

Audit Report

Improper Use of Elderly Individuals'
Social Security Numbers

A-03-16-24028 / January 2017



MEMORANDUM

Date: January 3, 2017 **Refer To:**

To: The Commissioner

From: Acting Inspector General

Subject: Improper Use of Elderly Individuals' Social Security Numbers (A-03-16-24028)

The attached final report presents the results of the Office of Audit's review. The objectives were to determine whether the (1) identities of elderly individuals were being misused for work purposes and (2) Social Security Administration had controls in place to prevent and detect the misuse.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.

A handwritten signature in black ink that reads "Gale Stallworth Stone".

Gale Stallworth Stone

Attachment

Improper Use of Elderly Individuals' Social Security Numbers

A-03-16-24028



Office of Audit Report Summary

Objective

To determine whether the (1) identities of elderly individuals were being misused for work purposes and (2) Social Security Administration (SSA) had controls in place to prevent and detect the misuse.

Background

As part of the Annual Wage Reporting process, SSA verifies the name and Social Security number (SSN) included on *Wage and Tax Statements* (Form W-2) against the Numident to ensure the reported name and SSN is accurate before the information on the W-2s is posted to the Master Earnings File. When the Numident indicates a date of death is present, SSA places in the Earnings Suspense File (ESF) all wages reported the year after death and assigns an Earnings After Death Report indicator. SSA sends notices to the employers and employee to confirm employment.

Furthermore, when it appears excessive wages have been posted to a wage record, the numberholder can visit an SSA field office to disclaim the wages—often called scrambled wages. SSA then removes the scrambled wages from the individual's earnings record and posts them to the ESF with a Scrambled Wage Earnings Discrepancy indicator that prevents the wages from being reposted to the same earnings record.

Findings

Although SSA had controls in place to prevent and detect SSN misuse, we found individuals were using elderly individuals' identities for work purposes. Our review of a sample of 126 elderly individuals showed that 37 of their identities had been used to earn about \$4.6 million during Tax Years (TY) 2009 to 2014. SSA was aware of the SSN misuse in 8 of the 37 cases. Of the remaining 89 cases, 55 related to legitimate work activity, 28 related to Numident date of birth errors, and 6 related to Annual Wage Reporting posting errors.

In addition, we assessed wages reported after death using SSNs that had belonged to elderly individuals and found that 817 deceased elderly individuals' identities were being misused for work purposes. For TYs 2009 to 2014, someone other than the numberholders used their SSNs to earn about \$29 million in wages. Furthermore, about 72 percent of the wage items reported with SSNs belonging to elderly numberholders who were deceased related to employers in the entertainment industry. For TYs 2009 to 2014, the employers reported approximately \$2.5 million in wages related to residual and/or royalty payments on W-2s rather than on an Internal Revenue Service Form 1099-MISC, *Miscellaneous Income Form*.

Recommendation

We recommended that SSA consider conducting outreach with employers in the entertainment industry to educate them about how compensation should be reported for individuals after death. SSA agreed with our recommendation.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	2
Living Elderly Numberholders	3
SSN Misuse.....	3
Numident Errors.....	5
AWR Posting Errors	5
Deceased Elderly Numberholders.....	6
Misuse of Deceased Numberholders' SSNs	6
Entertainment Industry.....	7
Conclusions.....	8
Recommendation	8
Agency Comments.....	8
Appendix A – Scope and Methodology	A-1
Appendix B – Agency Comments.....	B-1

ABBREVIATIONS

AWR	Annual Wage Reporting
DOB	Date of Birth
EADR	Earnings After Death Report
ESF	Earnings Suspense File
IRS	Internal Revenue Service
MEF	Master Earnings File
OIG	Office of the Inspector General
SSA	Social Security Administration
SSN	Social Security Number
SWED	Scrambled Wage Earnings Discrepancy
TY	Tax Year

Forms

SS-5	<i>Application for a Social Security Card</i>
W-2	<i>Wage and Tax Statement</i>
1099-MISC	<i>Miscellaneous Income Form</i>

OBJECTIVE

Our objectives were to determine whether the (1) identities of elderly individuals were being misused for work purposes and (2) Social Security Administration (SSA) had controls in place to prevent and detect the misuse.

BACKGROUND

The elderly are among the most vulnerable in our society and prime targets for identity thieves. Therefore, it is important to ensure that precautions are taken to properly safeguard their personally identifiable information and protect them against potential Social Security number (SSN) misuse. This review focuses on the potential misuse of elderly individuals' SSNs for work purposes.

