
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**WORK ACTIVITY FOR
SOCIAL SECURITY NUMBERS ASSIGNED
FOR NONWORK PURPOSES
IN THE STATE OF UTAH**

March 2002 A-14-01-11048

AUDIT REPORT



Mission

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

Authority

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

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

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

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

Vision

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



SOCIAL SECURITY

Memorandum

Date: March 29, 2002

Refer To:

To: The Commissioner

From: Inspector General

Subject: Work Activity for Social Security Numbers Assigned for Nonwork Purposes in the State of Utah (A-14-01-11048)

OBJECTIVE

The objective of our audit was to review the assignment of Social Security numbers (SSN) for nonwork purposes by Social Security Administration (SSA) field offices (FO) in the State of Utah. Specifically, we wanted to determine whether people were using these nonwork SSNs¹ to obtain employment.

The Office of the Inspector General's (OIG) Office of Investigations (OI) found that an unusually high number of individuals who were not residents of Utah were traveling to that State to request a driver's license to obtain a nonwork SSN. As a result, OI requested that we audit the assignment of nonwork SSNs in the State of Utah.

BACKGROUND

SSA assigns SSNs for limited nonwork purposes to individuals who are not U.S. citizens and have not been authorized to work by the Immigration and Naturalization Service (INS). SSA only issues nonwork SSNs to individuals who are not authorized to work but need an SSN to obtain a State driver's license to receive other federally funded benefits or services to receive State or local general assistance benefits; or, for a few restricted

¹ For the remainder of this report, we call Social Security numbers assigned for nonwork purposes "nonwork SSNs."

tax, banking, and military purposes.² Ten States, including the State of Utah, require that people have an SSN as a prerequisite to obtain a driver's license.³

To receive a nonwork SSN, applicants must provide SSA valid INS documentation proving they are lawfully present in the United States.⁴ They must also provide documentation to support their need for a nonwork SSN.⁵ Examples are a letter from a State Department of Motor Vehicles (DMV) citing the need for an SSN to obtain a driver's license or a letter from a Federal, State or local Government agency requiring an SSN to receive benefits or services. SSA FO employees review the documentation for authenticity, approve the SSN application, and enter the applicant information into the SSA enumeration system. The enumeration system processes the information, and a nonwork SSN card (annotated with a nonwork legend) is issued to the applicant.



Despite this nonwork legend, SSA credits earnings reported under the nonwork SSNs. For instance, in tax years 1998 through 2000, SSA credited earnings of \$36.1 million to 2,058 nonwork SSNs issued in Utah. SSA not only credits earnings, it pays Old-Age, Survivors and Disability Insurance benefits based on the earnings obtained under a nonwork SSN as long as the worker has met all benefit eligibility requirements.⁶

SCOPE AND METHODOLOGY

To achieve our objective, we examined the use of nonwork SSNs issued by SSA FOs in the State of Utah. We obtained access to SSA's Enumeration Transaction History Files and extracted 263,198 records for all nonwork SSNs issued nationwide from May 1998 to May 2001. From this file, we extracted the 11,387 nonwork SSN records issued in Utah. To identify all individuals who were using nonwork SSNs to work, we matched

² As amended by Emergency Messages 96-183, 97-11 and 00-153, SSA's *Program Operations Manual System* RM 00203.510. In 1998, SSA amended 20 CFR 422.104 and 422.107 to remove references to nonwork SSNs for tax purposes because the Internal Revenue Service began assigning Individual Taxpayer Identification Numbers in July 1996. 63 F.R. 56552 (Oct. 22, 1998). On October 12, 1999, SSA published an advanced notice of proposed rulemaking to amend 20 CFR 422.104 to restrict the issuance of nonwork SSNs. 64 F.R. 55217 (Oct. 12, 1999). Under the proposed rule, legal aliens without work authorization would be issued nonwork SSNs only if a Federal statute or regulation required the alien to have an SSN to receive a federally funded benefit or service to which the alien has established entitlement. Ibid. SSA would no longer assign a nonwork SSN to an alien without work authorization solely in order to receive a State or local general assistance benefits, or a drivers license. Ibid. This proposed rulemaking is pending.

