
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**CONSENT BASED
SOCIAL SECURITY NUMBER
VERIFICATION PROGRAM**

JULY 2009

A-03-08-18067

AUDIT REPORT



Mission

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- 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.

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- Access to all information necessary for the reviews.
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SOCIAL SECURITY

MEMORANDUM

Date: July 10, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: Consent Based Social Security Number Verification Program (A-03-08-18067)

OBJECTIVE

To assess the results to date of the pilot and interim consent- and fee-based verification programs and determine lessons learned that could be applied to the Consent Based Social Security Number Verification (CBSV) program.

BACKGROUND

Since October 2002, the Social Security Administration (SSA) has assisted companies that provide identity verification services for mortgage companies and financial institutions by verifying that the name and Social Security number (SSN) provided match or do not match SSA's records. To provide registered companies a vehicle for purchasing SSN verifications, the Agency developed a centralized, automated process that could quickly respond to verification requests. This process reduces the burden on field office resources to process the many verification requests. Since its inception, there have been three iterations of the program. The initial program was the Agency's pilot consent- and fee-based SSN verification program, *Social Security Number Verification Pilot for Private Businesses* (Pilot), which began in October 2002 and ended in February 2005. It was replaced with the *Interim Verification Process* (IVP) in March 2005, and this program ended in November 2008. IVP was replaced in November 2008 with the current CBSV program.

Pilot. SSA required that participating companies sign a *User Agreement*¹ with the Agency and obtain written consent² from the individual for whom verification would be requested before requesting verification from SSA. Four companies participated in the

¹ The *User Agreement* established the conditions, terms, and safeguards for SSA to provide verification of SSNs to registered companies.

² The *Privacy Act of 1974*, 5 U.S.C. § 552a established the legal authority for SSA to provide SSN verifications to third-party requesters based on consent.

Pilot and were required to pay a fee of \$40,000 to assist with the Agency's start-up costs, as well as pay advanced transaction fees--\$.26 per verification and \$.0047 per record—for their total estimated annual verification requests.

IVP. SSA required that participating companies sign a *User Agreement* and obtain written consent from the individual before requesting verification through SSA. From Fiscal Years (FY) 2005 through 2007, the IVP program required manual submission of verification requests with consent forms via Compact Disc-Read Only Memory (CD), and charged companies a one-time registration fee of \$77 and a transaction fee of \$157 per CD submission to process verification requests. In FY 2008, the IVP program required electronic submission of verification requests, and charged each company a one-time registration fee of \$381 and a transaction fee of \$157 per electronic file submission. There were 11 companies (including the 4 Pilot companies) registered for this program.

CBSV. In November 2008, SSA replaced the IVP program with the CBSV program. However, unlike the previous programs, the CBSV program is available to all private businesses and Federal, State, and local government agencies. For CBSV, participating companies are also required to sign a *User Agreement*; pay a one-time, non-refundable registration fee of \$5,000; and pay an advance transaction fee of \$.56 per verification request.³ Further, participating companies are required to obtain written consent from the individual (or the individual's legal guardian) before verifying the individual's SSN through CBSV. As of February 2009, 86 companies had enrolled to use the CBSV program.⁴

For the purpose of this review, we focused on SSA's controls to test compliance with the requirements for consent, controls to ensure that companies complied with *User Agreement* requirements, and matching criteria used to ensure appropriate responses were provided to participating companies. We have elected to focus on these core issues because of the relevant importance to ensuring that only authorized access to this information is granted.

RESULTS OF REVIEW

While we found that SSA generally applied best practices learned from its Pilot and IVP programs to the CBSV, we believe improvements are still needed for the CBSV program. Specifically, our review found that SSA's Pilot, IVP, and CBSV programs had adequate controls to test compliance with the consent requirement for verifications. For example, for the Pilot and CBSV programs, participating companies were required to hire independent certified public accountants (CPA) to ensure the companies obtained

³ The Agency periodically revised its fee for verification requests. In August 2007, the fee was \$.27 per verification request, and when the program was implemented in December 2007, SSA increased the fee to \$.32. In April 2008, SSA increased the fee to \$0.56 per verification request.

