



## SOCIAL SECURITY

### **MEMORANDUM**

Date: March 29, 2005

Refer To:

To: The Commissioner

From: Inspector General

Subject: Department of Defense Wage Items in the Earnings Suspense File (A-03-04-14041)

The attached final report presents the results of our audit. Our objectives were to determine whether individuals having public responsibilities and positions of trust at the Department of Defense have wages posted to the Social Security Administration's Earnings Suspense File and what actions have been taken to resolve these wage reporting problems.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**DEPARTMENT OF DEFENSE  
WAGE ITEMS IN THE  
EARNINGS SUSPENSE FILE**

**March 2005**

**A-03-04-14041**

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**AUDIT REPORT**

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## **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*

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## **OBJECTIVE**

Our objectives were to determine whether individuals having public responsibilities and positions of trust at the Department of Defense (DOD) have wages posted to the Social Security Administration's (SSA) Earnings Suspense File (ESF) and what actions have been taken to resolve these wage reporting problems.

## **BACKGROUND**

Title II of the Social Security Act requires SSA to maintain records of wage amounts employers pay to individuals. Each year, employers must send *Wage and Tax Statements* (W-2 Form) to SSA. This information also includes the names and Social Security numbers (SSN) of wage earners, and the Employer Identification Number (EIN). SSA validates the names and SSNs on the W-2s against information in its records. Wages reported on W-2s containing names and/or SSNs that do not match SSA's records cannot be posted to an individual's earnings record in SSA's Master Earnings File. Instead, these wages are placed in SSA's ESF—a repository for unmatched wages.

For Tax Years (TY) 1997 to 2002, the DOD components submitted over 26 million W-2s to SSA totaling about \$361 billion in wages. For the purpose of our review, the DOD components consist of the Army, Navy, Marine Corps, Air Force, and other DOD agencies. We also included the U.S. Coast Guard because it is a special component of the Navy in wartime; otherwise, it is a bureau of the Department of Homeland Security. In TY 2002, the components submitted approximately 4.1 million W-2s totaling about \$72 billion in wages.

## **RESULTS OF REVIEW**

Our review found for TYs 1997 to 2002, the DOD components submitted about 6,400 wage items representing about \$30 million in wages that were placed in SSA's ESF. SSA placed these items in the ESF because: (1) the reported names and/or SSNs did not match SSA records; (2) a special indicator indicating a potential problem, such as the earner's death, was assigned to the record; or (3) the reported SSNs were invalid. Some of these errors appear to relate to simple input and reporting errors, such as transposition or typographical errors, name changes, and incorrect dates of birth and death on SSA records. However, it is also possible that individuals employed at the DOD components were not using their own SSN and as a result, DOD components may have employed individuals whose true identity cannot be verified/confirmed by the SSN they are using.

SSA has taken a number of steps to resolve wage reporting problems and reduce the size of the ESF including: (1) using various edit processes to locate the owners of

earnings; (2) sending correspondence to employers and employees to alert them to reporting problems; (3) providing assistance to employers through Employer Service Liaison Officers (ESLO); and (4) offering name and SSN verification services. However, we found that the DOD components may be unaware of all instances where the Numberholder later disclaimed reported wages. Furthermore, SSA does not regularly send the DOD components Educational Correspondence related to suspended wages. Finally, not all of the DOD components have taken advantage of the Agency's verification service. For example, we could not find evidence that the Air Force or Coast Guard were verifying their employees' names and SSNs.

## **CONCLUSIONS AND RECOMMENDATIONS**

While we recognize there were legitimate reasons why some of the employees' names and SSNs did not match SSA's records, we also found cases where the discrepancies could not be explained. Additionally, as long as the wage items remain in the ESF, the DOD employees may not receive proper credit for their wages, which can affect their eligibility for and/or the amount of the retirement, disability, or survivor benefits.

To assist SSA in achieving its goal to increase the accuracy of earnings records, we recommend SSA:

- Make the necessary corrections for the cases referred to during the audit.
- Work closely with each DOD component to encourage the use of verification services annually.
- Share with each DOD component all wage items that are placed in the ESF, including those wage items assigned special indicators.

## **AGENCY COMMENTS**

The Agency agreed with our recommendations and has initiated corrective actions. SSA's comments are included as Appendix H.

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# *Introduction*

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## **OBJECTIVE**

Our objectives were to determine whether individuals having public responsibilities and positions of trust at the Department of Defense (DOD) have wages posted to the Social Security Administration's (SSA) Earnings Suspense File (ESF) and what actions have been taken to resolve these wage reporting problems.

## **BACKGROUND**

Title II of the Social Security Act requires SSA to maintain records of wage amounts employers pay to individuals. Each year, employers must send a *Wage and Tax Statements* (W-2 Form) to SSA by the last day of February (or last day of March if filed electronically) to report the wages and taxes of their employees for the previous calendar year. This information also includes the names and Social Security numbers (SSN) of wage earners, and the Employer Identification Number (EIN).<sup>1</sup> SSA validates the names and SSNs on the W-2s to the Numident.<sup>2</sup> Wages reported on W-2s containing names and/or SSNs that do not match SSA's records cannot be posted to an individual's earnings record in SSA's Master Earnings File (MEF).<sup>3</sup> Instead, these wages are placed in SSA's ESF—a repository for unmatched wages.

As of October 2004, SSA's ESF contained approximately 246 million wage items totaling about \$463 billion in wages related to Tax Years (TY) 1937 through 2002 that could not be posted to individual earnings records. In TY 2002 alone, the ESF increased by 9 million wage items and by \$56 billion in wages.

## **Department of Defense Components**

The DOD's<sup>4</sup> primary mission is to protect and advance the security and national interests of the United States, to deter aggressors and, if deterrence fails, to defeat any adversary. In addition, the DOD performs critical humanitarian, peacekeeping, law

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<sup>1</sup> The EIN is a 9-digit number assigned by the Internal Revenue Service to sole proprietors, corporations, partnerships, estates, trusts, and other entities for tax filing and reporting purposes.

<sup>2</sup> The Numident is a record of identifying information (such as name, date of birth, date of death, mother's maiden name, etc.) provided by the applicant on his or her *Application for 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.

<sup>3</sup> 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.

<sup>4</sup> For the purpose of our review, the DOD components consist of the Army, Navy, Marine Corps, Air Force, and DOD agencies. We also included the U.S. Coast Guard because it is a special component of the Navy in wartime; otherwise, it is a bureau under the Department of Homeland Security.

enforcement, and disaster assistance missions, all of which are important to protecting the national security of the United States. To accomplish its mission, the DOD employs individuals having public responsibilities and positions of trust. As of Fiscal Year 2003, the DOD employed 1.4 million men and women in active duty, another 1.2 million in the reserve and guard components, and approximately 680,000 civilians. For TYs 1997 to 2002, the DOD submitted over 26 million W-2s to SSA totaling about \$361 billion in wages. In TY 2002, the DOD submitted approximately 4.1 million W-2s totaling about \$72 billion in wages. Appendix C provides a summary of the W-2 submissions by each component.