³ According to SSA's Office of Program Benefits, as of August 2001, 10 States required an SSN to obtain a driver's license. They are: Alabama, Hawaii, Illinois, Iowa, Kentucky, Mississippi, New Mexico, Pennsylvania, Utah and West Virginia.

⁴ POMS RM00203.510.

⁵ Ibid.

⁶ This was confirmed in the OIG audit report, *Review of Controls Over Nonwork Social Security Numbers* (A-08-97-41002), issued in September 1999.

the Utah records with SSA's earnings records. We did not assume the Utah records reflected nonwork status at the time of employment, only the status when last reported to SSA. Finally, we sorted the Utah nonwork records by address to determine whether multiple applicants were using the same address or post office box.

We reviewed SSA's policy, procedures and regulations pertaining to the issuance and use of nonwork SSNs. To determine whether SSA could change its regulations to restrict the supply of nonwork SSNs, we requested and received guidance from the Office of the Counsel to the Inspector General. We discussed the results of our review with appropriate personnel in SSA's Offices of Policy, Program Benefits, and Systems. We also discussed with appropriate INS personnel actions it takes on reports of employment under nonwork SSNs.

We conducted our audit at SSA Headquarters in Baltimore, Maryland, and completed field work between July and November 2001. Our audit was conducted in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

We found that individuals who were not authorized to work by the INS were requesting and receiving nonwork SSNs and using them to gain employment. Between 1998 and 2001, the number of these nonwork SSNs issued by SSA FOs in the State of Utah increased nearly 300 percent, from 2,356 in 1998 to 6,599 in 2001.⁷

Fifty-four percent of the people who received a nonwork SSN in Utah in 1998 and 1999 found employment, and, for 3 years starting in 1998, had \$36.1 million in earnings reported under their nonwork SSN (see Appendix B for details). We found that individuals used nonwork SSNs obtained in Utah as if they were a regular SSN, and SSA had insufficient controls to prevent their unauthorized use. Once SSA was aware the nonwork SSNs were being used for an unauthorized purpose, the Agency reported the information to INS annually and took no additional action.

INCREASE IN SSNs ASSIGNED FOR NONWORK PURPOSES IN UTAH

The number of nonwork SSNs issued nationwide dropped from 128,289 in Calendar Year (CY) 1998 to 84,454 in CY 1999 and 67,357 in CY 2000. However, since CY 2000, the number of nonwork SSNs issued by SSA nationwide has increased, and the Agency is on track to issue nearly 70,845 nonwork numbers in CY 2001. We estimate over 9 percent of these SSNs will be issued in the State of Utah (see Appendix C for details).

⁷ As shown in Appendix C, SSA issued 2,791 nonwork SSNs in Utah during the first 22 weeks of CY 2001. To annualize the figure, we calculated the average number of nonwork SSNs issued monthly (2,791 divided by 22 weeks) and multiplied the result by 52 weeks.

Number of Nonwork SSNs Issued Nationally and in Utah 1998-2001

Calendar Year	Issued Nationwide	Issued in the State of Utah	Percent Issued in Utah
1998	128,289	2,356	2
1999	84,454	2,339	3
2000	67,357	4,762	7
2001	70,845	6,599	9

The number of nonwork SSNs issued by FOs in Utah has increased nearly 300 percent.⁸ In the same period, the ratio of nonwork SSNs issued by SSA in Utah as compared to the Nation grew by over 500 percent. Between CYs 1999 and 2000, the number of nonwork SSNs issued in Utah more than doubled.⁹

More than half of the nonwork SSNs issued in Utah between May 1998 and May 2001 were sent to an address where multiple nonwork SSNs were received. In slightly over 11 percent of all cases (1,066 issuances), 7 or more nonwork SSNs were sent to the same address, and 1 address received 59 nonwork numbers. In addition, SSA sent 879 nonwork SSNs to post office boxes in Utah. SSA employees in Utah sent another 55 nonwork numbers to post office boxes and addresses in other States.

