
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**THE SOCIAL SECURITY ADMINISTRATION'S
ABILITY TO REACH INDIVIDUALS
USING THE SOCIAL SECURITY STATEMENT**

January 2008

A-15-07-17095

AUDIT REPORT



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SOCIAL SECURITY

MEMORANDUM

Date: January 11, 2008

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Ability to Reach Individuals Using the Social Security Statement (A-15-07-17095)

Our objective was to review the Social Security Administration's (SSA) ability to reach individuals and inform them about their earnings and future benefits using the Social Security Statement. Specifically, we reviewed two of three wage earner populations¹ eligible to receive a Social Security Statement. The two populations are wage earners for whom SSA could not obtain a current address and wage earners whose Statements were returned to SSA as undeliverable.

BACKGROUND

Section 1143 of the Social Security Act² requires that SSA send an annual Statement to all eligible individuals (Social Security number [SSN] holders aged 25 and older who are not yet in benefit status and for whom SSA can determine a current mailing address). The Statement informs workers of their posted earnings for each year, provides Old-Age, Survivors and Disability Insurance (OASDI) benefit estimates, and valuable information about Social Security programs and services. In Fiscal Year (FY) 2006, more than 145 million Social Security Statements were mailed to eligible wage earners.

¹ The third population, wage earners whose Statements were mailed and not returned to SSA, is not included.

² 42 U.S.C. § 1320b-13.

In October 1999,³ SSA began issuing annual Statements to eligible wage earners in an effort to educate workers and help them plan for retirement earlier in life. The Statements also inform workers about the future of Social Security. For example, the Statements note that:

Today there are almost 36 million Americans age 65 or older. Their Social Security retirement benefits are funded by today's workers and their employers who jointly pay Social Security taxes – just as the money they paid into Social Security was used to pay benefits to those who retired before them. Unless action is taken soon to strengthen Social Security, in just 11 years we will begin paying more in benefits than we collect in taxes.

SSA obtains mailing addresses for the Social Security Statements from the Internal Revenue Service (IRS) pursuant to a Memorandum of Understanding (MOU) between the two agencies. If a Statement is returned to SSA by the United States Postal Service (USPS) as undeliverable, SSA does not remail it.⁴ These Statements are destroyed without further processing.⁵ There are some individuals for whom IRS cannot provide an address. SSA does not attempt to obtain addresses from other sources; therefore, a Statement is not mailed to these individuals.

RESULTS OF REVIEW

Some eligible wage earners age 25 or older, who are not receiving OASDI benefits and for whom a current mailing address can be obtained, are not receiving a Statement. Although some of the reasons individuals do not receive a Statement are beyond SSA's control, we found there may be opportunities to improve the current process.

SSA'S CURRENT PROCESS DOES NOT ENSURE ALL WAGE EARNERS RECEIVE A STATEMENT

We selected a sample of 250 Statement envelopes returned as undeliverable to the Metro West (MW) Mail Operations. We randomly selected 50 of these Statements for 5 days during the time period of January 23 through January 31, 2007,⁶ for a total of 250 Statements. Our sample approach was not developed for projection purposes, but

³ Since August 1988, SSA has provided Statements of recorded earnings and estimates of Social Security benefits to Social Security number holders who requested this information. In October 1999, under the Social Security Act, SSA began the annual issuance of automatic earning Statements to eligible wage earners. 42 U.S.C. § 1320b-1(c)(2).

⁴ Program Operations Manual System, Records Management 01305.001, The Social Security Statement, What We Do With Undelivered Statements.

⁵ SSA has a contract with an outside vendor who shreds and destroys returned Statements.

⁶ MW Mail Operations did not receive mail deliveries everyday; therefore, we could not select a sample during 5 consecutive days. We selected our Statement sample on the days mail was received at MW.

rather to determine the reasons Statements are returned as undeliverable. The number of returned Statement envelopes varied daily and Statement envelopes were systematically selected from the front and rear of incoming mail trays.

From our random sample of 250 Statement envelopes, we found 236 of those envelopes were properly addressed domestic envelopes or Post Office (P.O.) Box numbers that were returned as undeliverable for unknown reasons.⁷ Some explanations for why these Statements were returned could be that the individual moved without filing a change of address or that the individual is deceased, but SSA has not been notified.

Four of the remaining 14 Statement envelopes had incomplete domestic street addresses and the last 10 envelopes had incomplete foreign addresses. Specifically, one or more address lines were missing on all 10 envelopes.

Returned Statement Envelopes – Sample 1

Description of Sample Items	Number
Complete domestic addresses or P.O. Box numbers that were not delivered	236
Incomplete domestic street addresses	4
Incomplete foreign addresses	10
Sample Total	250

During our visits to the MW facility, we also selected a second sample of 108 envelopes during a general perusal of the incoming mail trays. This additional sample was not developed for projection purposes. These 108 envelopes were selected based on characteristics we believed warranted further analysis as a result of our visual inspection of the outside of the Statement envelopes.

We determined that 51 of the 108 Statement envelopes had proper domestic addresses, General Delivery or P.O. Box numbers that were returned as undeliverable. Of the remaining 57 Statement envelopes, 21 were not delivered because the domestic mailing address was insufficient; all 23 foreign addressed envelopes were not delivered because the mailing address was insufficient; 12 Statements were improperly folded and inserted into the envelopes so that the address was not visible; and 1 envelope was empty.

⁷ Envelopes were properly addressed per USPS Postal Addressing Standards, Publication 28, July 2006.

