Many of SSA's systems use SSNs to control information about individuals. An incorrect SSN can affect an individual's entitlement to benefits. For example, SSA uses the SSN to perform a variety of data matches both within SSA and with other agencies. These

⁵ POMS, section SM 00613.350, explains the incorrect BOAN alert process. Additionally, POMS, section SM 00613.351, explains how to resolve an incorrect BOAN alert.

⁶ *Payment of Benefits to Individuals Who Do Not Have Their Own Social Security Number* (A-04-96-42000), March 1998.

⁷ Modernized Systems Operations Manual, Chapter 3-52 covers the MCS process in detail.

⁸ The Numident is a record of identifying information provided by the applicant on his or her application (Form SS-5) for an original SSN and subsequent applications for replacement SSN cards. Each Numident is housed in the Numident Master File in SSN order.

⁹ The A-101 process is explained in detail at <http://seanet.sf.ssa.gov/a101/index.htm>.

matches assist SSA in determining the beneficiaries' eligibility and—to the extent an SSN is incorrect—the value of these matches is diminished. For this audit, we focused on the impact of incorrect SSNs of auxiliary beneficiaries on the primary wage earner's MBR with regard to four such matches: earnings records, death reports, Supplemental Security Income (SSI) records, and prisoner information.

Earnings

Social Security benefits are designed to supplement some of the earnings lost because of the retirement, disability or death of a worker. For this reason, limitations may be placed on the amount of income a beneficiary is allowed to earn before his or her benefits are reduced. When auxiliary beneficiaries work, their benefits—and benefits payable to other beneficiaries on the same record—may be too high or too low.

To lessen the reporting burden on the public, in 1997, SSA assumed the responsibility of detecting the earnings of beneficiaries and adjusting their benefit payments as needed. Therefore, most beneficiaries no longer report their earnings to SSA directly.¹⁰ Instead, SSA developed the Earnings Enforcement Operation to ensure benefits are paid correctly considering the beneficiaries' earnings. SSA records the earnings history of individuals in its Master Earnings File (MEF) under the individual's SSN.¹¹ If the individuals' names and/or SSNs reported by their employers do not match SSA's records, these earnings are placed in the Earnings Suspense File (ESF) until the discrepancies are resolved.¹² Once resolved, these earnings are transferred from the ESF to the MEF—and this transferring process requires that SSA expend additional resources.

The Earnings Enforcement Operation matches the earnings data, recorded on the MBR, against the actual earnings recorded in the MEF under the individual's SSN. The system identifies both under- and overpayment situations that result from the match. SSA also records on the MBR an estimate of the amount of future earnings a beneficiary expects to receive to prevent overpayments.¹³ When auxiliary beneficiaries have reported earnings under their SSNs—but those SSNs are incorrectly recorded on the MBR—the Earnings Enforcement Operation will not detect that working individuals are beneficiaries or may assign the earnings to the wrong beneficiary. As a result, SSA may not know when benefit payments should be adjusted.

¹⁰ This does not apply to disabled auxiliary beneficiaries. Individuals who receive auxiliary benefits based on their disabilities are required to report their earnings to SSA. However, SSA has a system called the Continuing Disability Review Enforcement Operation that is designed to alert the Agency of records with potentially uninvestigated substantial earnings after disability onset.

¹¹ POMS, section RM 03870.001.

¹² POMS, section WR 10030.012.

¹³ POMS, section RS 02510.005.

Death

An auxiliary beneficiary's entitlement to benefits should cease upon death.¹⁴ To prevent erroneous payments after death, SSA uses the Death Alert, Control and Update System (DACUS). DACUS receives death data from external and internal sources and produces a national file of death information known as the Death Master File (DMF). DACUS compares the SSNs of deceased individuals to the SSNs of OASDI beneficiaries. When auxiliary beneficiaries' SSNs are incorrectly recorded on the wage earners' MBR, DACUS will not detect that the deceased individuals are beneficiaries whose payments should be terminated.