PEOPLE ARE USING NONWORK SSNs FOR EMPLOYMENT

Not only is SSA assigning more SSNs for nonwork purposes in the State of Utah, individuals receiving the nonwork SSNs are using them for employment. Of the 3,834 individuals who received nonwork SSNs in Utah from May 1998 through December 1999, we determined that 2,058 (54 percent) had \$36.1 million in earnings reported under their nonwork SSNs for CYs 1998 through 2000. The majority of the nonwork SSNs with earnings (1,384 of 2,058 or 67 percent) showed earnings in the CY of issuance (see Appendix B for details). An additional 20 of these nonwork SSNs had wages recorded for 1 or 2 years before receipt of the nonwork SSN. These individuals went to work first, later obtained a nonwork SSN, and then SSA recorded the prior year earnings against their nonwork SSN.

FEW CONTROLS OVER THE ASSIGNMENT AND USE OF NONWORK SSNs

We examined controls over the assignment and unauthorized use of a nonwork SSN and determined those controls to be insufficient. In Utah, the assignment process begins when people who are not authorized to work need a nonwork SSN to qualify for certain federally funded Government benefits or services or to obtain a driver's license. Again, these applicants take documentation from the Federal, State or local Government agency to SSA to validate their request for a nonwork SSN. SSA accepts

⁸ In CY 1998, Social Security personnel in Utah issued an average 45.3 nonwork SSNs a week. By CY 2001, they were issuing an average 126.9 nonwork SSNs a week.

⁹ In CY 1999, Social Security personnel in Utah issued 2,339 nonwork SSNs. In CY 2000, they issued 4,762 nonwork SSNs.

the documentation if it appears valid, but, according to the records and policies and procedures we reviewed, SSA does not require cross-agency verification before issuing the number. SSA employees reviewing the nonwork SSN application do not have to contact the Government agency that prepared the documentation to verify its authenticity. The nonwork SSN application and copies of supporting documentation do not have to be independently reviewed by a second employee before being processed.

When people who acquire a nonwork SSN find employment, SSA automatically credits the earnings reported for that number. Later, SSA will pay benefits based on the earnings obtained under the nonwork SSN. Each year, SSA notifies INS of earnings recorded for nonwork SSNs.¹⁰ However, the notification occurs 6 to 18 months after the earnings take place, and, according to INS and SSA staff, INS has no written policies or procedures for using the earnings information to curb unauthorized employment.

SSA and INS employees familiar with the annual notification indicate that resource priorities and data compatibility problems prevent INS from making effective use of the earnings information SSA provides. SSA and INS structure certain data fields differently, which makes it difficult for the two Agencies to match records. Consequently, the INS cannot adequately identify non-citizens who are employed illegally or employers who constantly hire these individuals. In other words, it cannot fully enforce immigration laws.

SSA receives wage information from employers' annually, which can result in a 6 to 18 month delay in documenting an individual's earnings. This time lag makes it ineffective for SSA to associate earnings with an individual's INS nonwork status, especially since INS can periodically change an individual's work status. One way to improve this process would be to receive earnings information more frequently through the Office of Child Support Enforcement's (OCSE) quarterly wage reports. According to employees in SSA's Office of Systems (OS), associating nonwork records with the OCSE quarterly wage reports, would allow SSA FO employees to reference the file and prevent the assignment of replacement nonwork SSN cards to non-citizens who are working even though they are not authorized to work.¹¹ Additionally, SSA could use the same file to detect unauthorized employment and to put a nonwork legend or code on SSN verification reports sent to employers. This would notify employers that an individual was not authorized to work any time SSN verification is requested. SSN verification often occurs when the employee is hired.