Returned Statement Envelopes – Sample 2

Description of Sample Items	Number
Complete domestic addresses, P.O. Box numbers, or General Delivery addresses that were not delivered	51
Incomplete domestic street addresses (missing house numbers or P.O. Box numbers)	21
Empty Envelope (had not been opened)	1
Incomplete foreign addresses	23
Statements improperly inserted into envelopes (address was not visible)	12
Sample Total	108

Both the samples identified a systemic problem with foreign addresses. SSA is not sending out Statements with complete foreign addresses.⁸ SSA staff informed us that it is aware that there are some problems with foreign addresses. SSA staff stated that:

The IRS system used includes two fields for address lines. When one is used for a foreign country name, IRS stores what would usually be the first address line in one of their two 35 character name fields. Since the Internal Revenue Code (IRC) section authorizing disclosure for Statement addresses only authorizes them to provide SSA with the address, they send us records with most fields, including the name fields, blank.

SSA also stated that it has been aware of the problem for many years and has discussed this issue with IRS. IRS informed SSA that unless existing disclosure laws are amended, it is unable to provide additional address information to SSA. In FY 2006, SSA's contractor⁹ reported that 652,608 Statements were mailed to foreign addresses. We estimate that at a minimum the cost to send mail to Canada and Mexico at \$0.63 per envelope is approximately \$411,000. However, we also acknowledge that some of these Statements were mailed at a higher rate to other foreign countries at a maximum postage rate of \$0.84 per envelope. Without complete addresses, SSA will continue to spend money to send Statements that never reach the intended wage earners.

⁸ The foreign addresses used by SSA do not meet the standards under the USPS International Mailing Manual, Addressing International Mail, Section 122.1, which states, "The house number and street address or box number must be included when mail is addressed to towns or cities."

⁹ SSA uses a Government Printing Office vendor to print and mail Statements under a "Requirements Contract." A Requirements Contract obligates the contractor to fill all the acquisition requirements of designated activities for specific supplies or services as the orders are placed during the contract period. Quantities produced must stay within the contract limits.

SSA staff stated that it routinely conducts inspections at the contractor's site. Additionally, SSA staff stated:

We do not change the addresses given to us by IRS. They are presumably correct given the fact that they are received by IRS each year or sooner. When we inspect the printing and inserting of the Statements, we do not, nor does the contractor note any addresses since we are told not to correct them. We concentrate on printing, inserting and mailing.

Based on SSA's data, of the more than 145 million Statements that were mailed in FY 2006, approximately 5 million Statements were returned to SSA as undeliverable. At the domestic bulk mail rate of \$0.309 in Calendar Year (CY) 2006, SSA spent at least \$1.5 million¹⁰ in postage to send Statements that never reached the intended recipients. In 2006, SSA reported that postage costs to mail all Statements were approximately \$42 million. In addition, the contract costs to print and mail the Statements were almost \$5 million and the IRS MOU cost was approximately \$277,000.¹¹

Few Government agencies touch the lives of as many people as SSA. Almost 53 million people -- 1 in 6 of the total population -- receive monthly Social Security or Supplemental Security Income benefit payments. Over 95 percent of America's 162 million workers are earning valuable Social Security coverage for themselves and their families.¹² Based on the number of Statements being returned as undeliverable every year, millions of these eligible wage earners may not be receiving a Statement which is intended to help them plan their financial future and determine whether their earnings are being accurately reported.

"ADDRESS UNKNOWN" INDIVIDUALS HAD RECENT CONTACT WITH SSA

Weekly, SSA sends an electronic Taxpayer Address Request (TAR) file to IRS. (See Appendix E). This file contains an SSN and the first four letters of the last name of individuals in the Numident file.^{13, 14} These records are sent to IRS to obtain an address match for those individuals that will be sent a Statement. When IRS returns the TAR file, it contains the SSNs, names and matched addresses. The file also contains those

¹⁰ We believe this estimate is conservative because it is based on the domestic bulk mail rate only and does not take into account that some Statements were sent at higher foreign mail postage rates.

¹¹ Prior to FY 2007, IRS charged SSA by the record at an average cost of \$209,000 per year. For FY 2007, IRS began charging SSA a flat fee of \$175,000 for the addresses.

¹² SSA's FY 2006 Performance and Accountability Report, p. 8.

¹³ These individuals are selected based on their month of birth. Statements are mailed 3 months prior to an individual's birth month.

¹⁴ SSA's Numident database contains identifying information, including the name, date of birth, and SSN of more than 441 million individuals.

SSNs and the first four letters of the last name of the individuals that IRS could not match to an address. These are considered “address unknown” records. We used the 329,829 “address unknown” records from the TAR file to sample 250 records for a 1-week period (week ending December 22, 2006). Per SSA, there were 21 million records processed by IRS as “address unknown” in FY 2006. Although some of these individuals had earnings, SSA was not able to send them a Statement because IRS provided no address.

For our sample, we determined whether individuals had contacted SSA to request a replacement SSN card in CYs 2005 or 2006. Requests for replacement SSN cards are processed through the SS-5 Assistant application.¹⁵ Information from the application for a replacement SSN card updates SSA’s Numident file. We reviewed the Numident and found that of the 250 records, 17 individuals had contacted SSA to request a replacement SSN card. Further analysis found that 8 of the 17 individuals had earnings in 2005 and/or 2006. Based on the week reviewed, we estimate that 548,860 of the “address unknown” records in a year had recent Numident activity and recorded earnings¹⁶ (see Appendix C).

Based on our review of the 329,829 “address unknown” records, SSA could use available Numident information to determine if a current address exists for wage earners for whom IRS could not provide an address. If SSA were to use address information submitted with the application for a replacement SSN card, some eligible wage earners who had recent contact with SSA could be mailed a Statement.