Concurrent Beneficiaries

Concurrent beneficiaries are individuals entitled to receive benefit payments under both the OASDI and SSI programs. SSI is a needs-based program, and eligibility is, in part, dependent upon the amount of income available to the aged, blind or disabled recipient. The OASDI payments received by concurrent beneficiaries are considered income under the SSI program and recorded on the recipients' Supplemental Security Record (SSR). SSI records are tracked based on the individuals' SSN. If the SSN of an auxiliary beneficiary is incorrect on the wage earner's MBR, SSA may not know a beneficiary is concurrently receiving benefits.¹⁵ As a result, the recipient's SSI payments may be overpaid.

Prisoners

The Social Security Act prohibits OASDI payments to beneficiaries who have been convicted and confined for more than 30 days.¹⁶ SSA receives prisoner data from correctional facilities and processes it through its Prisoner Update Processing System (PUPS). Since PUPS uses SSNs to identify prisoners,¹⁷ the system will not identify an auxiliary beneficiary who is in prison if the beneficiary's SSN is incorrect on the wage earner's MBR. Therefore, SSA FOs will not be alerted to investigate these cases to determine whether benefit payments should be stopped.

¹⁴ As stated in 20 CFR §§ 404.316, 404.332, 404.337, 404.341, 404.352 and 404.371.

¹⁵ The MBR and SSR interface daily to share information about concurrent beneficiaries, as described in POMS, section SM 02001.001.

¹⁶ Section 202 (x)(1)(A) of the Social Security Act, as amended, (42 U.S.C. 402(x)(1)(A)).

¹⁷ POMS, section GN 02607.003.

SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable sections of the Social Security Act and SSA's regulations, rules, policies, and procedures.
- Processed a file of 11.5 million auxiliary beneficiaries who were receiving OASDI benefits in August 2002 through SSA's Enumeration Verification System (EVS).¹⁸ Discrepancies on 246,558 of these beneficiaries' records were found because the SSN, name, date of birth, and/or gender submitted for verification (from the MBR) did not agree with the Numident record. For these 246,558 records, EVS
 - identified a single possible SSN for 21,030 unverified beneficiaries (8.5 percent) based on their names, dates of birth, and gender;
 - could not determine a single possible SSN for 75,654 unverified beneficiaries (30.5 percent) based on their names, dates of birth, and/or gender; and
 - verified 149,874 auxiliary beneficiaries' SSNs (61 percent), but 50,704 beneficiaries had discrepancies with their dates of birth while 99,170 beneficiaries had discrepancies with their gender.¹⁹
- Obtained information from SSA's MEF as of February 2003, DMF as of September 2002, SSR as of January 2003, and PUPS as of October 2001.
- Of the 21,030 SSNs identified by EVS, we found that 2,225 were actually correct on the MBR. For the remaining 18,805 SSNs, our matches against the MEF, DMF, SSR, and PUPS records identified the following:
 - 329 SSNs under which earnings were posted to the MEF from 1996 through 2001;
 - 35 SSNs with dates of death on the DMF;
 - 21 SSNs in which the beneficiaries may have received both OASDI and SSI payments concurrently and who were entitled to benefits anytime from 1993 to 2003; and
 - 3 SSNs with prisoner records in PUPS.

¹⁸ EVS electronically verifies SSNs by comparing an individual's incoming data (SSN, name, date of birth, and gender) against identifying data located in SSA's Numident records. When certain incoming data does not match the Numident the SSN is considered unverified. EVS then tries to locate possible SSNs based on the individuals' names, dates of birth, and gender.

¹⁹ We did not analyze the discrepancies with date of birth or gender because the SSNs appeared to be correct based on the EVS process.