SSA/OS also believes that SSA should match the INS file with its Earnings Suspense File (ESF) to determine whether employers who consistently hire individuals who are not authorized to work are also the biggest source of suspended wage reports. The ESF is primarily a repository for employer wage reports that SSA cannot record on its earnings records. Wages are recorded on the ESF when the name and SSN on the employer report does not match SSA's SSN enumeration records. Matching INS

¹⁰ 20 CFR 422.104.

¹¹ FO employees reference a monthly INS file that does not provide earnings information.

nonwork records with the ESF would help identify people who use false identities, often those trying to avoid legal authority. Because the ESF may hold a rich history of illegal employment activity, the results of such a match would be of interest to INS and other law enforcement agencies.

CONCLUSIONS AND RECOMMENDATIONS

On November 1, 2001, SSA stated that it would change its policy to eliminate driver's license and vehicle registration as a reason for issuing a nonwork SSN effective March 1, 2002. While we applaud the initiative, we believe SSA should go further. It should immediately change its policy to prevent a last-minute rush for nonwork SSNs between now and March 2002.¹²

The Director for the Utah Driver's License Division plans to introduce legislation in the 2003 State legislative session that would enable the DMV to replace the SSN with another unique number for individuals who are not authorized to work but want to apply for a State driver's license. The Director stated that Utah would not be adversely affected if SSA stopped assigning nonwork SSNs for the purpose of registering a motor vehicle or obtaining a State driver's license. The change would also reinforce a State DMV initiative to stop displaying SSNs on State driver's licenses.

SSA should establish additional controls over the issuance of nonwork SSNs.¹³ It should, at a minimum, require FO staff members to independently verify a person's need for a nonwork SSN to receive a federally funded Government benefit or service, such as public assistance. It should reinforce this control by requiring that a second employee independently review the nonwork SSN application and supporting evidence before allowing it to be processed.

Further, SSA should establish a meaningful dialogue with INS to resolve data compatibility problems associated with the annual nonwork earnings file, and the dialogue should involve people with the technical expertise needed to resolve the problem. SSA should also negotiate an agreement with OCSE whereby SSA sends OCSE a nonwork file quarterly and OCSE returns the file after associating earnings. A similar OCSE agreement and computer match already exists for the Supplemental Security Income program.

¹² In 1,919 of 3,218 cases, Social Security offices in Utah recorded evidence justifying the release of nonwork SSNs that were used for employment in 1999 and 2000. In over 96 percent of the 1,919 cases, applicants indicated that they needed the nonwork number to obtain a State driver's license.

¹³ A prior OIG audit report, *Review of Controls Over Nonwork Social Security Numbers* (A-08-97-41002), issued in September 1999, recommended that SSA propose legislation that would prohibit the crediting of unauthorized earnings for the purpose of paying benefits. SSA disagreed with the recommendation because its records do not identify exact periods of unauthorized employment. In Fiscal Year 2000, the OIG submitted a legislative proposal to prohibit the crediting of unauthorized earnings and related quarters of coverage for purposes of benefit entitlement (see Appendix D).

The more timely wage information should be used to discourage illegal employment when evident, primarily by preventing the assignment of replacement SSN cards and advising employers of employee nonwork status. Also, SSA should match the quarterly nonwork file with its Suspense file to identify and report to INS employers who constantly hire people not authorized to work, and individuals who use, for employment, nonwork SSNs and false identities.

We believe the cost of the changes recommended above would be minimal, especially if incorporated with other enhancements. On November 1, 2001, the Acting Commissioner for Social Security noted that SSA plans to meet with INS, the Department of State, and the Department of Health and Human Services' Office of Refugee Resettlement to work out procedures for verifying INS documents before SSN issuance. The discussions will involve data sharing and changes to SSA's Modernized Enumeration System, which relate to the recommendations below. To resolve data compatibility problems with the nonwork SSN earnings file that SSA provides INS, and to associate earnings with a monthly nonwork status file provided by INS, SSA will have to change file format and modify software programs that will write and refer to those files. Finally, once SSA stops issuing nonwork SSNs for driver's license or vehicle registration purposes, nonwork SSN applications should decrease by over 90 percent, and FO staff nationwide would have to independently verify nonwork evidence for only about 10 percent of the 70,845 nonwork SSN applications to be processed this year.