LOW INCOME WAGE EARNERS ARE NOT RECEIVING STATEMENTS

We also used the “address unknown” sample of 250 records for the same 1-week period to determine who had earnings during 1990 or later and should have received a Statement. Since the source of the IRS address is dependent on an individual filing a tax return, (see Appendix D) we conducted research to determine the number of individuals who had earnings but did not have an IRS filing requirement.¹⁷ From our analysis, we determined that 71 individuals had earnings during 1990 through 2006 and should have received a Statement. Of the 71, we found 41 individuals (58 percent) did not have sufficient earnings in any Tax Year between 1990 and 2006 to have a tax filing requirement. Thirty individuals (42 percent) had sufficient earnings in at least 1 year requiring a tax return (the tax filing requirement is based on an assumption of being

¹⁵ The SS-5 Assistant is an application that has been developed to support processing of Social Security number applications. The SS-5 Assistant guides the interviewer through user-friendly screens, improving the quality of the process.

¹⁶ IRS returned “address unknown” records in the TAR files to SSA for 48 of the 52 weeks in CY 2006. The average (mean) number of records returned weekly during these 48 weeks was approximately 434,000 and the median was approximately 437,000. The week chosen for our review contained 329,829 records; therefore, we consider our CY 2006 estimate of 548,860 records based upon this week to be conservative.

¹⁷ IRS website: www.irs.gov; “Prior Year Forms, Instructions and Publications.”

single and under 65 years of age). Individuals who did not file a tax return would likely have no address on file with the IRS. Because there were no valid addresses available for this group of individuals with earnings, Statements were not mailed.

We conducted additional research into the yearly level of earnings and tax filing requirements of the 71 individuals. The following chart shows the results of our research.

Tax Filing Requirements

Federal Tax Year	Tax Filing Requirement Threshold	Number under Threshold	Number over Threshold*
1990	\$5,300	59	12
1991	\$5,550	62	9
1992	\$5,900	62	9
1993	\$6,050	62	9
1994	\$6,250	64	7
1995	\$6,400	65	6
1996	\$6,550	66	5
1997	\$6,800	68	3
1998	\$6,950	67	4
1999	\$7,050	67	4
2000	\$7,200	65	6
2001	\$7,450	62	9
2002	\$7,700	63	8
2003	\$7,800	65	6
2004	\$7,950	65	6
2005	\$8,200	64	7
2006	\$8,450	62	9

*The highest salary in any 1 year was \$73,623.16.

Some eligible wage earners who are entitled to receive a Statement are not receiving their Statements. SSA should look at alternative methods of contacting low wage earners who are entitled to a Statement of earnings and benefits.

METRO WEST MAIL OPERATIONS IS NOT MAINTAINING ACCURATE MONTHLY WORKLOAD REPORTS

The Metro West Mail Operations staff estimates the number of Social Security Statements that are returned as undeliverable.¹⁸ Based on SSA's data, approximately 5 million earnings statements were returned to SSA as undeliverable during CY 2006. Based on our work, we believe this estimate is low.

¹⁸ We were informed that SSA is not currently using the MW monthly reports (estimates) for any reviews. However, we also noted that the number of Statements returned as undeliverable was requested in preparation for a congressional hearing in February 2006. If in the future, SSA plans to use these reports for congressional hearings, to support workload productivity data, or in performance goals related to the Social Security Statement, these reports should be as accurate as possible.

According to SSA staff, 1 cage holds 32 trays and each tray holds 300 envelopes. These estimates are not based on an actual count or weight of the incoming returned Statements. During our review, we counted and weighed the number of trays and envelopes per tray returned to SSA. We determined that there were actually 36 trays of mail in 1 cage and that each tray contained approximately 450 returned Statement envelopes. We estimate that the earnings Statements returned to SSA as undeliverable in CY 2006 could be as high as 7.5 million. This is 2.5 million Statements more than the SSA estimate of 5 million.

In 2005, the Government Accountability Office (GAO) reported that the Social Security Statement represented one of the Federal Government's largest efforts to communicate directly with workers about their Social Security benefits. SSA established three Agency goals to emphasize the importance of the Statement: 1) educate the public about benefits under SSA programs; 2) aid in financial planning; and 3) ensure the worker's earning records are complete and accurate.

SSA needs to assure itself of not only the number of Statements being mailed, but also whether those Statements were received or returned to determine if its goals are being met. We believe that SSA does not have accurate data to determine the actual volume of Statements being returned and how much money is being spent on the returned Statements. Based on our figures, a large population of individuals who could be relying on the information contained in the Statements is not receiving them. This may be an indication that SSA is not effectively communicating with the public, and therefore not meeting its goals.

SSA HAS NOT IMPLEMENTED ON-LINE INTERACTIVE ACCESS FOR THE SOCIAL SECURITY STATEMENT

Title II of the E-Government Act of 2002, Public Law 107-347, Section 204, states that agencies should work to maintain and promote an integrated Internet-based system of providing the public with access to Government information and services.

E-Gov is a cornerstone of the President's Management Agenda (PMA). SSA has continued to incorporate this important initiative into its processes through its 2007 Information Resource Management's Strategic Plan. SSA has received very good feedback in the area of on-line services. In addition, surveys across Government indicate that SSA is among the most successful Federal agencies to provide electronic services to the public.¹⁹

SSA continues to improve its E-Gov/web-based services, and has implemented various on-line workload and transaction services. However, SSA has not specifically included the on-line Social Security Statement in its current planning. Other electronic services have proven convenient in allowing beneficiaries to easily access their individual information at anytime or change information without visiting or calling an SSA office.

¹⁹ The American Customer Satisfaction Index, Government Satisfaction Scores.

For example, SSA implemented on-line access to its website for beneficiary claims and services titled "What You Can Do On-line." This on-line service provides access via the Internet to a read-only beneficiary statement as well as provides on-line access to other types of services. Access is obtained through the use of a password.