# Results of Review

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Our review found for TYs 1997 to 2002, the DOD components submitted about 6,400 wage items and about \$30 million in wages that were placed in SSA's ESF. SSA placed these items in the ESF because (1) the reported names and/or SSNs did not match SSA records; (2) a special indicator was assigned when the Numberholder (NH) appeared to be deceased in SSA records, a child who was under the age of 7, or the NH disclaimed the wages; and/or (3) the reported SSNs were invalid. Some of these errors appear to relate to simple input and reporting errors, such as transposition or typographical errors, name changes, and incorrect dates of birth and death on SSA records. However, it is also possible that individuals employed at the DOD components were not using their own SSN and, as a result, these components may have employed individuals whose true identity cannot be verified/confirmed by the SSN they are using. While SSA has a number of processes to assist employers with wage reporting, we found that the DOD components may be unaware of all instances where the reported wages were later disclaimed. Furthermore, SSA does not regularly send the DOD components Educational Correspondence related to suspended wages. Finally, not all of the DOD components have taken advantage of the Agency's verification services. For example, we could not find evidence that the Air Force or Coast Guard were verifying their employees' names and SSNs.

## DEPARTMENT OF DEFENSE WAGE ITEMS PLACED INTO THE EARNINGS SUSPENSE FILE

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**Majority of the Suspended Wage Items Were Reported for Military Employees both Active Duty and Reserve**

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Between TYs 1997 through 2002, we found that the DOD components submitted nearly 6,400 wage items representing about \$30 million in wages to SSA that were placed in the ESF (See Figure 1).<sup>5</sup>

These wage items related to 4,377 military and civilian employees as some employees had wages posted to the ESF for multiple years.<sup>6</sup> The majority of the suspended wage items were reported for military employees who were in either active duty or reserve status. We found that 64 percent (4,060) of the wage items were for military employees and 36 percent (2,298) were for civilian employees.

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<sup>5</sup> In addition to the approximately 6,400 wage items discussed here, SSA also resolved a number of suspended wage items over this same period. See the report section titled "Mechanisms Available to Assist Employers."

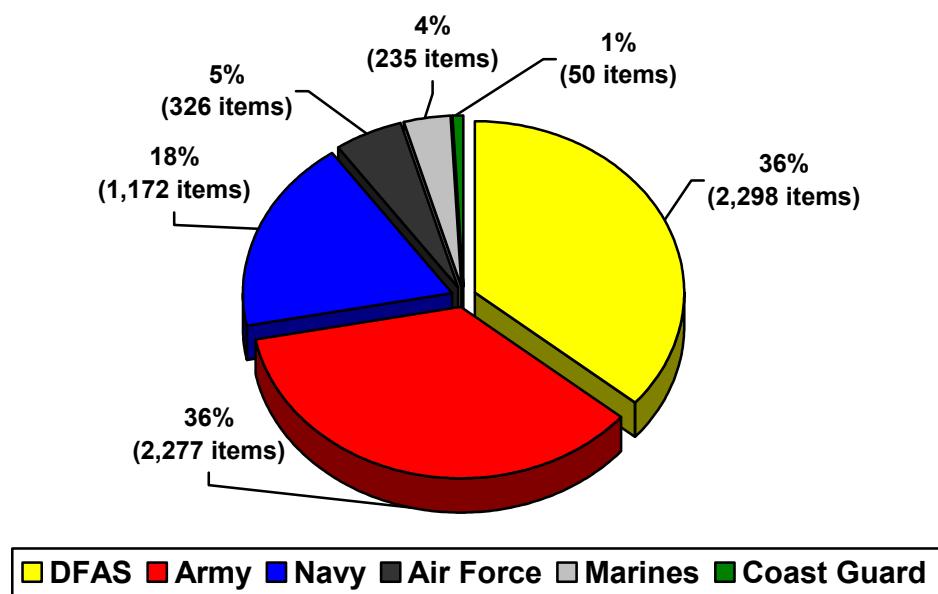
<sup>6</sup> For example, one Army employee had wages posted to the ESF for TYs 1997-2002.

The amount of the suspended wages ranged up to \$80,400,<sup>7</sup> with an average of \$4,707. The DOD component that submitted the most wage items placed in the ESF was the Defense Finance and Accounting Service (DFAS)—2,298 wage items (36 percent) representing \$8.8 million in wages. The DFAS includes civilian employees who worked for the military departments as well as DOD agencies.

Our analysis of the 6,358 wage items determined that SSA placed these items in the ESF because:

- 59 percent of the reported names and/or SSNs did not match SSA records;
- 28 percent were assigned a special indicator when the NH appeared to be deceased in SSA records, a child who was under the age of 7, or the NH disclaimed the wages; or
- 13 percent were reported with invalid SSNs.

**Figure 1: Number of Department of Defense Wage Items in the Earnings Suspense File (Tax Years 1997 through 2002)**



## MISMATCHED NAMES AND SOCIAL SECURITY NUMBERS

We found that 3,767 wage items (59 percent) were placed in the ESF because the name and SSN combination did not match SSA records. These wage items represented approximately \$19 million in suspended wages for the 6-year period. The

<sup>7</sup> We only included Federal Insurance Contribution Act (FICA) wages in our review. For example, in TY 2001, our data shows that DOD reported suspended wages for at least one individual with earnings above \$80,400, the maximum taxable earnings subject to FICA. Our population did not include any suspended wages for individuals with taxable earnings above the TY 2002 FICA threshold (\$84,900).

Army submitted the most wage items—1,719 wage items and about \$6.7 million in wages—with these types of errors. The name/SSN mismatches can occur for several reasons such as the wage earners changed their name and did not notify SSA, the employer reported the name/SSN incorrectly, or individuals deliberately used an SSN that did not belong to them. We determined that 3,585 of the 3,767 suspended wage items<sup>8</sup> were reported with valid SSNs, but the reported names did not match SSA's records. A detailed review for 60 sample items from the population revealed the following.

- For 44 wage items, the first and last names reported by the DOD components were completely different from the names associated with the SSNs shown in SSA records. In some instances, it appears that even the gender did not match. We believe these wage items need further investigation to determine if the wage earners deliberately used SSNs that belong to others or whether these were simply reporting errors. Therefore, we referred these cases to our Office of Investigations (OI) and the cases are under review.
- For 10 wage items, it appears the names reported by the DOD components contained typographical and formatting errors. For example, the first name was recorded in the data field used to report the last name and the middle name was recorded in the data field used to report the first name.<sup>9</sup>
- For six wage items, the first and middle names matched SSA records but the last names were not the same. It appears that the wage earners changed their names but failed to notify SSA.