As part of the Annual Wage Reporting (AWR) process, SSA verifies the name and SSN included on *Wage and Tax Statements* (Form W-2) against the Numident¹ to ensure the reported name and SSN are accurate before the information on the W-2s is posted to the Master Earnings File (MEF).² When the Numident indicates a date of death is present, SSA places all wages reported the year after death in the Earnings Suspense File (ESF)³ and assigns an Earnings After Death Report (EADR) indicator. SSA sends notices to the employer and employee to confirm employment.⁴ Furthermore, when it appears excessive wages have been posted to a wage record, the numberholder can visit an SSA field office to disclaim the wages—often called scrambled wages. SSA then removes the scrambled wages from the individual's earnings record and posts them to the ESF with a Scrambled Wage Earnings Discrepancy (SWED) indicator that prevents the wages from being reposted to the same earnings record. Wages assigned both the EADR and SWED indicators could relate to someone misusing the true numberholder's identity for work purposes.

From 1 segment of the Numident and MEF, we identified 1,074 individuals who were at least age 85 in 2009 with about \$145 million in wages posted to their earnings record during Tax Years (TY) 2009 to 2014, see Table 1. Additionally, we identified 7,949 individuals who had \$57 million in wages posted to the ESF for the same period because SSA records showed they were deceased when the wages were earned.

¹ The Numident includes identifying information (such as name, date of birth [DOB], and mother's maiden name) provided by the applicant on his/her *Application for a Social Security Card* (Form SS-5) for original and replacement SSN cards.

² The MEF contains all earnings data reported by employers and self-employed individuals. SSA uses these data to calculate the Social Security benefits due an individual with an earnings record.

³ The ESF is a repository of unmatched wage items.

⁴ SSA, POMS, RM 03870.080 C.3 (September 16, 2016).

Table 1: Elderly Individuals Who Had Earnings Posted to the MEF and ESF for TYs 2009 Through 2014

Status of Individual	Number of Individuals	Number of Employers	Total Earnings
Alive	1,074	912	\$145 million
Deceased	7,949	2,674	57 million
Total	9,023	3,586	\$202 million

To meet our objectives, we selected for review 126 cases:⁵

- 50 individuals who ranged in age from 85 to 100 who had \$5.2 million in wages and were receiving Social Security benefits;
- 33 individuals who were over 100-years-old and had \$7.3 million in reported earnings;
- 35 individuals who ranged in age from 85 to 100 with \$5.5 million in reported earnings but who never applied for Social Security benefits; and
- 8 individuals who ranged in age from 85 to 100 and had disclaimed approximately \$590,000 in reported earnings.

RESULTS OF REVIEW

While SSA had controls in place to prevent and detect SSN misuse, we found individuals were using elderly individuals' identities for work purposes. Our review of a sample of 126 elderly individuals showed that 37 of their identities had been used to earn about \$4.6 million during TYs 2009 to 2014.

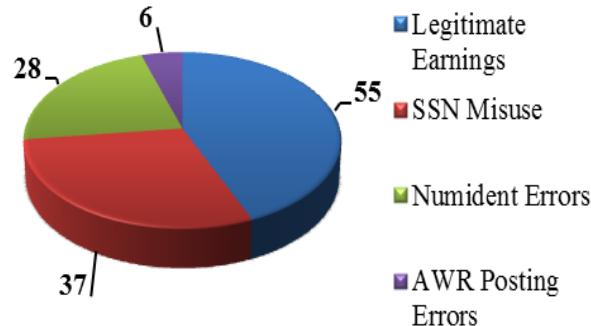
In addition, we assessed wages reported after death using SSNs that had belonged to elderly individuals and found that the identities of 817 deceased elderly individuals were being misused for work purposes. Someone other than the numberholders used their SSNs during TYs 2009 to 2014 to earn about \$29 million in wages. Further, about 72 percent of the wage items reported with SSNs belonging to elderly deceased numberholders related to employers in the entertainment industry. For TYs 2009 to 2014, the employers reported approximately \$2.5 million in wages related to residual and/or royalty payments on W-2s rather than on an Internal Revenue Service (IRS) Form 1099-MISC, *Miscellaneous Income*.

⁵ See Appendix A for more details of our scope and methodology.

Living Elderly Numberholders

Of the 126 cases reviewed, we found the following.