According to the Pew Internet & American Life Project²⁰ report, *The rise of the e-citizen: How people use government agencies' Web sites (April 2002)*, the most frequently cited service Government users would like to have on-line is to access their "Social Security account information." Approximately, 77 percent of internet users or 97 million Americans at some time or other have gone on-line to search for information from Government agencies or to communicate with them.²¹

In 1997, SSA began providing earnings Statement information interactively via the Internet, allowing users to request and view their earnings and benefit information on-screen. SSA estimated the cost of processing an interactive Statement at under \$.01, excluding 1-time development costs. The service was discontinued amid security concerns over the on-line process. In the 10 years since that time, there have been many changes in technology. This is a good time for SSA to reconsider on-line interactive access for the Social Security statements. Other Government agencies and businesses provide public services and personal information through the use of interactive websites and Personal Identification Numbers (PIN). The following are some examples:

Office of Personnel Management (OPM), Employee Express (EE) Program

The OPM, EE program is an innovative automated system that Federal employees use to make changes to their discretionary personal and payroll records electronically. A PIN and complex web password, along with an SSN or log in identifier,²² is required to access the EE System.

Thrift Savings Plan (TSP)

The TSP account information may be accessed through the internet, by telephone or mail. A web-based password along with a TSP account number enables an employee to access the TSP account information and perform a number of transactions. According to TSP, more than 869,000 participants (nearly one quarter of the total participants) logged onto the TSP Web site to update their passwords in the first 2 weeks following the introduction of a stronger password requirement in May 2007.

²⁰ The Pew Internet & American Life Project produces reports that explore the impact of the Internet on families, communities, work and home, daily life, education, health care, and civic and political life.

²¹ The great majority of those who use Government Web sites, about 80 percent, accomplished what they set out to do the last time they went on-line.

²² Effective September 25, 2007, employees may establish a log in identifier to replace use of their SSN.

Internal Revenue Service

More and more Americans have chosen e-file which lets them electronically (using a signature PIN) file a tax return or get an extension of time to file without sending any paper to the IRS. In 2006, 73 million tax returns were e-filed.

SecurityPlus Federal Credit Union

The SecurityPlus Federal Credit Union offers a wide variety of personal financial services such as ResponseLine, Automatic Teller Machines and on-line e-Banking using a PIN to access account information. The e-Banking provides credit union members with the ability to access on-line banking functions 24 hours a day, 7 days a week; and obtain real-time account balances, perform transactions, pay bills, and view current and past account statements on-line.

Alternative Practices

In 2005, GAO reported²³ on SSA's Public Understanding Measurement System survey concerning the Social Security Statement. According to GAO, in 2003, 35 percent of survey respondents stated they did not receive a Statement even though every eligible worker 25 and older should have been mailed an annual Statement since 1999. GAO also reported on innovative delivery methods used by other producers of retirement benefit statements, such as Canada, to send out Statements. The Canadian government formerly provided Statements every year to all recipients but now distributes Statements less often²⁴ and has made the Statement available for viewing at any time over the Internet. Canadian officials stated that their approach saved money, since postage is the majority of each Statement's cost.

CONCLUSIONS AND RECOMMENDATIONS

SSA has a process to provide a Statement to individual wage earners age 25 or older, who are not in benefit status and for whom an address can be obtained. However, there are ways for SSA to improve the current process to help ensure that all eligible individuals have an opportunity to receive a Statement.

In FY 2006, SSA reported that over 145 million Statements were mailed to eligible wage earners. SSA also reported that the IRS could not provide addresses for 21 million

²³ GAO-05-192, *Social Security Statements: Social Security Administration Should Better Evaluate Whether Workers Understand Their Statements*.

²⁴ Canada distributes Statements through a "Smart Mailing" process. An initial "welcome" Statement is sent when an individual joins the workforce providing limited information about the pension plan and how to obtain further information. In about 3-4 years, these individuals receive a Statement containing more detailed information about their benefits.

individuals.²⁵ Combined with SSA's estimate of 5 million returned Statements, there are 26 million individuals who did not receive their Statements last year. As previously noted, we believe SSA's estimate of returned Statements is low. Based on our work, there could have been as many as 28.5 million individuals who did not receive their Statements last year. Using the current process, SSA is spending almost \$50 million²⁶ to send out Statements, some of which are not reaching eligible wage earners. In particular, some low wage earners who may be the most dependent on the information contained in the Statement are not receiving them.

We recommend SSA:

1. Review alternative methods for delivering Statements to individuals in foreign countries and select a process which allows these Statements to be delivered successfully. In the meantime, determine whether the Statements should continue to be mailed to foreign countries until a more reliable method of delivery is found.
2. Implement an internal control process that would prevent Statements with incomplete domestic addresses from being mailed.
3. Perform a cost/benefit analysis for maintaining addresses keyed into the SS-5 Assistant. These addresses could be used to mail Statements to individuals who are currently not receiving them.
4. Review alternative methods of providing a Statement of earnings and benefits to low wage earners who are entitled to a Statement, and determine if a different process would increase the likelihood of those individuals receiving a Statement.
5. Revise current policies and procedures to more accurately account for the number of Statements being returned as undeliverable to SSA.
6. Evaluate allowing access to the Social Security Statement on-line for those individuals who would like the opportunity to obtain and view a Statement on-line.

AGENCY COMMENTS

SSA agreed with our recommendations. The full text of the Agency's comments are included in Appendix F.

²⁵ SSA does not check for earnings until after the file is returned by IRS. Therefore some of these individuals may not have earnings and may not be eligible to receive a Statement.

²⁶ See page 5 – Cost is comprised of postage cost, contract cost, and IRS MOU cost.

OTHER MATTERS

NUMIDENT RECORDS MAY NOT CONTAIN CURRENT DATE OF DEATH INFORMATION

During our review, we found 35 returned Statements where the recipients had not accrued earnings for several years or had substantial gaps in their earning years. In reviewing these Statements, we found one person had a date of death on the Master Beneficiary Record (MBR) as of August 5, 2004.