We recommend SSA:

1. Immediately amend its policy to prevent the issuance of nonwork SSNs to individuals who are not authorized to work and need an SSN to obtain a driver's license and register a vehicle.
2. Have FO staff independently verify the need for a nonwork SSN and have applications for nonwork SSNs and their supporting documentation independently reviewed.
3. Work with INS to resolve data compatibility problems associated with the nonwork earnings file provided by SSA and involve employees familiar with the problem.
4. Work to establish an agreement with OCSE whereby SSA submits nonwork SSN records to OCSE each quarter, and OCSE associates quarterly earnings with the records before returning them to SSA.
5. Use the quarterly wage information or other suitable methods to prevent the assignment of replacement SSN cards when there is evidence of illegal employment and to advise employers of nonwork status when verifying employee SSNs.
6. Match the quarterly nonwork earnings file with the ESF to identify and report to INS employers who consistently hire people who are not authorized employment and individuals who use, for employment, nonwork SSNs and false identities.

AGENCY COMMENTS

SSA agreed, entirely or in part, with our Recommendations. Effective March 1, 2002, SSA will no longer issue an SSN solely for the purpose of securing a State driver's license. Furthermore, SSA agreed to independently verify nonwork SSN requests with the requiring Government agencies. Also, SSA is preparing to capture information that will help resolve data compatibility problems with INS. In addition, the Agency will tighten controls for issuing replacement SSN cards to non-citizens who are not authorized employment, and will search for ways to help INS monitor employment authorization. Finally, SSA finds merit or value in our Recommendations that it share information with OCSE and INS to identify both people who work illegally and the employers who hire them. The Agency will address these recommendations once it has assessed the effect of enumeration improvement activities it has initiated with INS.

The Agency did not fully agree with Recommendation 2. SSA believes that verifying the need for a nonwork SSN with the Government agency requiring it would add sufficient improvement to the nonwork SSN enumeration process.

OIG RESPONSE

While SSA agreed with Recommendations 1 through 6, it did not agree with part of Recommendation 2. The Agency stated that it was not necessary to have an independent review of the nonwork SSN application and its supporting evidence before processing the SSN request. Verifying the need for a nonwork SSN with the Government agency requiring it should be sufficient improvement to the nonwork SSN enumeration process. We disagree with SSA's response because the risk of illegal employment inherent in the assignment of a nonwork SSN justifies additional controls.

Our report demonstrates that non-citizens who are not authorized to work can easily gain employment once assigned a valid SSN for nonwork purposes. SSA automatically credits earnings reported under the nonwork SSN and later pays benefits based on the earnings. Although SSA annually notifies INS of nonwork earnings, the notification is not timely, and INS has no policies or procedures for using the earnings information. SSA needs to establish an independent review to help ensure that employees do not ignore the largely manual procedures that SSA plans to implement to verify evidence supporting the nonwork SSN application.

Finally, we modified our report in accordance with SSA's technical comments.



James G. Huse, Jr.

Appendices

Appendix A – Acronyms

Appendix B – Earnings Associated with Nonwork Social Security Numbers Issued in Utah Between May 1998 and 2000

Appendix C – Nonwork Social Security Numbers Issued Nationwide and in Utah Between May 1998 and May 2001

Appendix D – Office of the Inspector General Legislative Proposal to Prohibit Social Security Credits for Illegal Work

Appendix E – Agency Comments

Appendix F – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

CY	Calendar Year
DMV	State Department of Motor Vehicles
ESF	Earnings Suspense File
FO	Field Office
INS	Immigration and Naturalization Service
OCSE	Office of Child Support Enforcement
OI	Office of Investigations
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSN	Social Security Number

Appendix B

Earnings Associated with Nonwork Social Security Numbers Issued in Utah Between May 1998 and 2000

Year	1998	1999**	2000
Number of Weeks	33	50	52
Total NonWork SSNs Issued in Utah*	1,495	2,339	4,762
Average Per Week	45.3	46.8	91.6
Total NonWork SSNs in Utah Having Earnings	771	1,287	1,931
Total Amount of NonWork SSN Earnings 1998-2000	\$17,221,421	\$18,908,598	\$10,576,394
Total Nonwork SSNs Earnings in the Same Year the Nonwork Number was Issued	415	969	1,926

* To analyze the use of Social Security numbers (SSN) assigned for nonwork purposes, we did the following.