## SPECIAL INDICATORS

We found that 1,759 wage items (28 percent) representing nearly \$8.1 million in wages were placed in the ESF with special indicators. SSA assigns a special indicator when the NH appears to be deceased in its records – Earnings After Death Report (EADR), a child who is under the age of 7 – Young Children's Earnings Record (YCER), or when the NH disclaims the wages—Scrambled Wage Earnings Discrepancy (SWED). The DFAS submitted the most suspended wage items with the special indicators—903 wage items and about \$2 million in wages (See Appendix D).

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<sup>8</sup> The remaining 182 wage items were reported without the wage earner's first and/or last name. Specifically, 173 items did not include a first name, 9 items did not include the first and last name, and 1 item was missing the last name. We believe these reporting errors should have been detected by the DOD components prior to submitting the wage items to SSA.

<sup>9</sup> SSA has SSN/Name Validation software routines that handle simple name reversals. However, the sample cases noted above were more complicated and would not have been detected by the routines.

## Earnings after Death Report

We identified 1,511 wage items totaling about \$5.4 million in wages that were assigned the EADR indicator. SSA assigns this indicator as part of the validation of the Annual Wage Reporting process. SSA reviews the Numident to determine whether a date of death is present and if wages have been reported after the year of death. Of the 1,511 wage items, 1,436 wage items<sup>10</sup> included dates of death on the Numident that range from 1942 to 2001. Our detailed review for 50 sample items from this population of suspended wage items revealed the following.

- For 29 wage items, it appears the wages were earned the year of death but were not reported until the year after death. In a 2002 audit, we reported that while such wages are related to legitimate earnings of the deceased, the wages should have been reported as miscellaneous income on an Internal Revenue Service (IRS) Form 1099-MISC rather than as wages on a W-2.<sup>11</sup>
- For 12 wage items, it appears the wage earners are alive and were incorrectly listed as deceased in SSA records. For example, in one case the wage earner's Numident record included a date of death of July 20, 1966. However, we discovered during the audit that SSA reinstated \$447,900 in wages from the ESF to his earning record for TYs 1997 through 2002. Further, he is currently receiving Title II retirement benefits and SSA has not removed the erroneous date of death from his Numident. When SSA records a date of death on a Numident record, the NH's name and SSN are provided to the public as part of SSA's Death Master File (DMF).<sup>12</sup> Therefore, personal information may have been provided to the public for those individuals who were incorrectly listed as deceased on the Numident. We referred these cases to SSA for further review.
- For nine wage items, the evidence indicated that DOD employees used the SSNs of deceased NHs for employment. In some instances, the reported names did not match names shown on SSA's Numident. For example, we found that a DOD wage earner used his father's SSN, who had been deceased since 1978, to work in TYs 1998 and 1999. The Numident showed that the father and son shared the same surname, but their first names did not match. This resulted in \$11,700 in wages being posted in the ESF. The son's earnings record showed that in TY 1999, he worked for another DOD component, but he used his own SSN. These cases are currently with OI and under review.

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<sup>10</sup> We discovered that the remaining 75 wage items were placed in the ESF although no date of death was present on Numident records. We referred 66 of the wage items to SSA for further review. The other nine wage items have since been reinstated.

<sup>11</sup> SSA OIG, *Effectiveness of SSA's Earnings After Death Process* (A-03-01-11035), August 2002.

<sup>12</sup> SSA extracts information from the Numident and creates a DMF each quarter. The DMF is provided to third-party users via computer tapes. Each month, SSA provides a supplemental tape containing newly recorded deaths and any changes or deletions to the file.

## Young Children's Earnings Record

SSA assigned a YCER indicator for 40 wage items totaling nearly \$300,000 in wages. Under the YCER process, SSA reviews the Numident for a date of birth (DoB) for the SSN on each W-2. If a DoB indicates that the NH of the SSN is a child under the age of 7, the wages are placed in the ESF with a YCER indicator. We discuss our analysis of the 40 YCER-coded wage items below.

- For 17 wage items, it appears that SSA did not properly verify the DoBs when the wage earners were enumerated. The DoBs included on the *Application for Social Security Card* (Form SS-5) indicated that the applicants were under the age of 3 when they signed the form. In some instances, it appears the wage earners incorrectly recorded the application date as their DoB and SSA did not detect the discrepancies. We referred these cases to SSA for further review.
- For 14 wage items, the DoBs included on the Numident did not match the DoBs shown on the Form SS-5 and the Department of Homeland Security's (DHS) Systematic Alien Verification Entitlements (SAVE) program.<sup>13</sup> Based on the DoBs shown on the Form SS-5 and SAVE, the wage earners appeared to be at least 15 years old when they earned the wages and therefore, did not meet the YCER criteria. It appears in some instances that SSA staff inputting the SS-5 information transposed a digit in the DoB causing the wage earner to appear to be a child under the age of 7.<sup>14</sup> For example, a wage earner had \$38,830 in wages placed in suspense for TYs 2000 and 2001 because her DoB was recorded on the Numident as January 1, 1995, which made her 5 years old at the time the wages were earned. The Form SS-5 indicated that the DoB was actually January 1, 1975, which meant she was 25 years old. We referred these cases to SSA for further review.
- For the nine remaining wage items, it appears that DOD employees used the SSNs of children to work for the DOD components. In all cases, we were not able to determine whether these individuals used the SSNs deliberately or by accident. However, in one case it appears the father deliberately used his 1-year old son's SSN, who shares the same name, to re-enlist in the military. Department of Veterans Affairs records showed that the father enlisted in the Army in July 1998 using his own SSN. He received a dishonorable discharge in August 2000. In May 2002, the father apparently used his son's SSN to re-enlist into the Army. Around this same time, the son's Numident showed that SSA issued nine replacement cards within a 6-month period and the father requested at least one of the cards. Additional evidence showed that when the father went to prison, he again

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<sup>13</sup> The SAVE program provides a method of document verification within an automated environment. This automated verification process is available to SSA to verify DHS documents presented as evidence of lawful immigration status or work authorization in the United States.

<sup>14</sup> The incorrect DoBs were recorded in the Numident files, which caused the wage items to be placed in the ESF.

used his son's SSN.<sup>15</sup> Currently, the father is in prison and is not expected to be released until April 2005. We referred these cases to OI for further investigation and these cases are under review.