Each week, the Office of Systems selects individuals ages 25-69 from the Numident. The selections are made by the month-of-birth and SSN range. Some selections are dropped because the SSNs have a death indicator on the Numident or an "in pay" indicator on the MBR. The deceased individual from our sample was an auxiliary on another person's record. The date of death on the MBR did not appear on the Numident record. Therefore, a Statement was mailed to the individual even though it should not have been. SSA should ensure that dates of death for individuals listed as auxiliaries on another person's MBR are also posted to the individual's Numident record so that Statements are not mailed to deceased persons.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A — Acronyms

APPENDIX B — Scope and Methodology

APPENDIX C — Sampling Methodology

APPENDIX D — IRS Data Systems

APPENDIX E — SSA Flowchart Process to Send SSA File to IRS

APPENDIX F – Agency Comments

APPENDIX G – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

CADE	Customer Account Data Engine
CY	Calendar Year
EE	Employee Express
FY	Fiscal Year
GAO	Government Accountability Office
GPO	Government Printing Office
IRS	Internal Revenue Service
MBR	Master Beneficiary Record
MEF	Master Earnings File
MF	Master File
MOU	Memorandum of Understanding
MW	Metro West Mail Operations
NCOA	National Change of Address
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
OPM	Office of Personnel Management
PIN	Personal Identification Number
PO	Post Office
POMS	Program Operations Manual System
SSA	Social Security Administration
TAR	Taxpayer Address Request
TIGTA	Treasury Inspector General for Tax Administration
TSP	Thrift Savings Plan
U.S.C.	United States Code
USPS	United States Postal Service

Scope and Methodology

Our objective was to review the Social Security Administration's (SSA) ability to reach individuals and inform them about their earnings and future benefits using the Social Security Statement. Specifically, we reviewed two of three wage earner populations¹ eligible to receive a Social Security Statement. The two populations included in this review were wage earners for whom SSA cannot obtain a current address and wage earners whose Statements were returned to SSA as undeliverable.

To accomplish our objective, we:

- Reviewed prior SSA Office of the Inspector General, Government Accountability Office, and Treasury Inspector General for Tax Administration (TIGTA) reports, as well as Internal Revenue Service (IRS) articles, and United States Postal Service manuals and guidance.
- Reviewed applicable Federal laws and regulations; the Memorandum of Understanding, Interagency Reimbursable Agreement between SSA and IRS; SSA's Program Operations Manual System; and SSA's Administrative Instructions Manual System, Materiel Resources Manual.
- Obtained and reviewed the contract to print and send Statements.
- Obtained and reviewed the contract to shred and destroy returned Statements.
- Interviewed staff at SSA and TIGTA to gain an understanding of the Statement and address request process.
- Made site visits to the Metro West (MW) Mail Operations Center to: 1) perform a walk-through of the process for Social Security Statements returned as undelivered; 2) interview staff and review available workload information to obtain data regarding the undeliverable Statements; and 3) obtain our sample.
- Obtained and analyzed two samples of undeliverable Statements returned to the MW Mail Operations. Reviewed these Statements to determine the completeness of addresses and contents of envelopes.
- Obtained and analyzed a sample of 250 of 329,829 electronic IRS Taxpayer Address Request "address unknown" records, and reviewed the IRS tax filing instructions for Tax Years 1990-2006.

¹ The third population, wage earners whose Statements were mailed and not returned to SSA, is not included.

- Reviewed the Numident file² and Master Earnings file (MEF)³ to determine the following for the Statements:
 1. Date of birth (25 and older),
 2. SSN obtained, recent activity (2005/2006),
 3. Amount of wages earned and time period,
 4. Restrictions,
 5. Non-wage earners,
 6. Deceased.

We determined that the data used in this report was sufficiently reliable given our review objective and intended use of the data. For the “address unknown” records, we assessed the reliability of the data by verifying the record count provided by SSA. Also, we verified that there were no duplicate SSNs included in the records, and that all records indicated they were classified as the SSA Statement category of “unknown address” provided.

We performed our review at SSA Headquarters from December 2006 through April 2007 in Baltimore, Maryland. The entities audited were the Office of Publications and Logistics Management in the Office of the Deputy Commissioner for Budget, Finance and Management; the Office of Central Operations in the Office of the Deputy Commissioner for Operations; the Office of Earnings, Enumeration and Administrative Systems in the Office of the Deputy Commissioner for Systems; and the Office of Communications. We conducted this audit in accordance with generally accepted government accounting standards.

² The Numident includes identifying information (such as name, date of birth, date of death, mother's maiden name, etc.) provided by the applicant on his or her *Application for a Social Security Number* (Form SS-5) for an original SSN and subsequent applications for replacement SSN cards. Each record is housed in the Numident master file in SSN order. The Numident official name is the *Master Files of Social Security Number (SSN) Holders and SSN Applications* (SSA/OSR, 60-0058).

³ The MEF contains all earnings data reported by employers and self-employed individuals. The data is used to calculate the Social Security benefits due an individual with an earnings record. The MEF official name is the *Earnings Recording and Self-Employment Income Systems* (SSA/OSR 60-0059).

Appendix C

Sampling Methodology

The Social Security Administration (SSA) sends an electronic Taxpayer Address Request (TAR) file to the Internal Revenue Service (IRS) containing the Social Security number (SSN) and the first four letters of the last name for individuals in the Numident file.¹ These records are sent to IRS to obtain an address match for those individuals that will be sent a Statement. IRS returns the TAR file which contains the SSNs and matched addresses. The file also contains the SSNs that could not be matched as “address unknown.”