⁴ See Appendix C for more details about the Pilot, IVP, and CBSV programs.

a valid consent before submitting the verification request to SSA. For the IVP program, the Agency conducted random sample tests on consent forms to ensure compliance with requirements before processing the verification requests.

We are, however, concerned about the Agency's original estimates for the CBSV program. The first year program estimates for CBSV were not in line with the actual number of companies participating in the CBSV program and the related number of verification requests submitted to SSA. As of August 2007, SSA anticipated it would receive about \$5.6 million based on 90 participating companies submitting about 10 million transactions. These anticipated funds were expected to cover SSA's costs for developing the CBSV program and other related program costs. However, as of February 2009, SSA was scheduled to receive approximately \$1.1 million from 86 participating companies, to process about 1.1 million verification requests.

Moreover, as of April 2009, SSA's total cost for developing the CBSV program had increased to about \$7.8 million. Thus, SSA would not recoup \$6.7 million of its costs during the first year of the program. The Agency expects to recoup the remaining costs by collecting transaction fees over the depreciable life (3 years). However, this raises concerns regarding the Agency's ability to recoup its costs because of lower than expected participation.

Additionally, we determined that SSA did not comply with its policy requiring proof of parental and legal guardianship for individuals signing consent forms for SSN verification on behalf of minors and incompetent adults for the CBSV program. Moreover, SSA's requirements for the compliance reviews conducted by an independent CPA were not specific enough to ensure uniformity in reporting of results. Finally, SSA did not require the date of birth (DoB) as part of the matching criteria for the CBSV program, which could lead to SSA providing false positive responses to participating companies, as well as increasing the risk that SSA will not detect instances of SSN misuse.

CBSV PARTICIPATING COMPANIES AND TRANSACTIONS FEES

The number of companies participating in the CBSV program and the number of verification requests that would be processed by SSA during the first year were not in line with the Agency's estimate. As of August 2007, SSA anticipated it would receive about \$5.6 million, based on 90 participating companies submitting about 10 million transactions, to cover its costs for the development of the CBSV program and other related program costs. However, as of February 2009, SSA was scheduled to receive approximately \$1.1 million from the 86 actual participating companies to process about 1.1 million verification requests. Moreover, as of April 2009, SSA's total cost for developing the CBSV program had increased to about \$7.8 million. This raises concerns regarding the Agency's ability to recoup its costs for system development and other related program costs because of lower than expected participation.

CBSV Participating Companies

In the 2007 *Federal Register*⁵ notice for the CBSV program, SSA estimated that 90 companies would participate in the CBSV program. Initially, to determine whether there was sufficient interest in CBSV to support proceeding with program development, the Agency established an enrollment period of December 2007 through June 2008. During this period, 94 companies enrolled to use the program and paid the \$5,000 enrollment fee,⁶ but 12 of these companies withdrew from the program. SSA refunded the \$5,000 registration fee to 6 of the 12 companies because the companies canceled their enrollment before the Agency's revised deadline for cancellation.⁷ SSA did not refund the \$5,000 registration fee for the other six companies because they did not opt out by the deadline. SSA considered these six companies "inactive," but should they pursue CBSV in the future, they will not be required to pay another enrollment fee. In November 2008, the date of implementation, there were 82 companies enrolled to use CBSV. However, only 66 of the companies had made advanced payments for their estimated FY 2009 verification requests. The remaining 16 companies were in various stages of the registration process.

SSA reopened CBSV enrollment in January 2009, and as of February 2009, 86 companies had enrolled for CBSV. All but 1 of the 86 companies paid SSA the \$5,000 registration fee, so SSA received \$425,000 in fees.⁸ Further, only 68 of the 86 companies had paid transaction fees in advance for their FY 2009 estimated number of verification requests. According to SSA staff, the Agency did not receive advance payments for transaction fees from the remaining 18 companies because they were in various stages of the CBSV registration process or they had ceased CBSV registration activity.⁹ Table 1 summarizes the changes in the actual number of CBSV registered companies as of November 2008 and February 2009.

⁵ Federal Register, Vol. 72, No. 154, 72 FR 45079, August 10, 2007.