### **Scrambled Wage Earnings Discrepancy**

We identified 208 wage items with about \$2.4 million in wages that were assigned a SWED indicator. SSA assigns this code when wages or self-employment income for one wage earner has been posted to another wage earner's record. Our review for 20 of the 208 SWED-coded wage items showed that the NHs notified either SSA or the IRS<sup>16</sup> that they did not earn the wages. SSA removed the wages from their earnings records and placed the wages into the ESF. However, we did not find evidence that SSA contacted the DOD components regarding the wage reporting problems. Current SSA policy does not require employers to be notified about wage items that are placed in the ESF with the SWED indicator. As a result, the DOD components may be unaware of the issues and cannot assist SSA in resolving these wage reporting problems.

### **INVALID SOCIAL SECURITY NUMBERS**

We found that 832 wage items (13 percent) with about \$2.5 million in wages were reported with invalid SSNs. DFAS submitted the most wage items containing invalid SSNs—569 wage items and \$1.5 million in wages. In analyzing the wage items, we determined that 488 wage items were reported with unassigned SSNs. These SSNs look legitimate, but SSA has never issued these numbers. The remaining 344 wage items were reported with numbers that resemble an Individual Tax Identification Number (ITIN). An ITIN is a 9-digit number that begins with a "9" and is issued by the IRS to non-citizens who need tax identification numbers for tax purposes and who otherwise do not meet the requirements for being assigned an SSN. We referred these cases to OI for further investigation as they may indicate possible SSN or ITIN misuse.

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<sup>15</sup> The prisoner information was obtained from SSA's Prisoner Update Processing System. This system controls, monitors and suspends benefits to inmates who should not be receiving Social Security benefits.

<sup>16</sup> SSA receives an IRS 9409 Form, *IRS/SSA Wage Worksheet*, from the IRS when a taxpayer disputes wages. The form also includes the steps taken by the IRS to resolve the issue. We discuss this issue further in an earlier SSA OIG report, *The Social Security Administration's Processing of Internal Revenue Service Overstated Wage Referrals* (A-03-02-22068), March 2003.

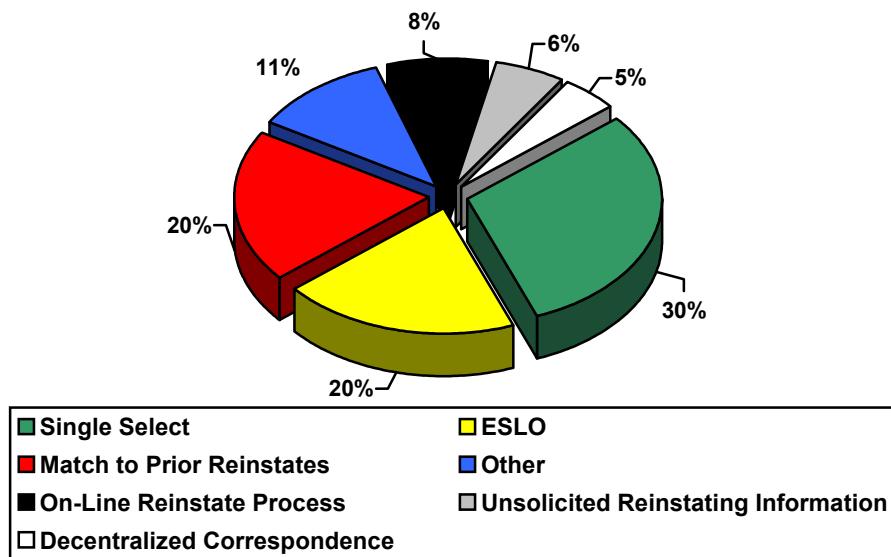
## MECHANISMS AVAILABLE TO ASSIST EMPLOYERS

### **SSA Reinstated over 23,000 DOD Wage Items from the ESF during the 6-Year Period**

As of July 2003, SSA reinstated from the ESF, 23,494 DOD wage items<sup>17</sup> for TYs 1997-2002, as illustrated in Figure 2. SSA has a number of programs in place to help reduce the ESF's rate of

growth as well as to reduce its current size. However, we found that the DOD components did not receive important alerts or always take advantage of SSA services. For example, SSA does not regularly send the DOD components Educational Correspondence related to suspended wages. Finally, not all of the DOD components have taken advantage of the Agency's verification service. Some of the edits and processes as they impacted the DOD components are discussed on the following pages.<sup>18</sup>

**Figure 2: Department of Defense Reinstatements for Tax Years 1997 through 2002 (23,494 Reinstated Wage Items)**



Note: See Appendix E for a full list of Edits.

## EDIT PROCESSES

SSA uses a variety of editing routines and other processes to correct and post many of the wage items with name and/or SSN mismatches or other problems, both before and after items are posted to the ESF. Most of the reinstated wage items—7,101 items representing 30 percent—were reinstated because of SSA's Single Select edit, which

<sup>17</sup> In a November 2002 SSA OIG report, *Status of SSA's Earnings Suspense File* (A-03-03-23038), we found that the ESF Reinstate File was not designed to capture all reinstated items, but rather captures the latest entry in a series of reinstatements so that this information could be used in resolving similar problems in the future. As a result, the number above undercounts the actual number of reinstatements.

<sup>18</sup> See Appendix E for a complete listing of the SSA's edits and processes used to assist employers in resolving wage reporting problems.

will look at variations on the reported SSN in an attempt to find a correct combination that matches the reported name. This process can detect simple transposition and single-edit errors on SSNs.

## **CORRESPONDENCE SENT TO EMPLOYERS AND EMPLOYEES**

SSA sends several types of correspondence to employers and employees to notify them when the name and/or SSN included on the W-2 does not match SSA records. These notices are intended to help SSA resolve discrepancies and remind employers about the importance of providing SSA with correct names and SSNs of employees. They also encourage employers to correct their records and to use SSA's Employee Verification Service (EVS) (this is discussed in a later section).

### **Decentralized Correspondence**

SSA reinstated 1,102 DOD wage items (5 percent) as a result of the Decentralized Correspondence (DECOR) notices. This notice is generated when the wage item fails SSA's validation criteria. While these notices are usually mailed to employees, SSA only sends notices to employers if the employee's address is unknown.

### **Earnings after Death and Young Children Notices**

SSA sends notices to employers when wage items are placed in the ESF with an EADR or YCER indicator. If the employer does not respond to these notices within 90 days, SSA sends a notice to the employee. These notices resulted in 264 wage items being reinstated with an EADR indicator and 5 wage items with the YCER indicator.

### **Educational Correspondence**

The Educational Correspondence (EDCOR) notice is similar to the DECOR notice except the notice is sent to the employer based on specific criteria (See Table F-1 in Appendix F). In TYs 1997 through 2000, SSA sent notices to employers who submitted 10 or more W-2s that could not be processed and the mismatches represented more than 10 percent of the total W-2s submitted. Our analysis indicates that none of the DOD components were sent these notices during this period because they did not meet the second part of the criteria (See Table F-2 in Appendix F for TY 2000).