- Calculated the dollar impact of beneficiaries' payments for each of the earnings, DMF, SSI, and PUPS cases.²⁰
- Selected a stratified random sample of 200 auxiliary beneficiary SSNs from the population of 75,654 cases where EVS could not find a single possible SSN. (See Appendix B for sampling methodology and results.)
- Obtained the ESF for Tax Year (TY) 2000 and matched it against the population of 75,654 cases where EVS could not find a single possible SSN. This match identified 566 wage items in suspense for individuals with the same SSNs as the auxiliary beneficiaries.
 - Determined whether the TY 2000 wage items in suspense belonged to the auxiliary beneficiaries in this population and whether these wages were reinstated to SSA's MEF.

We performed our audit in Boston, Massachusetts between December 2002 and June 2003. We found the data used for this audit were sufficiently reliable to meet our audit objective. The entities audited were SSA's FOs under the Deputy Commissioner for Operations and the Office of Systems under the Deputy Commissioner for Systems. We conducted our audit in accordance with generally accepted government auditing standards.

²⁰ Cases suspected to involve fraud were referred to the OIG's Office of Investigations.

Results of Review

SSA's ability to ensure payment accuracy in both the OASDI and SSI programs is impacted when auxiliary beneficiaries do not have their correct SSNs on the primary wage earner's MBR. For SSA's systems to work effectively, an auxiliary beneficiary's correct SSN should be on the MBR to determine whether benefit payments should be adjusted because of earnings, death, concurrent SSI payments, etc.²¹

During our audit, we identified approximately \$1,172,288 in benefits that were improperly paid because the auxiliary beneficiaries' SSNs were incorrect on the MBR. This \$1.1 million consisted of the following:

- \$398,141 in OASDI benefits improperly paid because the auxiliary beneficiaries' earnings were not considered in determining their OASDI benefit amount;
- \$325,872 in OASDI benefits improperly paid because of the deaths of auxiliary beneficiaries; and
- \$448,275 in improper SSI payments because the auxiliary beneficiaries' OASDI benefits were not recognized as income when their SSI payments were calculated.

Further, we initially identified 96,684 auxiliary beneficiaries with possible incorrect SSNs on the MBR.²² After a detailed review of these records, we determined the SSNs were likely correct on 75,085 (78 percent) of the 96,684 records. These SSNs (although correct) did not verify through EVS primarily because names were not updated on SSA's records after marriage or a legal name change.

EARNINGS

SSA's ability to post annual earnings and adjust benefits accordingly in a timely fashion is hindered when the auxiliary beneficiaries' SSNs are incorrect on the MBR. Of the 21,030 auxiliary beneficiaries for whom EVS found a single possible SSN, 329 cases had incorrect SSNs on the MBR and earnings posted to the MEF between 1996 and 2001.

²¹ Other situations, such as marriage, can also impact an auxiliary beneficiary's benefit payments.

²² These 96,684 auxiliary beneficiaries consist of the 21,030 and 75,654 records described in the Scope and Methodology section of this report.

Of these 329 cases,

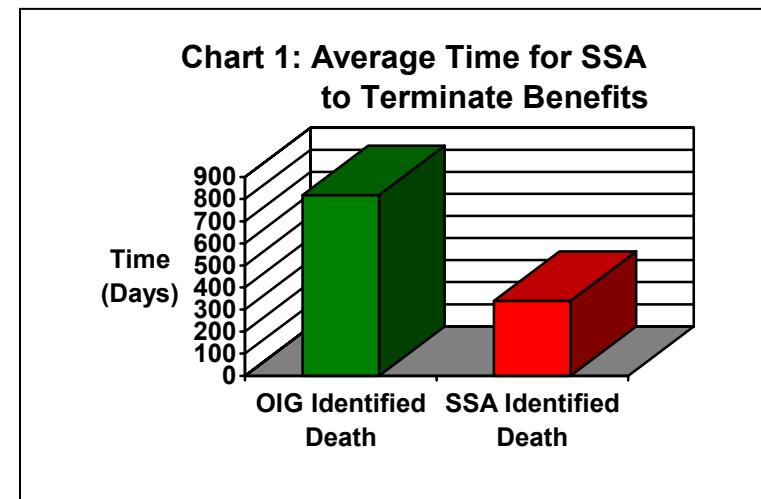
- 68 beneficiaries (20.7 percent) had \$263,584 in improper OASDI benefits.²³
- 10 beneficiaries (3 percent) with SSNs corrected by SSA during our audit resulted in \$134,557 in improper payments.
- 2 beneficiaries (0.6 percent) with SSNs corrected by SSA during our audit resulted in no improper payments.
- 247 beneficiaries (75.1 percent) had incorrect SSNs but there was no impact on their benefit payments. For example, 146 cases had earnings that were allowable, 42 cases had earnings that predated entitlement to benefits, and 24 cases had excess earnings [earnings above the allowable amount(s)] already posted and considered.
- 2 beneficiaries' cases (0.6 percent) were still being worked by SSA.