For our sample, we used the 329,829 records returned in the TAR as “address unknown” for a 1-week time period (December 22 through December 26, 2006). We sampled 250 of those records and determined that 17 individuals requested a replacement SSN card in Calendar Year (CY) 2005 or later. Also, eight individuals had earnings in 2005 and/or 2006. Based on the week reviewed, we estimated that 548,860 of the “address unknown” records in a year had Numident activity and recorded earnings.²

During CY 2006, the weekly “address unknown” records ranged from a low of 324,207 to a high of 615,186 records.

Sample Results and Projections	
Segment population size (1 week)	329,829
Sample Size	250
Number of records with Recent Numident Activity and Earnings	8
Attribute Projection*	
Point estimate for 52 week period	10,555
Projection lower limit	5,285
Projection upper limit	18,797
Estimate for 52 week period	548,860

* Projections are made at the 90 percent confidence level.

¹ These individuals are selected based on their month of birth. Statements are mailed 3 months prior to an individual’s birth month.

² IRS returned “address unknown” records in the TAR files to SSA for 48 of the 52 weeks in CY 2006. The average (mean) number of records returned weekly during these 48 weeks was approximately 434,000 and the median was approximately 437,000. The week chosen for our review contained 329,829 records; therefore, we consider our CY 2006 estimate of 548,860 records based upon this week to be conservative.

IRS Data Systems

The Internal Revenue Service (IRS) provides the Social Security Administration (SSA) with taxpayer addresses from its data systems i.e., Master File (MF) and the Customer Account Data Engine (CADE).

Government Accountability Office High-Risk List

In 1995, the IRS business systems were added to the Government Accountability Office (GAO) high-risk list. According to GAO, IRS relied on an obsolete automated system for key operational and financial management functions and attempts to modernize the aging computer systems spanned several decades. IRS has acknowledged that the most important systems, which maintained all taxpayer records, were developed in the 1960s and 1970s and over the years other systems to perform specific functions were added to meet evolving tax code changes and to use new technology. However, this network of systems was never designed or planned, causing current data on taxpayers to be inconsistent between systems.¹

GAO reported in 2005 and 2007, that despite progress to establish management controls and acquire infrastructure and applications, the IRS Business Systems Modernization (BSM)² remained a high-risk.

Use of the United States Postal Service National Change of Address System

In 2001,³ the IRS in conjunction with the United States Postal Service (USPS) agreed to use the Postal Service's National Change of Address (NCOA) database to update IRS taxpayer addresses (IRS intended that NCOA would provide a quicker resolution of undelivered refunds).⁴ The IRS received downloads of the NCOA database weekly and updated the addresses in its computer systems. Where there was an exact name match, IRS was to update its file with the taxpayer's new address.⁵

¹ IRS, Business Systems Modernization Program Progress Report; September 1, 2000.

² CADE is included in the new BSM applications.

³ GAO report, GAO-02-144, Tax Administration: Assessment of IRS' 2001 Tax Filing Season.

⁴ Undeliverable mail has long been a problem for the IRS. TIGTA 2001-30-168 report, *Improvements in Recording Third Party Addresses From Tax Returns Will Reduce Undeliverable Business Mail*, September 2001.

⁵ The Internal Revenue Code was modified in January 2001, permitting the use of addresses obtained by the USPS from Change of Address Order forms. However, IRS could not rely on NCOA to update the MF address of accounts with a third party designation (i.e., return preparer, accountant, relative, fiduciary, or other data such as trade and partner names) tax address.

Before this initiative was implemented, there was disagreement among some IRS officials over the usefulness of the NCOA database to IRS. The primary concern was that USPS could not provide statistics regarding the accuracy of the NCOA information contained in the database. Despite these concerns, IRS never took action to assess the database's accuracy before using it for updates. Similarly, once implemented, IRS never took action to evaluate the initiative's effectiveness. In FY 2005, IRS did not contract with the USPS to use NCOA to update taxpayer addresses. A new contract was not established until FY 2006 and IRS attempted to update addresses as quickly as possible.

Treasury Inspector General for Tax Administration Findings

In July 2005, the Treasury Inspector General for Tax Administration (TIGTA) reported on the age and complexity of the MF and the modernization and implementation of CADE. TIGTA completed its final update on the latest CADE⁶ release in August 2006. At that time, TIGTA reported that 7 percent of tax returns were successfully posted to CADE while 93 percent of tax returns were still posted to the MF.⁷

As reported, taxpayer return information is entered in the IRS computer systems (MF or CADE)⁸ during tax return processing. For both systems, the street address is restricted to the length allowed in the IRS records.⁹ For paper returns, if the street address exceeds the limit then the IRS employees shorten the address using abbreviations or other methods without affecting the address accuracy.¹⁰ Before the tax returns are posted with the new addresses, IRS uses a computer program from the USPS to refine the addresses. In some instances, the USPS computer program expands the street address and causes it to exceed the IRS' space limit.¹¹ In this situation, the MF is programmed to use the shorter tax return processing address not the USPS expanded address.

⁶ Final Audit Report—*Individual Income Tax Return Information Was Successfully Posted to the Latest Release of the Customer Account Data Engine.*

⁷ Tax returns are posted to both systems; however the vast majority is still posted to the MF because of CADE limitations.

⁸ The current CADE release (1.3.2) is still very limited, posting only returns with a filing status of single, no dependents, a refund or even balance, no mathematical errors on the return and no schedules.

⁹ In CADE, when an address exceeded the limit, part of the address was incorrectly cut-off. As a result, 4,100 taxpayer accounts were identified with incorrect addresses. TIGTA determined that 51 of the 4,100 taxpayer accounts had refunds totaling (\$27,643) that were returned to IRS as undeliverable by the USPS. TIGTA auditors brought the CADE address limitations to the attention of IRS and the problem was corrected.

¹⁰ Electronic forms have a limited space to enter a street address.