The DOD components were sent EDCOR notices in TY 2001 because SSA sent notices to all employers who had at least one wage item posted to the ESF. In TY 2002, SSA changed its criteria again and now notices are sent to employers who have 10 or more W-2s that could not be processed and the mismatches represent more than 0.5 percent of the total W-2s submitted. Again, our analysis indicates that none of the DOD components were sent these notices because they did not meet SSA's criteria (See Table F-2 in Appendix F). Since the DOD components employ individuals who are in positions of trust and who may have access to national security information, it is essential that they are notified about the wage reporting problems. DFAS personnel

stated that if SSA provides them with information about the suspended wage items, they would take appropriate action to resolve the wage reporting discrepancies.

## **EMPLOYER SERVICE LIAISON OFFICER**

SSA reinstated 4,636 DOD wage items (20 percent) with the assistance of ESLOs. An ESLO is a SSA employee who assists employers and third party providers with wage reporting issues based on a certain geographical region. The ESLO's responsibilities include (1) answering employers' questions on magnetic media submission of W-2s; (2) conducting wage reporting seminars, in partnership with the IRS, for employers, payroll service providers, and payroll software companies; and (3) contacting employers in their region with significant suspended wage items. According to one ESLO, he provides the DOD components with a listing of wage items posted to the ESF to assist them with resolving the wage reporting discrepancies.

## **EMPLOYEE VERIFICATION SERVICE**

The purpose of the EVS program is to ensure that employee's names and SSNs are valid "before" the employer submits their W-2s to SSA. Depending upon the number of SSNs they want to verify at a time, employers can call an "800 number" for 5 or fewer, or submit a paper request of up to 50 names directly to a SSA field office. In addition, employers who wish to verify 51 or more SSNs all at once are encouraged to register for the EVS program. The use of EVS is voluntary and can assist employers in eliminating common SSN reporting errors.<sup>19</sup> In a prior report, we found the number of employers registered for EVS has increased over recent years, but the rate of usage actually decreased during the same period.<sup>20</sup>

Employers who register for the EVS program must sign a Privacy Act Statement, certifying they will maintain the confidentiality of the EVS data. Once registered for EVS, SSA provides the employer a requester identification number to access the program. EVS requests can be submitted on magnetic media (tape, cartridge, or diskette) or paper. For each employee record to be verified through the registered user process, employers must submit three required elements: employee's SSN, last name, and first name. Through EVS, SSA will verify the name, SSN, DoB and gender of an employee. As of January 2004, SSA may disclose death responses to employers when the wage earner's record indicates that they are deceased.<sup>21</sup>

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<sup>19</sup> SSA is piloting a new on-line service called Social Security Number Verification System (SSNVS). SSNVS is an on-line service that enables employers and submitters to verify employee names and SSNs with information in SSA's records for the W-2 reporting purposes. While this service is being piloted among a few employers, SSA hopes it will encourage more employers to use SSA's name/SSN verification program for new employees.

<sup>20</sup> SSA OIG, SSA's *Employee Verification Service for Registered Employers* (A-03-02-22008), September 2002.

<sup>21</sup> The Social Security Act, 42 U.S.C. § 205, does not allow State death information to be disclosed.

We were able to determine that four of the six DOD components were registered users of EVS. In TY 2002 these 4 components submitted over 5 million names/SSNs to SSA to be verified, of which 435,000 could not be verified. In Table 1, we show that the primary reason the wage items could not be verified was due to an individual using an SSN that had not been issued by SSA. Apparently, DOD components resolved many of these discrepancies because we found that fewer wage items were placed in the ESF for TYs 1997 through 2002. We were unable to locate the Air Force and Coast Guard on SSA's list of registered users. We later confirmed with DOD payroll staff that the Air Force had not been using EVS for a number of years due to system problems within DOD.

**Table 1: Unverified DOD Submissions to SSA's Employee Verification System by Code (Tax Year 2002)**

DOD Users	Percent of Unverified Submissions by Code				
	Code 1	Code 2	Code 3	Code 4	Code 5
Army	44.10%	12.14%	16.03%	0.16%	27.57%
Navy	0.07%	6.86%	75.10%	0.05%	17.92%
Marines	0.10%	31.81%	20.45%	0.41%	47.23%
DFAS	2.37%	22.32%	17.34%	0.33%	57.64%
All Four DOD Components	<b>39.21%</b>	<b>12.43%</b>	<b>20.52%</b>	<b>0.16%</b>	<b>27.68%</b>

Source: Enumeration Verification System Monthly Report

Verification Codes	Explanation
1	SSN not in file (never issued to anyone).
2	Name and DoB match; gender does not.
3	Name and gender match; DoB does not.
4	Name matches, DoB and gender do not.
5	Name does not match; DoB and gender not checked.

## *Conclusions and Recommendations*

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While we recognize there were legitimate reasons why some of the employees' names and/or SSNs did not match SSA's records, we also found cases where the discrepancies could not be explained. Additionally, as long as the wage items remain in the ESF, the DOD employees may not receive proper credit for their wages, which can affect their eligibility for and/or the amount of their retirement, disability, or survivor benefits.

To assist SSA in achieving its goal to increase the accuracy of earnings records, we recommend SSA:

1. Make the necessary corrections for the cases that were referred during the audit.
2. Work closely with each DOD component to encourage the use of verification services annually.
3. Share with each DOD component all wage items that are placed in the ESF, including those wage items assigned special indicators.

### **AGENCY COMMENTS**

SSA agreed with our recommendations. See Appendix H for the text of SSA's comments.

# Appendices

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## **Appendix A**

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### **Acronyms**

DECOR	Decentralized Correspondence
DFAS	Defense Finance and Accounting Service
DHS	Department of Homeland Security
DMF	Death Master File
DoB	Date of Birth
DOD	Department of Defense
EADR	Earnings After Death Report
EDCOR	Educational Correspondence
EIN	Employer Identification Number
EM 2.8	Earnings Modernization 2.8
ESF	Earnings Suspense File
ESLO	Employer Service Liaison Officer
EVS	Employee Verification Service
IRS	Internal Revenue Service
ITIN	Individual Tax Identification Number
MEF	Master Earnings File
NH	Numberholder
OIG	Office of the Inspector General
OI	Office of Investigations
SAVE	Systematic Alien Verification Entitlements
SSA	Social Security Administration
SSN	Social Security number
SSNVS	Social Security Number Verification System
SWED	Scrambled Wage Earnings Discrepancy
TY	Tax Year
WBDOC	Wilkes-Barre Data Operations Center
YCER	Young Children's Earnings Record

#### **Forms**

- Form SS-5   *Application for Social Security Card*  
Form W-2   *Wage and Tax Statement*