- Combined the number of people who received nonwork SSNs in Utah in Calendar Year (CY) 1998 and 1999. ($1,495 + 2,339 = 3,834$ people).
- Retrieved the Social Security Administration's earnings records and determined that 2,058 of the 3,834 successful applicants (54 percent) had a total of \$36.1 million in earnings reported under their nonwork SSN for 3 years starting in 1998 (771 of those applying in 1998 had \$17,221,421 in earnings + 1,287 of those applying in 1999 had \$18,908,598 in earnings).
- Determined that 1,384 of the 2,058 people with earnings (67 percent) went to work in the same year they received the nonwork SSN (415 in 1998 + 969 in 1999).

** Data were only available for 50 weeks in 1999

Appendix C

Nonwork Social Security Numbers Issued Nationwide and in Utah between May 1998 and May 2001

Year	Projected					
	1998	1998*	1999**	2000	2001	2001*
Number of Weeks	33	52	50	52	22	52
Total NonWork SSNs Issued Nationwide	81,414	128,289	84,454	67,357	29,973	70,845
Average Per Week	2,467.1	2,467.1	1,689.1	1,295.3	1,362.4	1,362.4
Total NonWork SSNs Issued in Utah***	1,495	2,355.8	2,339	4,762	2,791	6,599
Average Per Week	45.3	45.3	46.8	91.6	126.9	126.9
Percent of Nonwork SSNs Issued in Utah	1.8	1.8	2.8	7.1	9.3	9.3
Percent of Annual Increase Nationwide			-34.2	-20.3		5.2
Percent of Annual Increase in Utah			-0.7	103.6		38.6

* We annualized the nonwork Social Security numbers (SSN) issued in Calendar Years (CY) 1998 and 2001 (see columns in table above): We multiplied 2,467.1 times 52 weeks to calculate 128,289 nonwork SSNs issued nationwide in 1998, and 1,362.4 times 52 to calculate 70,845 issued nationwide in 2001. For Utah, we multiplied 45.3 and 126.9 times 52 weeks to calculate 2,356 and 6,599 nonwork numbers issued in 1998 and 2001. Data are only maintained for 5 years, so only 33 weeks of data were available in 1998.

** Data were only available for 50 weeks in 1999.

*** Social Security field offices (FO) in Utah issued 4,762 nonwork SSNs in CY 2000 and are on track to issue 6,599 in 2001. Nationwide, Social Security FOs issued 67,357 nonwork SSNs in CY 2000 and will issue 70,845 in CY 2001. The rate of increase is over 7 times greater for Utah (6,599-4,762/4,762 = 38.6 percent) than for the Nation (70,845-67,357/67,357 = 5.2 percent).

Appendix D

Office of the Inspector General Legislative Proposal to Prohibit Social Security Credits for Illegal Work

SOCIAL SECURITY ADMINISTRATION
FISCAL YEAR 2002 LEGISLATIVE PROPOSAL

Prohibit Social Security Credits
for Illegal Work

Long Title: Prohibit illegal and legal aliens who are not authorized to work from earning quarters of coverage (QC) for illegal work activity.

Current Law: In accordance with the Social Security Act §205(c)(2)(A) and 20 CFR §422.103, the Social Security Administration (SSA) maintains an earnings record for each Social Security number (SSN) holder. SSA applies this rule to aliens who obtain nonwork SSNs and work without INS authorization. As such, these aliens are credited with QCs for unauthorized work, which could result in subsequent entitlement to Social Security benefits.