¹¹ For example, the abbreviations “Indg” was expanded to “landing.”

TIGTA also provided information from an IRS programming contractor concerning how information is stored in the IRS, MF. According to the contractor, the IRS is currently keeping all entity (name, address, etc.) information on the active portion of the IRS MF. Previously,¹² the IRS removed taxpayer entity information from the active portion of the IRS MF for taxpayers who were no longer filing tax returns and only updating information in the active portion of the IRS MF. If the taxpayer's information was moved to the inactive portion of the IRS MF due to not filing tax returns for a number of years, and the taxpayer subsequently files again, or requested their information to be updated, then the taxpayer's inactive information will be moved back to active status on the IRS MF and updated.

Current Status

IRS is in the process of modernizing its systems to better manage taxpayer accounts. Presently, the age and complexity of the MF causes delays and inaccuracies in providing service to taxpayers. Although CADE will eventually replace the MF, only 7 percent of tax returns were posted to CADE in 2006.

Currently, there are two name fields in the IRS database. For the taxpayers who have an address in a foreign country, IRS uses its second name field to store the foreign street address.¹³ The IRS street address field is used to store the foreign city and/or province information. The IRS uses its city/state/zip code section to store the foreign country name. Because IRS does not consider this second name field "address" data, it will not provide the information to SSA under its disclosure policies.¹⁴

From our research and the information provided, SSA is not receiving a complete foreign mailing address that is acceptable under the USPS International Mailing process.¹⁵ Limitations within the IRS data may prevent SSA from receiving an accurate foreign address.

¹² IRS began keeping all entity information in the active portion of the IRS MF as of January 2006.

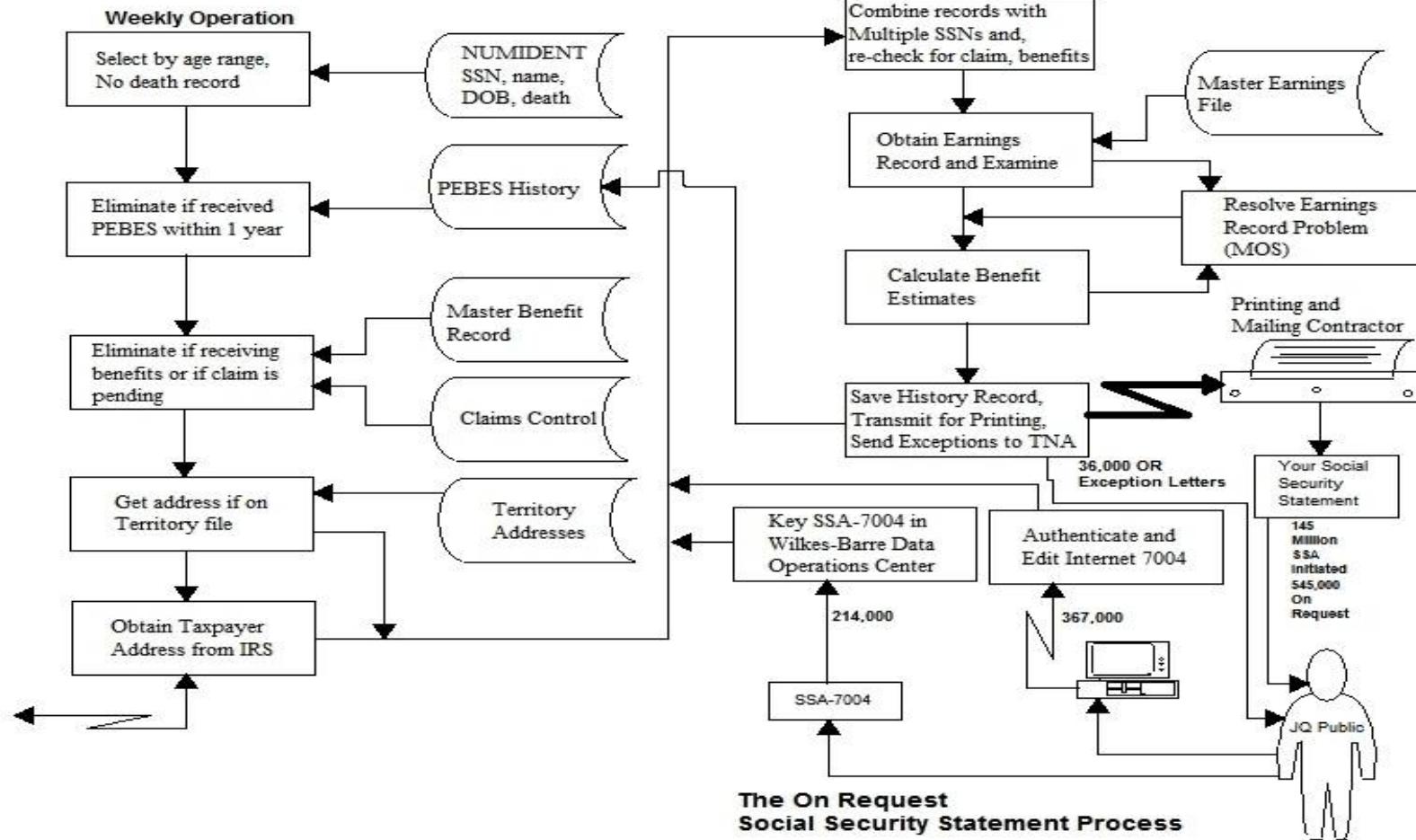
¹³ TIGTA has not conducted audit work on how IRS stores foreign addresses. However, TIGTA auditors confirmed the information on how IRS stores the foreign addresses in its database.

¹⁴ 26 U.S.C. § 6001 et seq.

¹⁵ SSA's contractor mailed 652,608 Statements to foreign countries in FY 2006 at an approximate cost of \$411,000.