# **Scope and Methodology**

To accomplish our objectives, to determine whether individuals having public responsibilities and positions of trust at the Department of Defense (DOD) have wages posted to the Social Security Administration's (SSA) Earnings Suspense File (ESF) for Tax Years (TY) 1997 through 2002 and what actions have been taken to resolve these wage reporting problems, we:

- Reviewed pertinent sections of SSA's policies and procedures.
- Reviewed Office of the Inspector General and Government Accountability Office reports and other relevant documents.
- Interviewed SSA staff to gain an understanding of the ESF.
- Interviewed DOD Inspector General staff to: (1) identify DOD Employer Identification Numbers (EIN), (2) determine if any assistance was provided by SSA to resolve wage reporting problems, and (3) determine whether the DOD components were using SSA's Employee Verification Service (EVS).
- For the 36 EINs used by the DOD components during TYs 1997 through 2002, obtained a data extract from the SSA's ESF and Reinstate File.<sup>1</sup>
- Reviewed and analyzed a random sample of wage items that were identified as Earnings After Death Report—50 wage items, Young Children's Earnings—40 wage items, Scrambled Wage Earnings Discrepancy—20 wage items, and Mismatch Name/SSN—60 wage items.
- Obtained and reviewed SSA's list of registered users for the EVS for TYs 1997 through 2002 to determine if the DOD components used the service.

Our audit did not include an evaluation of SSA's internal controls over the wage reporting process. We did not focus our efforts on the collection of wage reporting data, nor did we attempt to establish the reliability or accuracy of such data. The entity audited was SSA's Office of Earnings Operations and Administrative Systems under the Office of the Deputy Commissioner for Systems. We conducted our audit between December 2003 and July 2004 in Philadelphia, Pennsylvania. We conducted our audit in accordance with generally accepted government auditing standards.

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<sup>1</sup> We did not include DOD contractor employees in our review.

## **Appendix C**

# **Total Number of Wage Reports Submitted by Department of Defense Components**

For Tax Years (TY) 1997 to 2002, Department of Defense (DOD) components submitted over 26 million wage reports to the Social Security Administration (SSA) totaling about \$361 billion in wages. These wages were reported under 36 Employer Identification Numbers. In TY 2002, the DOD components submitted approximately 4.1 million wage reports totaling about \$72 billion in wages.

**Table: Summary of Wage Reports Submitted by Department of Defense Components (Tax Years 1997-2002)**

DOD Components	Tax Years						Total Wage Reports
	1997	1998	1999	2000	2001	2002	
Army	2,330,315	1,799,799	1,744,771	1,754,676	1,784,036	1,715,696	<b>11,129,293</b>
Air Force	1,274,297	819,137	804,205	786,046	827,345	769,306	<b>5,280,336</b>
Navy	708,974	688,199	776,504	763,166	627,918	628,417	<b>4,193,178</b>
Defense Finance and Accounting Service <sup>1</sup>	495,519	585,864	550,273	507,347	587,992	593,096	<b>3,320,091</b>
Marines	310,196	304,214	301,007	293,343	298,117	294,987	<b>1,801,864</b>
Coast Guard	54,194	54,790	56,234	248,782	57,616	68,131	<b>539,747</b>
<b>Total:</b>	<b>5,173,495</b>	<b>4,252,003</b>	<b>4,232,994</b>	<b>4,353,360</b>	<b>4,183,024</b>	<b>4,069,633</b>	<b>26,264,509</b>

Note 1: In this chart, Defense Finance and Accounting Service include civilian employees who worked for the military departments as well as DOD agencies.

Source: SSA's Employer Report Query.

## ***Appendix D***

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# **Department of Defense Wage Items in the Earnings Suspense File**

Between Tax Years 1997-2002, the Department of Defense (DOD) components submitted nearly 6,400 wage items and about \$30 million in wages to the Social Security Administration (SSA) that were placed in the Earnings Suspense File.

**Table: Summary of Wage Items in the Earnings Suspense File by Components (Tax Years 1997 - 2002)**

DOD Components	SSN and Name Mismatch		Special Indicator		Invalid SSN		Total Suspended Items & Wages	
	Wage Items	Total Wages	Wage Items	Total Wages	Wage Items	Total Wages	Total Items	Total Wages
Defense Finance and Accounting Service <sup>1</sup>	826	\$5,228,628	903	\$2,018,338	569	\$1,535,619	2,298	\$8,782,585
Army	1,719	\$6,655,454	401	\$2,507,863	157	\$382,058	2,277	\$9,545,375
Navy	825	\$5,197,948	298	\$2,109,994	49	\$236,705	1,172	\$7,544,647
Air Force	213	\$1,032,698	81	\$854,681	32	\$61,105	326	\$1,948,484
Marines	149	\$1,003,888	71	\$562,654	15	\$97,305	235	\$1,663,848
Coast Guard	35	\$222,011	5	\$43,490	10	\$178,245	50	\$443,746
<b>Total:</b>	<b>3,767</b>	<b>\$19,340,627</b>	<b>1,759</b>	<b>\$8,097,020</b>	<b>832</b>	<b>\$2,491,037</b>	<b>6,358</b>	<b>\$29,928,685</b>

Note 1: In this chart, Defense Finance and Accounting Service include civilian employees who worked for the military departments as well as DOD agencies.

Source: SSA's Earnings Suspense File.

# **Mechanisms Available to Assist Employers with the Wage Reporting Process**

The Social Security Administration (SSA) has taken steps over the past years to reduce the size and growth of the Earnings Suspense File (ESF). Below we discuss some of the various mechanisms available to assist employers, such as (1) various edit processes and (2) correspondences to employers and employees.

### **Edit Processes**

SSA uses a variety of editing routines and other processes to correct and post many of the wages items with name/Social Security number (SSN) mismatches or other problems, both before and after they go into the ESF. See below for a description of the various edits.

- **Overnight Validation:** This process identifies name/SSN mismatches on the reporting year's paper *Wage and Tax Statement* (Form W-2) before routine edits are performed. Any processed name/SSN mismatches go through the Single Select operation described below. Suspended items not corrected by Single Select are highlighted in a return electronic transmission from the National Computer Center to the Wilkes-Barre Data Operations Center (WBDOC). WBDOC technicians look at the image of the original W-2 and re-key any incorrect items. They also input the employee address, if available,<sup>1</sup> to all returned items—whether corrected or not—for later Decentralized Correspondence (DECOR) and FERRET activities (see next page).
- **Single Select:** This operation assumes the reported name is correct and the SSN is wrong. Many errors are caused when the name is correct, but there is a transposition error in the SSN. The operation creates "ghost" records from combinations of numbers in the reported SSN with the reported name. The system then screens these records against their related Numident records—the Numident file is SSA's database of all valid SSNs. If one and only one Numident matches the reported name, the item is reinstated. This operation prevents about 2.2 million wage items from going to the ESF annually.
- **Operation 30:** This process identifies ESF items with valid SSNs and connects SSA's Numident records with the ESF item. It assumes the SSN is correct, but the name is wrong. Technical staff performs a sight comparison to review reported data against on-line SSA records and make judgments to accept wage items for Master Earnings File (MEF) posting or send the data back to the ESF.