⁶ A company's payment of the enrollment fee for CBSV was SSA's indication of interest in the program. SSA applies this fee to its total CBSV operating costs to reduce the actual transaction fee charged to all CBSV participating companies for verification requests.

⁷ In April 2008, SSA changed the terms under which the companies had originally enrolled. SSA originally told the companies their \$5,000 enrollment fee would be used to cover verifications in their account. SSA later clarified that this \$5,000 payment would be used to cover the Agency's general cost of developing CBSV, and the companies had no further rights to the \$5,000. SSA sent the CBSV participating companies an email offering them the opportunity to opt out or continue with the program. The deadline for opting out of the program was April 15, 2008.

⁸ As of February 2009, SSA was anticipating receipt of the registration fee from the other company.

⁹ As of this review, SSA had not been able to contact these companies.

Table 1: Number of CBSV Enrolled Companies

	CBSV November 2008 (as of Implementation)	CBSV February 2009 (as of Reopened Enrollment)
Number of Companies Enrolled with Total Fees Paid	66	68
Number of Companies Enrolled without Total Fees Paid	16	18
Total Enrolled Companies	82	86

Estimated Transaction Fees

As of August 2007, SSA anticipated it would receive about \$5.6 million based on 90 participating companies submitting about 10 million transactions.¹⁰ SSA expected the \$5.6 million to cover the Agency's costs for developing the CBSV program, as well as processing verification transactions. However, as of April 2009, SSA's total cost for developing the CBSV program had increased to about \$7.8 million.

As of November 2008, SSA's records showed that the 82 enrolled companies had initially estimated their total FY 2009 verification requests would be about 7 million, resulting in about \$3.9 million in transaction fees payable to SSA. However, the estimated total number of verification requests was reduced by 48 percent to 3.6 million verification requests because 27 companies lowered their estimated verification requests. Therefore, SSA would have received about \$2 million in transaction fees from the companies for the 3.6 million verification requests.

As of February 2009, SSA's records showed that 86 companies were registered for the CBSV program.¹¹ The estimated total number of verification requests for these companies was further reduced by 69 percent to 1.1 million verification requests because 16 companies lowered their estimated verification requests. This is a total reduction of approximately 84 percent from the initial estimate of 7 million verification requests. SSA expects it will receive about \$623,000 to process 1.1 million verification requests. As of February 2009, the Agency had received about \$522,000 from 68 of the 86 companies to process approximately 1 million of the 1.1 million verification requests. Table 2 summarizes the estimated transaction fees from August 2007 to February 2009.

¹⁰ The Agency periodically revised its fee for verification requests. In August 2007, the fee was \$0.27 per verification request, and when the program was implemented in December 2007, SSA increased the fee to \$0.32. In April 2008, SSA increased the fee to \$0.56 per verification request.

¹¹ Five additional companies registered after November 2008, and one previously enrolled company withdrew.

Table 2: Estimated Transaction Fees

	August 2007	November 2008		February 2009
	SSA Estimate	Company's Initial Estimate	Company's Revised Estimate	Company's Revised Estimate
Number of Enrolled Companies	90	82	82	86
Total Estimated Verification Requests	10.0 million	7.0 million	3.6 million	1.1 million
Estimated Total Transaction Fees	\$5.6 million	\$3.9 million	\$2.0 million	\$623,000

Based on the reduction in the number of participating companies and estimated verification requests, it is questionable whether SSA will be able to fully recoup the \$7.8 million for the CBSV program system development and other related program costs. SSA is scheduled to receive about \$1.1 million from the 86 companies that have registered for CBSV (\$623,000 for transaction fees and \$430,000 for registration fees), which results in about \$6.7 million in unreimbursed costs. SSA expects to recoup the remaining costs for system development, and other program-related costs by collecting transaction fees over the depreciable life (3 years) of the CBSV program. SSA should periodically calculate the costs for the CBSV program so fees charged to participating companies can be adjusted.

CONSENT REQUIREMENT

Although SSA had adequate controls to test compliance with the consent requirements for the three programs, we found that for the CBSV program, the Agency was not complying with its policy of requiring proof of parental and legal guardianship authority for individuals signing consent forms on behalf of minors and incompetent adults.