- Fifty-five cases related to individuals who appeared to have legitimate work activity. They earned about \$5.7 million in wages. Many of the individuals had consistent work histories or owned companies that reported the wages.
- Thirty-seven cases related to potential SSN misuse. About \$4.6 million in wages was reported for these individuals. In eight cases, SSA was aware the wages did not belong to the numberholders.
- Twenty-eight cases related to individuals who were younger than age 85 but whose DOBs were incorrect on the Numident, making them appear older. About \$7.6 million in wages was reported for these individuals.
- Six cases related to AWR posting errors. SSA erroneously posted about \$600,000 in wages to these numberholders' records even though the names on the W-2s and Numident did not match.



SSN Misuse

Based on our review of SSA's records, we determined that, for 37 of the 126 sample cases, someone was likely misusing the numberholders' identity for work purposes.

- In 8 cases, the numberholders ranged in age from 85 to 100 when 13 employers reported approximately \$604,000 in wages during TYs 2009 to 2014. SSA had removed, or did not post, about \$590,000 of the \$604,000 in wages because the numberholders notified either SSA or the IRS⁶ that they had not earned the wages.⁷ SSA placed the wages in the ESF with an SWED indicator to prevent the system from reinstating the earnings to the same earnings record.⁸ In six cases, the numberholders were receiving Social Security benefits and had informed SSA that the wages did not belong to them. The disclaimed wages did not cause the beneficiaries to receive a higher benefit payment because either the wages were not

⁶ SSA receives an IRS 9409 Form, *IRS/SSA Wage Worksheet*, from the IRS when a taxpayer disputes the wages. The Form also includes the steps the IRS took to resolve the issue.

⁷ Individuals can disclaim wages for several reasons, including (1) wages for one person were incorrectly reported using another person's SSN; (2) an individual mistakenly or deliberately used another person's SSN; or (3) an individual fraudulently used someone else's documents and obtained an SSN with that person's number.

⁸ SSA, POMS, RM 03816.021 A (March 20, 2012).

significant or SSA's system prevented the posting of subsequent W-2s that had the same characteristics of previously disclaimed W-2s to reduce the burden on the true numberholder.

- In 3 cases with wages totaling \$371,000, the numberholders were deceased before the wages were earned. SSA had terminated their Social Security benefits because of death but failed to record the date of death on the Numident records. This caused the Agency to erroneously post the wages to the numberholders' earnings record after their death.⁹ For example, one elderly individual's benefit record showed that he died in 1967, yet he had earned \$197,000 in wages reported by a painting contractor for TYs 2009 through 2014. The contractor had been reporting wages using the numberholder's identity since 1998. We referred the case to SSA and, as of August 2016, SSA had removed the erroneous wages from the three earnings records and added a date of death to the Numident to avoid additional wage items being posted to their earnings record.
- In 14 cases with wages totaling \$1.8 million, the names on the Numident and W-2s did not match, which indicates potential SSN misuse. While the last names were the same, the first names were different. Further, the numberholders never filed for Social Security benefits, did not have a consistent work history until they were at least 76-years-old, and had wages reported by companies in service industries (that is, contracting, catering, and agriculture). For example, one numberholder had about \$332,000 in wages posted to his earnings record for TYs 2009 through 2014; however, the first name reported on the W-2s did not match the first name recorded on the Numident. Further, a Lexis Nexis report showed that the person using the SSN had a different first name and DOB than the true numberholder. The wages were posted to the numberholders' earnings record because of SSA's AWR name validation routine. As part of the AWR process, SSA uses name validation routines to help validate and post name and SSN information on W-2s. While we identified a few erroneous postings due to the AWR name validation routines, these edit routines successfully identify and validate millions of wage items, so wage earners receive proper credit for their work.
- In 12 cases with wages totaling \$1.8 million, the names on the W-2s matched SSA's Numident; however, they appeared suspicious for several reasons. The numberholders either did not have a work history or had a very limited work history before retirement age when one expects to see earnings. In several cases, the MEF showed the wages were not posted until the numberholders were ages 86 to 106. The \$1.8 million in wages was reported by employers in such industries as agriculture, manufacturing, and staffing companies that would not traditionally report wages for individuals over age 85. Further, SSA's records showed the numberholders were foreign-born individuals who had never filed for Social Security benefits and whose last interaction with SSA occurred between 26 and 58 years before. Finally, Lexis Nexis showed that, in seven cases, the persons using the SSNs were 35 to 53 years younger than the true numberholders. It is possible the numberholders were deceased and/or no longer living in the United States. For example, an individual who was born in Mascota, Mexico, in 1913 obtained an SSN in 1966 at age 53. Since that time, he had a sporadic work history until 2009, when he was 96-years-old. From 2009 to 2014, two employers (staffing and auto parts companies) reported about \$279,000 in wages using his

⁹ We made recommendations to address this finding in a prior report, SSA OIG, *Numberholders Age 112 or Older Who Did Not Have a Death Entry on the Numident* (A-06-14-34030), p.8, March 2015.