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<sup>1</sup> SSA correspondence would use the employer address when the employee address is not available.

- **SWEET:** SWEET is an electronic operation that periodically uses SSA's latest system enhancements and validation rules, including the more than 20 routine edits used on incoming wages, to remove items from the ESF and reinstate them to wage earners' MEF records.
- **Item Correction:** This process allows SSA staff to correct the earnings record of an individual through a system called Earnings Modernization 2.8 (EM 2.8). The EM 2.8 system is a computerized process for adjusting an individual's earnings record thereby helping SSA establish and maintain an accurate and complete MEF. This system allows SSA employees to add, change, move, or delete an individual's earnings overnight via on-line interactive screens. This is a paperless system—with proofs and rationale recorded electronically after an initial inspection by an SSA employee(s).
- **Reinstatements from the Internal Revenue Service:** While SSA is attempting to resolve mismatched names and SSNs within the ESF, the Internal Revenue Service (IRS) is performing a similar process. The IRS provides SSA a file containing resolved mismatches so that SSA can use this information to locate the owners of suspended items in the ESF.
- **SSA/IRS Earnings Reconciliation Process:** The SSA/IRS earnings reconciliation process compares employee wage data submitted to the IRS to wage data submitted to SSA. Wage data are submitted to both agencies by employers, their representatives, third parties, and agents. When more wages are reported to the IRS than to SSA, SSA is concerned that employees' earnings are not recorded correctly in the Agency's records. SSA examines these cases and attempts to resolve any difference without contacting the employer. When this effort is unsuccessful, SSA sends a notice and questionnaire to the employer, requesting information to resolve the case. If SSA does not receive a response within 45 days, the employer is sent a second notice. When no response is received after the second notice, the IRS is responsible for contacting the employer and may impose penalties, if necessary.
- **FERRET:** FERRET is a periodic electronic operation that uses SSA and IRS records to make reinstatements from the ESF to wage earners' records. WBDOC creates the FERRET file—basically an address file—from the non-responder DECOR file. The FERRET file is processed against IRS tax returns for matches to address data. Names or parts of names are then propagated from the IRS file to create possible reinstatements. These possible matches are then screened using SSA's SSN validation process.

- **New Edits:** The Agency has also modified its automated processes to better identify the Numberholder (NH) related to items in the ESF. SSA stated the new processes would use information stored on the earnings and benefits records whereas previous internal edits only used the names and SSNs related to the suspended wages. Through September 2004, SSA reduced the ESF by approximately 7.9 million items, short of its FY 2004 goal of 27.6 million items. SSA reported that the principal reason its goal was not met was due to underestimating the time needed to design and fully implement a new series of very complex matching software routines.

### **Correspondence to Employers and Employees**

SSA sends out millions of letters to employers and employees each year. The four main letters sent to employers and employees are (1) DECOR, (2) Educational Correspondence (EDCOR), (3) Earnings After Death (EADR), and (4) Young Children's Earnings Record (YCER).

- **DECOR:** When wage items reach the ESF, SSA's system generates notices to employees and employers. The main purpose of DECOR notices is to query employees and employers to resolve SSN and/or name discrepancies. While these notices are usually mailed to employees, letters are mailed to an employer if there is no address for the employee. SSA reviews the returned DECOR notices, validates the information provided, and if appropriate, removes the wage item from the ESF for posting to an individual's MEF record. If individuals do not respond to DECOR notices, their information goes through the FERRET operation. In 2003, SSA sent approximately 9.5 million DECOR letters to employees and employers.
- **EDCOR:** When SSA processes a W-2 report with a name and/or SSN that does not match SSA's records, it sends a notice to the employer. These EDCOR notices state that SSA received wage items that could not be validated. EDCOR notices list up to 500 SSNs but do not provide names. SSA requests that employers file corrected W-2(s) to correct the error(s). The letters sent to employers also specify that mismatches do not imply that incorrect information was intentionally provided and that the letter is not a basis, in and of itself, for an employer to take any adverse action against an employee.

SSA is now sending letters to all employers who submitted 10 or more W-2s that SSA could not process, and the mismatched forms represent more than 0.5 percent of the total W-2s in the report. With these thresholds in place, SSA estimated it sent 130,000 no-match letters to employers in 2003 (See Appendix F for more on this criterion).

- **EADR:** SSA also has processes in place to detect unusual earnings reports—such as instances where earnings relate to someone recorded as deceased on SSA's records. Under the EADR process, when a date of death is present on the

Numident, all earning items reported for TYs after the year of death are placed in the ESF. The earnings are also transmitted to an EADR investigate file so that notices can be printed and mailed to employers and/or earners. SSA sends EADR notices to employers and employees. Employer responses are returned to SSA for processing. If the employer states the individual was working for them, SSA sends a notice to the employee requesting that he or she visit a field office to correct his or her earnings information. At the field office, staff interviews the individual and verifies his or her identification. If the evidence appears valid, SSA personnel reinstate the wages to the proper MEF account. If the employer states the wage earner is deceased, SSA informs the employer to refund the employee's share of the Social Security taxes to the employee's estate or next of kin, and the relevant wages will remain in the ESF. We reviewed the EADR process in a prior audit report.<sup>2</sup>

- **YCER:** Another unusual earnings pattern monitored by SSA relates to young earners. Under the YCER process, SSA checks the Date of Birth (DoB) for the SSN on each earnings report. If a DoB indicates that the NH of the SSN is a child under the age of 7, the earnings will be placed into the ESF. When the W-2 reporting process is complete, an YCER investigate file is generated to determine whether the earnings belong to the reported SSN; i.e. a child under the age of 7. SSA sends YCER notices to employers and employees. Employer responses are returned to SSA for processing. If the employer states the NH's SSN, name and DoB agree with SSA's records, the wages are reinstated to the NH. If the employer states the NH's name and SSN are the same as SSA's records, but the DoB is different, a form is sent to the NH advising him or her to contact the local SSA office to correct the discrepancy. If the employer states the name and/or SSN is different from SSA's records, the information is further researched. If the employer does not return the form or states that the NH of the SSN did not work for them, a letter is sent to the NH of the SSN asking him or her to contact the local SSA field office.

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<sup>2</sup> SSA OIG, *Effectiveness of the Social Security Administration's Earnings After Death Process* (A-03-01-11035), August 2002.