Comparison of Consent Requirements

For the Pilot and CBSV programs, participating companies were required to use an approved consent form to secure authorization from individuals to obtain SSN verifications.¹² The consent form was valid for verification for 90 days from the date of signature.¹³ SSA required that participating companies hire an independent CPA to assess compliance with obtaining a valid consent form before verification. For both programs, the CPAs were required to confirm the companies had (1) used the approved consent form, (2) used the SSN verification only for the purpose indicated on the

¹² SSA, Program Operations Manual System (POMS) GN 03305.001 Disclosure with Consent.

¹³ For the Pilot program, the companies were required to maintain copies of the consent forms for 3 years. For the CBSV program, the companies were required to maintain copies for 7 years.

consent form, and (3) obtained a valid consent from the individual signing the form.¹⁴ We found that for the Pilot program, the four participating companies had hired independent CPAs to determine whether they complied with the consent requirement (we discuss this in more detail in the next section of the report). For CBSV, SSA anticipates the CPAs will conduct annual compliance reviews and be required to submit the audit report to SSA 30 days after the review is completed. Further, the CPAs will provide the participating company with a copy of the report 30 days after the report is provided to SSA.

For the IVP program, participating companies were required to use the standardized consent form provided in the *User Agreement*. As with the Pilot and CBSV programs, the consent form was valid for verification requests for 90 days from the date of signature. However, unlike the Pilot and CBSV, SSA required that IVP-participating companies submit copies of the consent forms with the requests. Before processing the companies' verification requests file data through SSA's Enumeration Verification System (EVS),¹⁵ SSA conducted random sample tests on the file data to determine whether the file contained (1) a consent form for each verification request, (2) the proper consent form, and (3) all required information on the form.¹⁶ SSA did not process the verification requests if these conditions were not met.

Proof of Consent for Minors and Incompetent Adults

SSA did not establish a requirement for CBSV-participating companies to obtain proof of a parent or legal guardian's relationship to a minor or proof of guardianship for incompetent adults. The lack of this requirement for participating companies is not consistent with the Agency's policy. According to SSA policy¹⁷ on who may consent to disclose personal information, relating to an individual's record, to a third party, "...in all cases, proof of the parent's or legal guardian's relationship to the minor is required before a request on behalf of the minor can be accepted from a parent or legal guardian (e.g., a birth record showing the parent's name or documentation from a court of the guardian's appointment)." The policy further directs that, "...if proof of relationship is not established, do not disclose any information." For incompetent adults, the policy states, "...proof of the guardianship appointment for the incompetent adult must accompany the consent to disclose information." Without proof of legal relationship, SSA has no assurance the individual who signed the consent form had the legal right to do so.

¹⁴ The Pilot and CBSV participating companies were responsible for hiring CPAs and bearing all costs for the review. See Appendices E and F for the compliance review criteria for the Pilot and CBSV programs.

¹⁵ EVS is used to verify whether the SSN, name, and DoB submitted by the reporter match SSA's records.

¹⁶ See Appendix D for a summary of the *User Agreement* conditions and specifications.

¹⁷ POMS, GN 03305.005, *Who May Consent*.

SSA did not consider proof of parental and legal guardianship authority an issue for the Pilot and IVP programs because verification under these programs was open only to mortgage companies and other financial institutions. However, our review of IVP transactions for 2005 to 2008 showed that SSA verified the names and SSNs of 33 children, ranging in age from 2 to 17. Considering the CBSV program is open to any entity that registers to use it, proof of parental and legal guardianship is an issue for this program.

ASSESSMENT OF CPA REVIEWS AND SSA MONITORING OF CPA FINDINGS

SSA's requirements for the compliance reviews conducted by an independent CPA were not specific enough to ensure uniformity in reporting results.¹⁸ Therefore, SSA may find it difficult to rely on the CPA reports to determine whether a company has complied with the terms and conditions of the *User Agreements*. Furthermore, although SSA did not establish procedures to monitor findings addressed in the CPA reports for the Pilot program, the Agency is developing a guide that will be used to evaluate and monitor the CPA compliance reviews for the CBSV program.