Proposal: A legislative proposal prohibiting the crediting of nonwork earnings and related QCs for purposes of benefit entitlement.

Rationale: SSA's policy of crediting nonwork SSN accounts with earnings and related QCs for periods of unauthorized work has been, and will continue to be, costly to the trust funds unless it is changed. We estimate that, as of May 1998, unauthorized earnings associated with nonwork SSNs may have already cost SSA trust funds \$287 million. If SSA continues to pay benefits based on unauthorized earnings, it may spend an additional \$63 million in trust fund resources per year. Over the lifetimes of the nonwork SSN holders and their dependents, we estimate that unauthorized earnings associated with these nonwork SSNs may cost the trust funds over \$1.7 billion.

SSA contends this policy would be administratively burdensome. Additionally, the Agency believes the issue would be dealt with more effectively through pilot projects for determining work eligibility. The Agency also stated that it was considering an amendment to its regulations that will permit the assignment of a nonwork SSN only when a number is required by a Federal statute or regulation to receive a federally funded benefit or service. We commend SSA for its participation in the pilot projects and its proposed efforts to amend regulations pertaining to the issuance of nonwork SSNs. However, we do not believe these initiatives sufficiently address nonwork SSNs used in the past to illegally obtain employment in the United States. We also point out that the pilot project SSA is participating in with the U.S. Immigration and Naturalization Service (INS) only covers a small group of States and employers. Additionally, as determined in focus group discussions that SSA and the OIG held with certain industry representatives, many employers are reluctant to use such services. Although we applaud the intent of this program, we question whether it will adequately address the use of nonwork SSNs by noncitizens to illegally obtain future employment.

We also disagree that the implementation would be administratively burdensome. SSA contends that the Agency's records would not allow the determination of when an individual may or may not have been allowed to work. It is our contention that it is the responsibility of nonwork number holders to amend their SSN records when they become eligible to work in the United States. Accordingly, we believe that if a nonwork number holder applies for SSA benefits, he or she should be required to prove that they have sufficient QCs as a legal worker in the United States before those benefits are approved.

Effect on Beneficiaries: Illegal and legal aliens who are not authorized to work will not receive QCs for illegal work activity.

Federalism Impact: None

Cost: Unknown.

Personnel Requirements: Field office personnel would have to process suspension actions for individuals currently receiving benefits based on QCs illegally earned. SSA personnel would also need to set up system controls that would mark or segregate earnings reported for nonwork SSNs.

Effective Date: Upon enactment of the legislation.

Contact Person: Kim Byrd, Office of Audit.

Appendix E

Agency Comments



SOCIAL SECURITY

MEMORANDUM

31208-24-795

March 27, 2002

Refer To: S1J-3

To: James G. Huse, Jr.
Inspector General

Larry Dye
Chief of Staff

A handwritten signature in black ink that reads "Larry Dye".

Subject: Office of the Inspector General (OIG) Draft Report, "Work Activity for Social Security Numbers Assigned for Nonwork Purposes in the State of Utah" (A-14-01-11048)—
INFORMATION

We appreciate OIG's additional efforts in reviewing recommendation 5 in the draft report. The subsequent review and information has enabled us to consider a different perspective for that recommendation. Our revised comments on the report content and recommendations are attached.

Please let us know if we can be of further assistance.

Attachment:
SSA Response

02 MAR 28 AM 10:50
SSA/OIG

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “WORK ACTIVITY FOR SOCIAL SECURITY NUMBERS ASSIGNED FOR NONWORK PURPOSES IN THE STATE OF UTAH” (A-14-01-11048)

Recommendation 1

SSA should immediately amend its policy to prevent the issuance of nonwork Social Security numbers (SSN) to individuals who are not authorized to work and need an SSN to obtain a driver's license and register a vehicle.