# **Criteria for Educational Correspondence**

When the Social Security Administration (SSA) processes a *Wage and Tax Statement* (W-2) report with a name and/or Social Security number (SSN) that does not match SSA's records, it sends a notice to the employer. These notices, called Educational Correspondence (EDCOR) state that SSA received wage items that could not be validated. Criteria for sending these notices are shown below in Table F-1.

**Table F-1: SSA's Criteria for Sending EDCOR Notices**

<b>2003 and later years</b> <small>(Tax Year 2002 and later)</small>	Notices were sent to employers who submitted a wage report containing more than 10 Forms W-2 that SSA could not process, and the mismatched forms represented more than .5 percent of the total Forms W-2 in the report.
<b>2002</b> <small>(Tax Year 2001)</small>	Notices were sent to employers who submitted a wage report where the name and/or SSN on even one Form W-2 did not agree with SSA's records. (This change was not a result of the September 11 <sup>th</sup> terrorist attacks. The decision to send a letter to every employer with even one "no match" dates back to May 2000.)
<b>2001 and prior years</b> <small>(Tax Year 2000 and prior)</small>	Notices were sent to employers who submitted a wage report containing more than 10 Forms W-2 that SSA could not process, and the mismatched forms represented more than 10 percent of the total Forms W-2 in the report.

Our analysis indicates that while Department of Defense (DOD) components would have received such notices for Tax Year 2001, the year SSA liberalized its policy, EDCOR would not have been sent to DOD components in TYs 2000 or 2002 due to the threshold set by SSA (See Table F-2.)

**Table F-2: Criteria for Educational  
Correspondence Notices for Tax Year 2000 and 2002**

DOD	Tax Year 2000 Criteria: 10%			Tax Year 2002 Criteria: .5%		
	Total W-2s Reported	Total Suspended Wages	Percent of W-2s in Suspense	Total W-2s Reported	Total Suspended Wages	Percent of W-2s in Suspense
Army	1,754,676	1,368	0.08%	1,715,696	1,253	0.07%
Air Force	786,046	215	0.03%	769,306	375	0.05%
Navy	763,166	1,121	0.15%	628,417	520	0.08%
Defense Finance and Accounting Service <sup>1</sup>	507,347	942	0.19%	593,096	706	0.12%
Marines	293,343	146	0.05%	294,987	176	0.06%
Coast Guard	248,782	34	0.01%	68,131	20	0.03%
<b>Total:</b>	<b>4,353,360</b>	<b>3,826</b>		<b>4,069,633</b>	<b>3,050</b>	

Note 1: In this chart, Defense Finance and Accounting Service include civilian employees who worked for the military departments as well as DOD agencies.

Source: SSA's Employer Report Query and Earnings Suspense File.

## **Appendix G**

### **Prior Audit Reports**

<b>Social Security Administration, Office of the Inspector General Reports Related to the Earnings Suspense File</b>		
<b>Common Identification Number</b>	<b>Report Title</b>	<b>Date Issued</b>
A-03-00-10004	Reliability of the Data Used to Measure the Accuracy of Earnings Posted	May 2001
A-03-01-11034	Effectiveness of the Social Security Administration's Decentralized Correspondence Process	June 2002
A-03-01-11035	Effectiveness of the Social Security Administration's Earnings After Death Process	August 2002
A-03-02-22008	The Social Security Administration's Employee Verification Service for Registered	September 2002
A-03-03-23038	Status of the Social Security Administration's Earnings Suspense File	November 2002
A-03-02-22068	The Social Security Administration's Processing of Internal Revenue Service Overstated Wage Referrals	March 2003

## Appendix H

### Agency Comments



## SOCIAL SECURITY

MEMORANDUM

33344-24-1183

Date: March 10, 2005 Refer To: S1J-3

To: Patrick P. O'Carroll  
Inspector General

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

Subject: Office of Inspector General (OIG) Draft Report, "Department of Defense Wage Items in the Earnings Suspense File" (A-03-04-14041)--INFORMATION

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

Please let us know if we can be of further assistance. Staff questions may be referred to Candace Skurnik on extension 54636.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT,  
“DEPARTMENT OF DEFENSE (DOD) WAGE ITEMS IN THE EARNINGS SUSPENSE  
FILE (ESF)” (A-03-04-14041)**

We appreciate the opportunity to comment on the draft report and OIG's continuing efforts to suggest improvements to the Agency's handling of wage items that are placed in the ESF. As noted in the report, the Agency has taken and continues to take steps to resolve wage reporting problems and reduce the size of the ESF.

The Agency continues to present the Employer Verification Service (EVS) as a tool to the employer community during tax forums and payroll conferences. We encourage employers to use our verification service and suggest they integrate it into their routine business process as individuals are hired, as well as annually prior to the submittal of wage and tax statements. In the past, DOD payroll representatives have attended our National Payroll Reporting Forum (jointly sponsored with the Internal Revenue Service) and local wage reporting conferences conducted by our Regional Employer Service Liaison Officers (ESLO). Additionally, for several years our ESLOs have assisted DOD during the wage reporting process by tracking their reported wage information to completion and sharing any issues with DOD for resolution.

**Recommendation 1**

Make the necessary corrections for the cases that were referred during the audit.

**Comment**

We agree. We will obtain a list of those Social Security numbers (SSN) cited in the report and take the necessary actions.

**Recommendation 2**

Work closely with each DOD component to encourage the use of verification services annually.

**Comment**

We agree. The use of the verification service will greatly assist DOD in avoiding wage items being placed in the ESF. We have already taken actions to discuss this issue with representatives from the Defense Finance and Accounting Service (DFAS) for all branches of the military. Each DFAS representative was provided the contact information for their local Regional ESLO, who may assist them in wage reporting issues and provide additional information on EVS. We will continue to follow-up with each DFAS representative to assist in resolving their wage reporting issues.

### **Recommendation 3**

Share with each DOD component all wage items that are placed in the ESF, including those wage items assigned special indicators.

### **Comment**

We agree. Based on our teleconference with DFAS (as mentioned in recommendation 2), we have initiated a process with each DFAS representative to investigate their ESF items. We supplied DFAS with all of their items appearing in the ESF, including those with special indicators. We will continue to work closely with each DFAS representative to track and resolve these wage items in addition to any future wage items.

[SSA also provided technical comments which have been addressed, where appropriate, in this report.]

## **Appendix I**

# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

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### ***Acknowledgments***

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Annette DeRito, Writer/Editor

For additional copies of this report, please visit our web site at [www.ssa.gov/oig](http://www.ssa.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-03-04-14041.

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## **Overview of the Office of the Inspector General**

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

### **Office of Audit**

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.

### **Office of Investigations**

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.

### **Office of the Chief Counsel to the Inspector General**

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

### **Office of Executive Operations**

OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.