DEATH

SSA's ability to identify deceased auxiliary beneficiaries and terminate benefits in a timely fashion is diminished when the auxiliary beneficiaries' SSNs are incorrect on their MBRs. Of the 21,030 auxiliary beneficiaries for whom EVS was able to find a single possible SSN, 35 of these cases had incorrect SSNs on the MBR and dates of death recorded on SSA's DMF.

Of the 35 cases:

- 8 deceased beneficiaries (23 percent) were improperly paid \$191,359 in OASDI benefits because of incorrect SSNs on the MBR. As of July 2003, SSA had recovered \$39,959 (21 percent) of these funds paid after death. As a result of our audit, SSA took corrective action to terminate the OASDI



²³ Improper payments based on excess earnings were not limited to the scope of this audit (1996 through 2001). Improper payments that occurred before 1996 and/or after 2001 were also included if such overpayments were recognized by SSA staff during their review of the cases identified during our audit.

benefits within an average of 22 days from the date of our notification. However, it took SSA an average of 818 days to terminate these benefits from the dates of death (refer to Chart 1). For example, a divorced spouse from Maryland died on September 10, 1998. Because of the incorrect SSN on the MBR, SSA did not know the auxiliary beneficiary was deceased until we told them on January 7, 2003. This resulted in a \$44,268 overpayment, none of which had been recovered as of July 2003.²⁴

- 26 deceased beneficiaries (74 percent) also had incorrect SSNs on the MBR, but SSA terminated their benefits before our audit. However, had the correct SSNs been on the MBR, SSA may have been able to terminate payments more timely for 20 of the cases, which resulted in improper payments of \$134,513. The remaining six deceased beneficiaries had their payments terminated within 1 month of death resulting in no improper payments. On average, 339 days elapsed between the dates of death and when SSA terminated payments for all 26 beneficiaries (refer to Chart 1). As of July 2003, SSA had recovered \$70,279 (52 percent) of these funds paid after death. For example, a divorced spouse died on December 30, 1986. Because of the incorrect SSN on the MBR, SSA did not identify the auxiliary beneficiary as being deceased until August 30, 2002. This resulted in a \$51,275 overpayment, of which \$33,517 has been recovered.
- 1 auxiliary beneficiary (3 percent) was alive and neither the SSN on the MBR nor the SSN suggested by EVS was correct. The SSA program service center responsible for this individual is determining the correct SSN for this beneficiary.

CONCURRENT BENEFICIARIES

SSA's ability to recognize OASDI benefit payments as income on the SSR is reduced when auxiliary beneficiaries have incorrect SSNs on the MBR. Since the SSI program is based on need, a concurrent beneficiary's OASDI benefits would reduce the amount of SSI payments the individual is eligible to receive. Of the 21,030 auxiliary beneficiaries for whom we found possible SSNs, we identified 21 auxiliary beneficiaries who may have received SSI payments while also receiving OASDI benefits.