Comment

Effective March 1, 2002, the Social Security Administration (SSA) will no longer issue an SSN solely for the purpose of securing a driver's license or motor vehicle registration. The new policy will close opportunities for illegal work by defrauding an employer with a genuine, but nonwork, SSN, and limit fraudulent identities attached to nonwork SSNs. SSA issued a letter from the Commissioner to State Governors advising them of the effective date and the policy change.

Recommendation 2

Have field office staff independently verify the need for a nonwork SSN and have applications for nonwork SSNs and their supporting documentation independently reviewed.

Comment

We agree that verifying the validity of the need for the nonwork SSN with the requiring agency is appropriate. We do not believe that this will be burdensome once we implement the change described above.

We do not agree that a second independent review is necessary. The verification with the appropriate agency should sufficiently improve the nonwork SSN enumeration process.

Recommendation 3

Work with the Immigration and Naturalization Service (INS) to resolve data compatibility problems associated with the nonwork earnings file provided by Social Security Administration (SSA) and involve employees familiar with the problem.

Comment

We agree. Under the direction of the Enumeration Response Team, a subgroup is currently working on a proposal to expand the SSN electronic audit trail to capture information that could also be useful in resolving data compatibility problems between SSA and INS. At this time, no milestone activities have been determined.

Recommendation 4

Work to establish an agreement with the Office of Child Support Enforcement (OCSE) whereby SSA submits nonwork SSN records to OCSE each quarter, and OCSE associates quarterly earnings with the records before returning them to SSA.

Comment

We believe this recommendation may have merit. The policy change described in recommendation 1 will close opportunities for illegal work. In addition, we are continuing to work with INS on a number of fronts to improve enumeration. Once we have assessed the impact of these activities, we will revisit the recommendation and determine how to best proceed within the constraints of SSA's disclosure/privacy regulations and policies on working with and sharing information with OCSE and INS for the purposes of identifying persons who work illegally and employers who hire such persons.

Recommendation 5

Use the quarterly wage information or other suitable methods to prevent the assignment of replacement SSN cards when there is evidence of illegal employment and to advise employers of nonwork status when verifying employee SSNs.

Comment

We agree that we should tighten controls for issuing replacement cards to aliens who are not authorized to work. We will investigate the best method for doing that, including the possibility of issuing revised instructions and reminders on the policy on issuing replacement cards and on updating Numident records. We will also explore appropriate mechanisms for helping INS monitor employment authorization.

Recommendation 6

Match the quarterly nonwork earnings file with the Earnings Suspense File to identify and report to INS employers who consistently hire people who are not authorized employment and individuals who use, for employment, nonwork SSNs and false identities.

Comment

As with recommendation 4, we believe this recommendation may have merit and we will revisit the recommendation once we have assessed the impact of the previously referenced activities that are underway or planned.

Technical Comments

We believe the term "nonwork earnings" as used throughout the report is confusing to the reader. We suggest using "earnings obtained under a nonwork SSN" as a clearer descriptive expression.

Page 1, Background - As of August 2001, no States require SSNs for motor vehicle registration. The second sentence should be changed to show, "SSA currently assigns nonwork SSNs to individuals who are not authorized to work but need an SSN to obtain a State driver's license, receive certain other federally funded benefits or services, or to receive State or local general assistance benefits which require by law that recipients have SSNs."

Page 1, footnote 2 - The following should be added to the introductory POMS reference at the beginning of the footnote, "as amended by EMs 96-183, 97-11 and 00-153."

Page 2, footnote 3 – Indiana should be eliminated from the footnote and the number of States listed should be corrected to show 10 States.

Page 4 – In the section, People are Using Nonwork SSNs for Employment, the second sentence should be changed to reflect that the figure 3,834 is based on nonwork SSNs issued from May 1998 through December 1999, as shown in Appendix C.

Page 4 – In the section, Few Controls Over the Assignment and Use of Nonwork SSNs, registering a vehicle is not a valid nonwork reason for assignment of an SSN in Utah and "register a vehicle" should be deleted from the second sentence.

Appendix F

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