CPA Reviews

For the Pilot program, SSA reviewed all of the four FY 2003 CPA reports and focused on the two participating companies with the highest number of verification requests. The CPAs who conducted the reviews were from different firms. SSA found that although both CPA reports concluded the participating companies complied with the terms and conditions of the *User Agreement*, the reports differed significantly in the way findings related to the consent form were reported. The Agency found that one CPA report was specific in identifying and quantifying noted discrepancies on the sample consent forms reviewed. For example, the report specified the number of forms that were missing the date of signature, were modified, and/or contained incomplete contact information. The other report only indicated the participating company had obtained signed consent forms, which complied with the *User Agreement* model for each of the names and SSNs that were part of the sample. The Agency noted that the report did not offer specifics on the completion of information contained on the form, such as information that may have been missing in fields other than name and SSN.

We reviewed the FY 2003 CPA reports for all four Pilot-participating companies and found that generally, the reports offered some useful information that was not required for the review. For example, the reports identified the number of input errors, submission of multiple SSNs, and apparent errors in SSA's reporting on verification results. However, the reports lacked specificity with which the CPAs reported on the results of their review for required performance elements. Examples of how the CPA reported on some of the performance criteria are shown in Appendix G.

¹⁸ See Appendices E and F for the compliance review criteria for the Pilot and CBSV programs.

Since the CBSV program requires CPA compliance reviews of participating companies, we believe the Agency should establish specific uniform requirements for each CPA conducting these reviews to ensure consistency in the information reported to SSA. At a minimum, the Agency should require that CPAs specify and quantify noted discrepancies on consent forms relative to the requirements such as those that are missing the reason for the verification, signature and date, and contact information for the individual signing the consent form. Capturing this type of data would help SSA determine whether participating companies have complied with the terms and conditions of the *User Agreements*.

SSA Monitoring of CPA Findings

SSA did not establish procedures to monitor findings addressed in the CPA reports for the Pilot program because the Agency was transitioning from the Pilot to implementation of the IVP program, which did not require a CPA review. As stated earlier, for the IVP program, participating companies were required to submit verification requests and copies of the associated consent forms to SSA. The Agency was responsible for assessing the forms' compliance with requirements established in the *IVP User Agreement*. However, for the CBSV program, the Agency requires that participating companies hire an independent CPA to assess the company's compliance with the terms and conditions of the CBSV *User Agreement* and specifically the consent requirement. According to SSA staff, the Agency is developing a guide to evaluate and monitor the CPA compliance reviews. At the time of our review, the guide had not been completed. We believe the Agency should ensure it develops the guide for monitoring findings addressed in the CPA reports for the Agency to capture trends that may identify the need for changes in the contractual provisions of the CBSV *User Agreements*, or cancel or suspend a company who does not comply with the terms and conditions of the *User Agreement*.

DOB REQUIREMENT FOR VERIFICATION

SSA did not use the DoB as part of the matching criteria for the CBSV program, which could lead to SSA providing false positive responses to participating companies. Further, it increases the risk that SSA will not detect instances of SSN misuse.

Providing the DoB on consent forms was required for the Pilot and IVP programs. For these programs, the DoB was also part of the programs' verification matching criteria and thus was a mandatory data input element for the Pilot and IVP processing system.¹⁹ SSA's process for SSN verification for CBSV required that the DoB of the individual for whom verification was being sought be provided on the consent form. However, it did not require that participating companies submit the DoB as part of the verification request. The Agency's mandatory input elements for CBSV included only

¹⁹ SSA used its EVS to determine whether a name and SSN provided for verification under the Pilot and IVP programs matched SSA's records. The criteria on which EVS matches include an individual's name, SSN and DoB. If a verification request does not include all these elements, EVS renders a "no match."

the individual's name and SSN. The DoB was noted as an optional data input field for CBSV verifications in the *User Guide* provided to the participating companies. SSA uses the *Social Security Number Verification Service (SSNVS)*²⁰ to determine whether a name and SSN provided for verification under the CBSV program matched its records. The matching criterion for SSNVS does not require the DoB.