Of the 21 cases identified, we determined that:

- 13 auxiliary beneficiaries (62 percent) had incorrect SSNs on the MBR, which prevented SSA from recognizing OASDI benefits as income timely on the SSR—

²⁴ This case was referred to the OIG's Office of Investigations in Philadelphia because a financial institution alleged that the daughter of the deceased beneficiary used an automated teller machine card to routinely withdraw the OASDI funds paid after death.

resulting in \$448,275 in improper SSI payments.²⁵ For example, a concurrent beneficiary was improperly paid \$78,565 in SSI payments between September 1990 and February 2003 because SSA did not recognize the OASDI income she was receiving as an auxiliary beneficiary until we notified SSA of the situation. SSA did not recognize her OASDI income because her SSN on the MBR was incorrect.

- 1 auxiliary beneficiary (5 percent) had an incorrect SSN on the MBR. However, this incorrect SSN did not appear to have seriously delayed SSA's recognition of her OASDI income. She received an SSI overpayment for only 1 month before her OASDI income was recognized, and the overpayment was subsequently recovered.
- 7 auxiliary beneficiaries (33 percent) had incorrect SSNs on the MBR but they did not impact benefit payments. For example, two cases had OASDI benefits begin after the SSI payments were terminated.

PRISONERS

Of the 21,030 auxiliary beneficiaries, we found incorrect SSNs for 3 individuals who had incarceration dates listed in PUPS. However, none of these cases led to improper payments. Although we did not find any improper payments in our audit, we still believe SSA's ability to identify auxiliary beneficiaries in prison and terminate benefits in a timely fashion would be diminished when auxiliary beneficiaries have incorrect SSNs on the MBR.

AUXILIARY BENEFICIARIES WITH UNVERIFIED SOCIAL SECURITY NUMBERS

As previously discussed, we processed a file of 11.5 million auxiliary beneficiaries who were receiving OASDI benefits as of August 2002 through EVS and found the SSNs for 96,684 of these beneficiaries did not verify.

EVS identified a single possible SSN for 21,030 of these beneficiaries based on their names and dates of birth. However, EVS was unable to identify possible SSNs for the remaining 75,654 beneficiaries. We tested both of these groups for our audit. Based on the results of our testing, we estimate that 75,085²⁶ (78 percent) of the 96,684 auxiliary beneficiaries actually had correct SSNs on the MBR.

²⁵ As a result of SSA's rules of administrative finality, the Agency may be unable to recover \$219,111 of the \$448,275 in improper payments. Under SSA's application of its administrative finality rules for SSI, the time period SSA can assess an overpayment to a recipient is (a) 1 year for any reason, (b) 2 years for good cause, and (c) any time when fraud or similar fault is found (POMS, section SI 04070.010).

²⁶ We determined that 2,225 of the 21,030 beneficiaries actually had correct SSNs on their MBRs. Additionally, we estimate that 72,860 of the 75,654 beneficiaries have correct SSNs on their MBRs—based on the sampling described in Appendix B.

According to EVS, these beneficiaries' names and/or dates of birth on their MBRs did not match the names and/or dates of birth on their Numident records. Generally, we found the SSNs did not verify through EVS because married names or legal name changes were not updated to either SSA's MBR or Numident records.

Earnings Suspense File

When a working auxiliary beneficiary has an SSN which does not verify through EVS because his or her name does not match SSA's Numident file, the beneficiary's earnings may not be properly recorded in SSA's Master Earnings File. Instead, the wages are placed in SSA's Earnings Suspense File (ESF) until the discrepancy is resolved.

We matched the 75,654 unverified SSNs on the MBR for whom EVS could not locate a single possible SSN to the ESF for TY 2000 and found 566 records totaling \$3.2 million in wages. When we compared the names on the ESF to the names on the Numident records, we determined the following.

- 33 auxiliary beneficiaries earned wages totaling \$181,632 which were placed in the ESF, but as of June 2003, these wages were transferred to the MEF.
- 533 wage items totaling \$3 million remained in suspense as of June 2003. For 517 of the cases, we could not determine whether the suspended wage items belonged to the auxiliary beneficiaries because their names on the Numident records and ESF did not match—even though the SSNs matched. For the remaining 16 cases, it appeared that the suspended wages belonged to the auxiliary beneficiaries because the SSNs matched exactly and the names were similar amongst the MBR, Numident, and ESF.
- 75,088 auxiliary beneficiaries either had no earnings suspended to the ESF for TY 2000 or had no earnings posted at all in TY 2000.