SSA Flowchart Process to Send SSA File to IRS

The SSA Initiated Social Security Statement Process



Flowchart Narrative - Process to Send SSA File to IRS

The Social Security Administration Initiated Statement Process:

- SSA obtains the Social Security number (SSN), name, date of birth, and death information from the Numident file and creates a Taxpayer Address Request (TAR) file.
- Weekly, individuals' records are selected by age range and if there is no death record.
- Records are eliminated from the file if individuals have received a Statement within the past year.
- Records are eliminated from the file if individuals are receiving benefits or have a benefit claim pending.
- SSA obtains addresses for individuals living in U.S. Territories from taxpayer files in those locations.
- The TAR file is sent to the Internal Revenue Service (IRS).
- IRS provides taxpayer addresses and sends the TAR file back to SSA.

The On Request Statement Process:

- An individual requests a Statement by completing the form SSA-7004, either manually or on-line.
- Manual forms are keyed in at the Wilkes-Barre Data Operations Center and combined with the TAR file for printing and mailing.

Daily Operation for Printing and Mailing Statements:

- Records with multiple SSNs are combined and re-checked to screen out anyone who just began receiving benefits or with a pending claim.
- Earnings records are obtained and examined.
- Earnings records problems are resolved and estimates of future benefits are calculated.
- A history record is sent to the Statement History file and the file is sent to the print and mail contractor.
- SSA's contractor prints and mails Statements to the public.

Appendix F

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: December 28, 2007 **Refer To:** S1J-3

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

From: David V. Foster */s/ Jim Winn* for
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "The Social Security Administration's Ability to Reach Individuals Using the Social Security Statement" (A-15-07-17095)--
INFORMATION

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

Please let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S (OIG) DRAFT REPORT, "THE SOCIAL SECURITY ADMINISTRATION'S ABILITY TO REACH INDIVIDUALS USING THE SOCIAL SECURITY STATEMENT" (A-15-07-17095)

Thank you for the opportunity to review and provide comments on this draft report. While some of the reasons individuals do not receive a Social Security Statement are beyond our control, our goal is in line with congressional intent that all eligible individuals are entitled to receive an annual Social Security Statement.

Our comments on the draft recommendations are as follows.

Recommendation 1

Review alternative methods for delivering Statements to individuals in foreign countries and select a process which allows these Statements to be delivered successfully. In the meantime, determine whether the Statements should continue to be mailed to foreign countries until a more reliable method of delivery is found.

Comment

We agree. We have determined that Statements without complete addresses should not be mailed to foreign countries. Within the next six months, we will investigate alternative methods.

Recommendation 2

Implement an internal control process that would prevent Statements with incomplete domestic addresses from being mailed.

Comment

We agree. Within the next six months we will pursue assistance from the Internal Revenue Service to prevent Statements with incomplete domestic addresses from being mailed.

Recommendation 3

Perform a cost/benefit analysis for maintaining addresses keyed into the SS-5 Assistant. These addresses could be used to mail Statements to individuals who are currently not receiving them.

Comment

We agree. We have determined that the SS-5 Assistant system architecture does not maintain a database accessible by other applications to utilize the address information. To maintain addresses in the SS-5 assistant would require major system development efforts in the enumeration area for which we do not have the resources to expend at this time.

Recommendation 4

Review alternative methods of providing a Statement of earnings and benefits to low wage earners who are entitled to a Statement, and determine if a different process would increase the likelihood of those individuals receiving a Statement.

Comment

We agree. During fiscal year 2008, we plan to conduct an outreach campaign to inform the public and work with field offices to disseminate the information to groups and organizations that deal with low-income wage earners. Our message would encourage this audience to request their Statements. We would later evaluate the campaign to determine its success and decide if there are other ways to increase the number of low-wage earners obtaining a Statement.

Recommendation 5

Revise current policies and procedures to more accurately account for the number of Statements being returned as undeliverable to SSA.

Comment

We agree. To more accurately account for the number of undeliverable Statements being returned to us, we will count each full cage as 36 trays, each full tray will be counted as containing 450 Statements. Any partial cage will be manually counted to determine the number of full trays and each partial tray will be manually counted to determine the number of returned Statements. This process will prove to be a more efficient way of providing the total number of undeliverable Statements being returned to us. We issued an Operations Bulletin to the staff on November 30, 2007 to inform them of the revised instructions for accounting for undeliverable Statements.

Recommendation 6

Evaluate allowing access to the Social Security Statement on-line for those individuals who would like the opportunity to obtain and view a Statement on-line.

Comment

We agree. We continue to explore authentication models that would allow us to disclose the earnings records online with assurances that the information is being received by the proper individual. Meanwhile, we are taking steps that would allow individuals to request and view an online estimate of their retirement benefit. The Retirement Estimator (RE) tool addresses two of our three goals emphasizing the importance of the Statement: 1) educate the public about benefits under our programs; and 2) aid in financial planning. The RE, which utilizes the same

software that generates the Statement, provides individuals with retirement estimates and allows them to conduct multiple “What If” scenarios by modifying their stop work age and/or future earnings amounts. The RE was built with insight gathered from the general public, financial planners and human resource professionals via focus groups, usability tests and surveys. The RE is expected to be released to the public in calendar year 2008.

Appendix G

OIG Contacts and Staff Acknowledgments

OIG Contacts

Victoria Vetter, Director, Financial Audit Division, (410) 966-9081

Kristen Schnatterly, Audit Manager (410) 965-0433

Acknowledgments

In addition to those named above:

Judith Kammer, Senior Auditor

Rick Wilson, Senior Auditor

Sig Wisowaty, Senior Auditor

Annette DeRito, Writer/Editor

For additional copies of this report, please visit our web site at
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OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

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OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

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