According to SSA staff, the Agency eliminated the DoB requirement for CBSV to clarify that the CBSV program did not provide identity verification.²¹ However, we believe that by eliminating the DoB as a mandatory data element for CBSV, SSA increases the risk it may provide false positive responses to participating companies. Our review of the IVP transactions for 2005 to 2008 showed that when the DoB was included as part of the matching criteria, SSA provided the appropriate response to the participating companies. For example, a company submitted a name and SSN that matched SSA records, but the DoB did not match. The company had mistakenly replaced the year of birth with the year the request was made. In this case, SSA provided a no-match response. The company realized the error and resubmitted the verification request with the correct DoB. SSA provided a match response. We believe using the DoB as part of the CBSV matching criteria will provide more assurance the submitted name and SSN belong to an individual. Without the DoB, there is an increased risk that SSA may not detect instances of SSN misuse.

CONCLUSIONS AND RECOMMENDATIONS

The results of our audit indicate that a number of the control processes used in the Pilot and IVP programs are also used in the CBSV. The Pilot, IVP, and CBSV programs have not only given companies a means for efficient verification of large numbers of SSNs, but the programs have also benefited SSA by reducing the burden on field office resources to process the high volume of verification requests. Furthermore, the programs have given SSA the ability to manage an increasing workload more efficiently. However, based on our review, we believe SSA needs to take steps to strengthen its controls over the CBSV program to ensure (1) the Agency is reimbursed for the total costs of the program, (2) compliance with current policy for consent for minor and incompetent adults, (3) uniformity with reporting requirements for CPA compliance reviews, and (4) the matching criteria are sufficient to reduce the risk of providing false positive responses.

²⁰ SSNVS is an on-line service offered to employers and certain third-party submitters to verify employee names and SSNs against SSA's records.

²¹ CBSV provides a match, no match, or death response for names and associated SSNs submitted for verification. The *User Agreement* between SSA and each participating company specified that, "CBSV does not verify employment eligibility nor does it interface with the Department of Homeland Security verification system."

Accordingly, we recommend SSA:

1. Periodically calculate the costs for the CBSV program so that fees charged to participating companies can be adjusted.
2. Require that CBSV-participating companies obtain proof of parental and legal guardianship authority from individuals signing consent forms for SSN verification on behalf of minors and incompetent adults, as required by SSA policy.
3. Develop specific requirements for the compliance reviews conducted by independent CPAs to ensure uniformity in reporting results. At a minimum, require that CPAs specify and quantify noted discrepancies on consent forms or state that there were no noted discrepancies on consent forms, if applicable.
4. Establish written procedures (guide) that will allow the Agency to effectively evaluate and monitor the compliance reviews conducted by independent CPAs.
5. Require that participating companies submit the DoB as part of their verification request for the CBSV program.

AGENCY COMMENTS

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



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Consent- and Fee-Based Verification Programs

APPENDIX D – Summary of the Consent Requirements

APPENDIX E – Pilot Compliance Review Criteria

APPENDIX F – Consent-Based Social Security Number Compliance Review Criteria

APPENDIX G – Examples of Certified Public Accountant Findings

APPENDIX H – Agency Comments

APPENDIX I – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

CBSV	Consent Based Social Security Number Verification
CPA	Certified Public Accountant
DoB	Date of Birth
EVS	Enumeration Verification System
FR	Federal Register
FY	Fiscal Year
IVP	Interim Verification Process
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSN	Social Security Number
SSNVS	Social Security Verification Service
U.S.C.	United States Code

Scope and Methodology

To accomplish our objective, we:

- Reviewed applicable Federal law and regulations, as well as the Social Security Administration's (SSA) policies and procedures as they relate to privacy and disclosure of personal information maintained in SSA's official records.
- Reviewed the *Intelligence Reform and Terrorism Prevention Act of 2004*¹ for policy on the requirement for SSA to add death and fraud indicators to its Social Security number (SSN) verification systems.
- Reviewed policies and procedures regarding SSA's development of its consent- and fee-based SSN verification programs.
- Reviewed *User Agreements* established between SSA and companies participating in the Pilot, Interim Verification Process (IVP), and Consent Based Social Security Number Verification (CBSV) programs.
- Reviewed *User Guides* provided to Pilot, IVP and CBSV participating companies.
- Reviewed management reports on companies enrolled for the CBSV service.
- Reviewed Reimbursable Agreements covering verification transaction fees for IVP and CBSV participating companies.
- Gained an understanding of SSA's Pilot, IVP and CBSV verification processes.
- Obtained verification requests and results data for IVP participating companies for Fiscal Years 2005 through 2008.