SSA has to expend additional resources and tax dollars to review and resolve these 566 suspended earnings cases.²⁷ We only tested one TY for our analysis, but wages belonging to these auxiliary beneficiaries with unverified SSNs may end up in the ESF for other TYS. As a result, there may be additional improper payments due to incorrectly posted earnings for current and future beneficiaries since benefit payments are based, in part, on the amount of earnings.²⁸

²⁷ Our March 2003 Congressional Response Report, *Social Security Administration Benefits Related to Unauthorized Work* (A-03-03-23053), estimated that it cost SSA over \$6 million in administrative resources to resolve invalid wage items in the ESF for TY 2001.

²⁸ According to § 215(a)(1)(A) of the Social Security Act, as amended, (42 U.S.C. 415(a)(1)(A)), SSA uses an individual's earnings to evaluate a person's eligibility for OASDI benefits.

Conclusions and Recommendations

It is important that SSA take all cost effective steps to ensure payment accuracy within its programs—especially in light of SSA’s Strategic Goals for Fiscal Year 2004, which include a goal to ensure “Superior stewardship of Social Security programs and resources.” Additionally, one of the goals in the President’s Fiscal Year 2002 management agenda was to improve the Government’s financial performance through reduction of erroneous payments. To help meet these goals, SSA hopes to prevent erroneous payments and increase the accuracy of its earnings records.

To improve the Agency’s stewardship of Social Security programs, we recommend that SSA:

1. Update MCS to include an edit instead of an alert when the System identifies a mismatch between the input SSN and associated SSN record, thereby eliminating the ability to override the system.
2. Update the A-101 system to identify mismatches between the input SSNs and associated SSN records.
3. Review and correct—as appropriate—the 18,805 possible incorrect SSN records we identified during our audit.
4. Correct the name and date of birth discrepancies we identified between the Numident records and MBR.

AGENCY COMMENTS

SSA agreed with our recommendations. Specifically, SSA informed us that it is designing a new system to automatically obtain the correct auxiliary beneficiaries’ SSNs through improved database matches. SSA also plans to update its A-101 system. Lastly, the Agency is developing a proposal to address the mismatches between the Numident and MBR. (See Appendix C for the Agency’s comments.)

Appendices

Appendix A

Modernized Claims System Numident Alert Process

The Modernized Claims System (MCS) Numident alert safeguards against incorrect Social Security numbers (SSN) and other identifying information being placed on the Master Beneficiary Record. Specifically, an alert is produced when a discrepancy is detected between a claimant's identifying data (SSN, name and date of birth) on an MCS claim and his or her Numident record. Below is an example of this alert.

MCS NUMBER HOLDER SSN _____	CLAIMANT SSN _____
Data Entered for Number Holder SSN: _____ NAME: <first name> <middle name> <last name> DATE OF BIRTH: _____ SEX: <male or female>	Numident Record NAME: <first name> <middle name> <last name> DATE OF BIRTH: _____ SEX: <male or female>
Data Entered for Claimant SSN: _____ NAME: <first name> <middle name> <last name> DATE OF BIRTH: _____ SEX: <male or female>	Numident Record NAME: <first name> <middle name> <last name> DATE OF BIRTH: _____ SEX: <male or female>

The left side of the alert shows the identifying information from the MCS application while the right side shows the same type of information from the Numident record. This alert informs the field office staff that either the MCS application or the Numident record needs to be corrected.

Sampling Methodology and Results

We processed a file of 11.5 million auxiliary beneficiaries who were receiving Old-Age, Survivors and Disability Insurance (OASDI) benefits in August 2002 through the Social Security Administration's Enumeration Verification System (EVS) and found the Social Security numbers (SSN) for 96,684 of these beneficiaries did not verify. EVS identified a single possible SSN for 21,030 of these beneficiaries based on their names and dates of birth. However, EVS could not identify a single possible SSN for the remaining 75,654 beneficiaries. Specifically, we found that

- EVS identified many possible SSNs for 23,803 of the beneficiaries based on their names, or names and dates of birth; and
- EVS was unable to identify a possible SSN for 51,851 of the beneficiaries.