SSN. Further, Lexis Nexis showed that his SSN was associated with a DOB of 1948, which was 35 years younger than the DOB on SSA's Numident record.

Numident Errors

In 28 cases, the Numident included erroneous DOBs that made the numberholders appear to be age 85 or older when they were not. These individuals earned about \$7.6 million in wages during TYs 2009 through 2014. The correct DOBs showed about 86 percent of these individuals was 60-years-old or younger. In 23 cases, SSA staff entered, or the individuals provided, incorrect DOBs when they applied for an SSN. For example, in 2009, an individual appeared to be 109-years-old because of a keying error on the Numident. The Numident showed the DOB as January 5, 1900; however, after reviewing the SS-5, we found the correct DOB was January 5, 1949; therefore, she was 60-years-old. For the remaining five cases, SSA erroneously cross-referenced two individuals' Numident records. For instance, in one case, two individuals were sharing the same SSN, but the Numident showed that their DOBs, names, parents' names, and places of birth did not match. The original numberholder was born in 1957, and the second person was born in 1901. The wages were reported using the name of the original numberholder born in 1957. We referred this case to SSA, and it acknowledged it erroneously added the second person to the Numident record. Through its correction process, SSA removed the erroneous information related to the second person. However, the Agency could not locate a Numident record for the second person. As of August 2016, SSA had corrected the Numident records for all 28 cases based on our referral or through its normal processing.

AWR Posting Errors

Six cases were related to AWR edit posting errors. As part of the AWR process, SSA uses the Single Select edit to resolve unmatched name and SSN data on wage reports.¹⁰ Single Select creates up to 89 variations of the SSN and matches them against the Numident. In doing so, it assumes the individual's reported last name is correct, but some mistake was made with the SSN. Because of this routine, SSA erroneously posted about \$600,000 in wages to two elderly individuals' earnings records. For example, in one case, an elderly individual born in 1884 had about \$74,000 in wages posted to earnings records for TYs 2011 to 2013. A wireless carrier reported the wages using a different SSN than the one assigned to the elderly individual. The name and SSN included in the wage item did not match SSA's records; therefore, the Single Select routine determined the wages belonged to the elderly individual because the last names matched. In addition, the original SSN cards for the two individuals were issued before 1952 with DOBs before 1884. These individuals had not applied for benefits or visited an SSA office

¹⁰ The Single Select edit routine is one of the Agency's SSN/name matching routines to resolve unmatched name and SSN data submitted to SSA in employers' wage reports. The Single Select edit assumes the individual's reported last name is correct, but some mistake has been made with the SSN. Single Select creates up to 89 possible variations of the SSN and matches them against the Numident. If one SSN/name match is found, the earnings are posted to the validated SSN. If no exact match is found on the last name, the Single Select edit is extended to search for a match on the individual's entire name. If the SSN/name is validated through this new Extended Single Select edit routine, the earnings are posted to that validated SSN. If the extended search fails to validate the name and SSN, the record is marked as invalid and posted to the ESF.

since 1951, so they are likely deceased. As of July 2016, SSA had removed the wages from the elderly individual's earnings records in these cases.

Deceased Elderly Numberholders

We identified 7,949 elderly individuals who appeared to be deceased and had 33,572 wage items totaling about \$57 million in earnings posted to the ESF. The identities of 817 individuals were being misused for work purposes. During TYs 2009 to 2014, someone other than the numberholders used their SSNs to earn about \$29 million in wages. SSA had controls in place to identify and resolve these wage discrepancies. The Agency notified the 1,300 employers that reported the wages but did not receive responses to help resolve the wage discrepancies, which further indicated the SSNs did not belong to the workers. Additionally, employers in the entertainment industry reported 24,056 (72 percent) of the wage items, totaling \$2.5 million, using SSNs of elderly, deceased numberholders. In many cases, the income these employers reported related to residual and/or royalty payments and should have been reported to the IRS on a Form 1099-MISC.