We determined the IVP data used for this audit were sufficiently reliable to meet our objective. The Office of Central Operations was responsible for managing the IVP program. The Office of Public Service and Operations Support is responsible for managing the CBSV program. Both of these offices are under the Deputy Commissioner for Operations. Our work was conducted at the Philadelphia Audit Division, Philadelphia, Pennsylvania, between July 2008 and February 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain

¹ Public Law 108-458 § 7213, the *Intelligence Reform and Terrorism Prevention Act of 2004*, signed into law by President Bush on December 17, 2004.

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 C

Consent- and Fee-Based Verification Programs

Since October 2002, the Social Security Administration (SSA) has assisted companies that provide identity verification services for mortgage companies and financial institutions by confirming the name and Social Security number (SSN) provided match SSA's records. To provide registered companies a vehicle for purchasing SSN verifications, the Agency developed a centralized and automated process that could quickly respond to verification requests. This process also helps SSA by reducing the burden on field offices' resources to process the many verification requests. Since its inception, there have been three iterations of the program. The initial program was the Agency's pilot consent- and fee-based SSN verification program, *Social Security Number Verification Pilot for Private Businesses* (Pilot), which began in October 2002 and ended in February 2005. It was replaced in March 2005 with the *Interim Verification Process* (IVP) that ended in November 2008. IVP was replaced with the current Consent Based Social Security Number Verification (CBSV) program.

PILOT PROGRAM

SSA requires that participating companies sign a *User Agreement*¹ with the Agency and obtain written consent from the individual for whom verification would be requested before requesting verification from SSA. Four companies participated in this Pilot program and were required to pay a fee of \$40,000 to assist with the Agency's start-up costs, as well as pay advanced transaction fees--\$.26 per verification and \$.0047 per record—for their total estimated annual verification requests. SSA received about \$160,000 for the start-up costs; however, it was not able to provide us with the amounts received in transaction fees from these companies. During Fiscal Years (FY) 2003 to 2005, SSA processed about 551,000 verification requests submitted by the 4 participating companies. As shown in Table C-1, the Agency was able to verify 89 percent of the submitted names and SSNs, but did not verify 11 percent of the submitted names and SSNs.

Table C-1: Summary of Verifications Submitted for the Pilot Program

Response	FY 2003	FY 2004	FY 2005	Total	Percent
Verified	71,455	261,042	159,651	492,148	89
Not Verified	9,215	31,189	18,724	59,128	11
Total	80,670	292,231	178,375	551,276	100

¹ The *User Agreement* established the conditions, terms, and safeguards for SSA to provide verification of SSNs to registered companies.

IVP PROGRAM

SSA required that participating companies sign a *User Agreement* with SSA and obtain written consent from the individual before requesting verification through SSA.

Registered companies were required to pay a one-time registration fee and advanced transaction fees for their estimated annual verification requests. From FYs 2005 through 2007, the IVP program required manual submission of verification requests with consent forms and charged companies a one-time registration fee of \$77 and a transaction fee of \$157 to process verification requests. In FY 2008, the IVP program required electronic submission of verification requests and charged each company a one-time registration fee of \$381 and a transaction fee of \$157. There were 11 companies (including the 4 Pilot companies) registered for this program. As of FY 2008, only 7 of the 11 registered companies had submitted verification requests. As shown in Table C-2, during FYs 2005 to 2008, the 7 companies submitted about 1.9 million verification requests to SSA. SSA verified 92 percent of the submitted names and SSNs, but did not verify 8 percent of the submitted names and SSNs. Further, SSA received about \$700,000 from the 7 companies for their verification transactions for FYs 2006 through 2008.²