We reviewed a stratified random sample of the 75,654 unverified SSNs to determine how many of these SSNs were actually correct. Since the Social Security Act¹ requires that individuals present satisfactory proof of their SSNs as of June 1, 1989, we divided the population into the following two groups.

- Auxiliary beneficiaries with unverified SSNs who became entitled to OASDI benefits on or after June 1, 1989 were placed in Group A—11,636 beneficiaries.
- Auxiliary beneficiaries with unverified SSNs who became entitled to OASDI benefits before June 1, 1989 were placed in Group B—64,018 beneficiaries.

We then selected a random sample of 100 auxiliaries from each group for a total of 200 cases. For 194 cases, the SSNs were actually correct and for the remaining 6 cases, the SSNs were incorrect. The table below shows our projected sample results.

Sample Results and Projections			
	Group A	Group B	Total
Population size	11,636	64,018	75,654
Sample size	100	100	200
Attribute Projections			
Sample cases with correct SSNs	98	96	194
Projected cases with correct SSNs	11,403	61,457	72,860
Projection lower limit			70,771
Projection upper limit			74,950

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

¹ Section 205(c)(2)(F) of the Social Security Act, as amended, (42 U.S.C. 405(c)(2)(F)), (Section 8009 of Public Law No. 100-647).

Appendix C

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: November 14, 2003

Refer To: S1J-3

To: James G. Huse, Jr.
Inspector General

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report "Impact on the Social Security Administration's Programs When Auxiliary Beneficiaries Have Incorrect Social Security Numbers" (A-01-03-33020)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report content and recommendations are attached.

Staff questions may be referred to Laura Bell at extension 52636.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT “IMPACT ON THE SOCIAL SECURITY ADMINISTRATION’S PROGRAMS WHEN AUXILIARY BENEFICIARIES HAVE INCORRECT SOCIAL SECURITY NUMBERS” (SSN) (AUDIT NO. A-01-03-33020)

Thank you for the opportunity to review and comment on the draft report. Our responses to the specific recommendations are provided below.

Recommendation 1

The Social Security Administration (SSA) should update the Modernized Claims System (MCS) to include an edit instead of an alert when the system identifies a mismatch between the input SSN and associated SSN record, thereby eliminating the ability to override the system.

Response

We agree. We plan to automatically obtain the correct Beneficiaries Own Account Number (BOAN) by improving the data base matches, and have already begun designing the new system. While our solution is not identical to OIG’s proposal, it will accomplish the same results.

Recommendation 2

SSA should update the A-101 system to identify mismatches between the input SSNs and associated SSN records.

Response

We agree. Effective with Title II Redesign (T2R), Release 3, the SSN will be a protected element in the A-101 screens. Under the new T2R release, when a Claims Authorizer recognizes the SSNs on the A-101 are incorrect, they will have to go back to the MCS and enter the new numbers via the MCS process. Therefore, the edits that the MCS applies to the SSN will no longer be overridden via the A-101 process. Again, while our solution is not identical to OIG’s proposal, it will accomplish the same results.

Recommendation 3

SSA should review and correct, as appropriate, the 18,805 possible incorrect SSN records identified during the audit.

Response

We agree and are already sponsoring an information technology (IT) plan to automate the posting of missing BOANs to the Master Beneficiary Record (MBR). That item is currently in the planning and analysis stage. After it has been implemented, we will develop a new item to address mismatches between the Numident and MBR.

Recommendation 4

SSA should correct the name and date of birth discrepancies identified between the Numident records and the MBR.

Response

We agree. The proposed IT plan referred to in our reply to recommendation number 3 will address this problem.

Appendix D

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Acknowledgments

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