Misuse of Deceased Numberholders' SSNs

For the 817 elderly numberholders who were deceased, the names on the wage items were not the same as the names of the numberholders assigned the SSNs. For 1,468 wage items, the first and last names did not match the Numident, and for 1,358 wage items, the first name did not match the Numident. About 1,300 employers reported the wages using SSNs that belonged to deceased numberholders. The wages were reported from 1 to 71 years after the numberholder's death. More than half the wage items was reported 20 years or longer after the numberholder's death. Further, as shown in Table 2, 464 of the numberholders had wages reported using their SSN for multiple TYs. Specifically, the SSNs for 119 numberholders were misused for all 6 years.

Table 2: Number of Years

Years	Numberholders	Wages Items	Wages
1	353	388	\$1,684,520
2	123	299	1,818,419
3	85	308	2,566,399
4	58	284	2,706,396
5	79	573	5,212,153
6	119	974	14,957,916
Total	817	2,826	\$28,945,804

In some cases, the misuse of the elderly numberholders' SSNs began while they were alive. For 53 numberholders, the MEF showed the same employers who reported wages after the numberholder's death reported about \$1.6 million in wages before his/her death. For example, a numberholder who died in 2008 at age 88 had about \$86,100 in wages reported by two employers in the agriculture industry posted to her record before her death. The wages were

reported using the numberholder's SSN but someone else's name. After the numberholder's death, the employers used her SSN to report an additional \$145,000 in wages for TYs 2009 to 2013.

Because the 817 numberholders were deceased, SSA placed the 2,826 wage items in the ESF with an EADR indicator. SSA had controls in place to resolve the EADR wage discrepancy cases. Each year, SSA sends a letter to employers who have wages posted to the ESF with an EADR indicator requesting information to resolve the wage discrepancies. Specifically, SSA asks whether the worker is deceased. The 2,826 wage items remained in the ESF because SSA did not receive a response from the 1,300 employers stating the numberholders were alive, earned the wages, or provided another SSN.

Entertainment Industry

About 72 percent of the wage items reported with SSNs belonging to elderly numberholders who were deceased related to entertainment industry employers. The employers were talent agencies, film companies, and talent payroll providers and reported 24,056 wage items totaling \$2.5 million using SSNs that belonged to 4,366 deceased numberholders. The wages were reported from 1 to 62 years after the numberholders' death, averaging about 15 years. SSA's records showed the numberholders had died as early as 1951 and as late as 2009. The wages the employers reported were primarily for small dollar amounts. The wages ranged from zero to \$106,000 with 23,839 (85 percent) being less than \$1,000. Only 14 wage items exceeded \$10,000.

Our prior audit showed these types of employers used the incorrect tax form to report income after death.¹¹ In many cases, the income related to residual and/or royalty payments to individuals who worked in the entertainment industry. These employers should have reported the income on an IRS Form 1099-MISC, instead of a W-2. For example, 4 employers (film and talent payroll companies) reported 13 wage items totaling about \$407,000 during the 6-year period for a well-known movie producer who died in 2006. His death was well-publicized, so the employers should have known the income should not have been reported on W-2s.

SSA should reach out to these types of employers to educate them on how compensation for deceased individuals should be reported to the IRS. By doing so, SSA could reduce the amount of resources it spends on mailing EADR notices to these types of employers who are less likely to respond to notices. Further, it would reduce the number of wage items being posted to the ESF. Finally, the outreach may help prevent the deceased employee and employers from incurring unnecessary payroll taxes.

¹¹ SSA OIG, *Effectiveness of the Social Security Administration's Earnings After Death Process* (A-03-01-11035), p. 10-11, August 2002.

CONCLUSIONS

SSA had controls in place, such as the EADR process and name validation rules, to detect instances of SSN misuse among elderly numberholders. These controls were effective in preventing wage items that included the SSNs of elderly numberholders from being posted to the MEF. Although the controls were generally effective, we identified a small number of elderly numberholders who had suspicious wages posted to their earnings record. We identified 37 elderly numberholders who had about \$4.6 million in wages posted to their earnings records that were likely earned by someone other than the numberholders. Most of the numberholders were foreign-born individuals who had never filed for Social Security benefits and had limited work histories until they reached age 85 or older. Many did not interact with SSA in over 20 years.

Additionally, SSA's controls prevented the posting of about 2,800 suspicious wage items, totaling \$29 million, reported with SSNs assigned to 817 elderly deceased numberholders. More than half the wage items was reported 20 years or longer after the numberholder's death. Finally, about 72 percent of the wage items reported with SSNs belonging to elderly numberholders who were deceased related to employers in the entertainment industry. While such compensation appeared to relate to legitimate income for the deceased, the employers should have reported the income on an IRS Form 1099-MISC, instead of a W-2.

RECOMMENDATION

We recommend that SSA consider conducting outreach with employers in the entertainment industry to educate them about how compensation should be reported for individuals after death.

AGENCY COMMENTS

SSA agreed with our recommendation. The full text of SSA's comments is included in Appendix B.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable Federal laws and sections of the *Social Security Act* and the Social Security Administration's (SSA) regulations, policies, and procedures.
- Reviewed applicable Program Operations Manual System policies and operating instructions relevant to our audit.
- Reviewed Office of the Inspector General (OIG) reports, Government Accountability Office reports, and other relevant documents.
- Interviewed Agency staff to gain an understanding of the internal controls over the Annual Wage Reporting process concerning elderly individuals.
- Obtained a data extract from 1 segment of the Numident and Master Earnings File (MEF) of 10,742 individuals who were at least 85-years-old in 2009 and had wages posted to their earnings record during Tax Years (TY) 2009 to 2014.
- From the 10,742 individuals, we excluded individuals who were deceased as of November 2015, had an incomplete date of birth, or had wages below substantial gainful activity (significant wages would have an impact on eligibility and the amount of benefits). Our population was reduced to 1,074 individuals who had about \$145 million in wages posted to their earnings record during TYs 2009 to 2014. To accomplish our objectives, we selected for review 126 cases.
 - A random sample of 50 individuals who were receiving Social Security benefits and lived within 100 miles of an OIG Office of Audit location.
 - A 100-percent review of the following cases:
 - 35 individuals between ages 85 and 100 who earned approximately \$5.5 million in wages and never applied for, or received, SSA benefits;
 - 33 individuals who appeared to be over age 100 with approximately \$7.3 million in wages; and
 - 8 individuals between ages 85 and 100 who informed SSA or the Internal Revenue Service that \$590,000 in wages did not belong to them.
- Obtained a data extract from the Earnings Suspense File of individuals who were assigned an Earnings After Death indicator. We identified 7,949 elderly individuals who appeared to be deceased and had 33,572 wage items totaling about \$57 million in earnings reported during TYs 2009 through 2014.

- Reviewed the Numident, MEF, Application for Social Security Cards, Master Beneficiary Record, Supplemental Security Record, Detailed Earnings Query, Wage and Tax Statements, Earnings Modernization Systems Release 2.8, Lexis Nexis, Online Retrieval System and Internet.
- Obtained and compared the Employer Identification File employer names for our deceased population. We determined that 2,674 employers reported the wages for the deceased individuals.

We conducted this audit at the Philadelphia Audit Division, Philadelphia, Pennsylvania, from March through July 2016. We tested the data obtained for our audit and determined they were sufficiently reliable to meet our objective. The entity reviewed was SSA's Office of Earnings, Enumeration, and Administrative Systems under the Office of the Deputy Commissioner for Systems. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: December 6, 2016 **Refer To:** S1J-3

To: Rona Lawson
Assistant Inspector General for Audit

From: Frank Cristaudo /s/
Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, “Improper Use of Elderly Individuals’ Social Security Numbers” (A-03-16-24028)—INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
"IMPROPER USE OF ELDERLY INDIVIDUALS' SOCIAL SECURITY NUMBERS"
(A-03-16-24028)**

General Comments

Thank you for the opportunity to comment on the draft report. For tax year 2015, we received and processed approximately 246 million Form W-2 wage items from employers. We are pleased OIG recognized our controls to be effective and identified only a small number of elderly numberholders with suspicious wages. OIG also recognized we have controls in place to identify and resolve instances when employers report earnings after death. We send notices to employers to resolve the wage discrepancies we identify.

Recommendation 1

We recommended that SSA consider conducting outreach with employers in the entertainment industry to educate them about how compensation should be reported for individuals after death.

Response

We agree. We have considered the outreach vehicles available to us and given the resource constraints we are facing, have determined the best viable outreach option. The Internal Revenue Service (IRS) publishes a quarterly online publication for the business community. Our Office of Communications will work with the IRS to include an article focusing on how employers should report compensation after an individual's death.

We recognize the failure of employers, particularly in the entertainment industry, to resolve wage discrepancies after we notify them, is fundamentally an enforcement issue and not a public education one. Since the IRS has the responsibility and expertise required to enforce requirements under the Internal Revenue Code, particularly those unrelated to wage reporting, we request OIG share this report and the details of its findings with the IRS and/or the Treasury Inspector General for Tax Administration.

MISSION

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

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