Table C-2: Summary of Verification Submitted for the IVP Program

Response	FY 2005	FY 2006	FY 2007	FY 2008	Total	Percent
Verified	292,356	513,167	500,406	396,880	1,702,809	92
Not Verified	29,507	50,606	47,269	27,341	154,723	8
Total	321,863	563,773	547,675	424,221	1,857,532	100
Death	N/A	N/A	27	19	46	

CBSV PROGRAM

In November 2008, SSA replaced the IVP program with the CBSV. However, unlike the previous programs, CBSV is available to all private businesses and Federal, State, and local government agencies.³ For CBSV, participating companies are also required to sign a *User Agreement*, pay a one-time non-refundable registration fee of \$5,000, and pay an advance transaction fee of \$.56 per verification request. Further, participating companies are required to obtain written consent from the individual (or the individual's legal guardian) before verifying the individual's SSN through CBSV. As of February 2009, 86 companies were enrolled and SSA received about \$947,000 in registration and transaction fees from these companies.

² SSA could not provide us the amount it received from the companies for FY 2005.

³ Although CBSV is open to government agencies, at the time our review, none had registered to use the program.

Appendix D

Summary of the Consent Requirements

Table D-1 provides a summary of the consent requirements the Social Security Administration (SSA) established for the Pilot, Interim Verification Program (IVP), and Consent Based Social Security Number Verification (CBSV) programs. For all three programs, participating companies were required to use an approved consent form to secure authorization from individuals to obtain Social Security number verifications. The consent form was valid for verification for 90 days from the date of signature. For the Pilot and CBSV programs, to assess each company's compliance with obtaining a valid consent form prior to verification, SSA required that participating companies hire an independent certified public accountant (CPA) to conduct a compliance review. For the IVP program, participating companies submitted the consent forms to SSA who determined whether (1) a consent form was provided for each verification request, (2) a valid consent form was used, and (3) all required information was included on the form. SSA did not process the verification requests if these conditions were not met.

Table D-1: Consent Requirement

User Agreement Condition	User Agreement Specification		
	Pilot	IVP	CBSV
Consent Form	Company designed form, but required SSA approval	Company designed form, but required SSA approval	SSA standardized form
Consent Form Expiration¹	90 days	90 days	90 days
Consent Form Submitted to SSA with Verification Requests	No ²	Yes ³	No ²
Participating Company's Consent Form Retention Requirement	3 years from date of verification	N/A	7 years from date of verification
Independent CPA Compliance Review Required	Yes	N/A	Yes

Notes

1. This was the expiration date unless the individual signing the consent form clearly indicated otherwise.
2. Consent form maintained by company. SSA required CPA compliance review of company to assess compliance with consent form requirements and other *User Agreement* terms and conditions.
3. Copies of consent forms submitted to SSA along with the verification requests. Before processing verification requests file data through SSA's system, the Agency conducted random sample tests on the file data to determine if the file contained (1) a consent form for each verification request, (2) the proper consent form, and (3) all required information on the form.

Appendix E

Pilot Compliance Review Criteria

Performance Review Requirements

The "reviewer" means not only the individual conducting the performance review, but also the associated business organization he/she represents.

General:

1. The requesting party shall contract for and bear all costs associated with the review activities of this agreement.
2. The reviewer selected by the requesting party must be an independent and private sector certified public accountant.
3. Report results shall be submitted to SSA by March 1,2005.

Reviewer Requirements:

1. Reviewers must adhere to the professional standards established by the American Institute of Certified Public Accountants and other applicable standards.
2. These standards include maintaining integrity, objectivity, independence and professional judgement in conducting the review and in reporting the results to the Social Security Administration (SSA).
3. The staff assigned to perform the review activities should possess adequate professional competence for the required tasks.
4. The reviewer should have reasonable procedures for the safe custody and retention of the review documentation.

Performance Review Activity Requirements:

1. The SSA will provide a random number of the names and Social Security Numbers (SSNs) of individuals for whom the requesting party has secured consents for SSN verifications.
2. This number will be determined by SSA and dependent on the cumulative volume of SSNs submitted for verification during this agreement period. The number will be a statistically valid number of the total volume submitted during this agreement period.
3. This information will be provided by SSA to the reviewer no later than three days after the close of this agreement period. The review shall be performed on site in a timely fashion so that the reviewer provides the report to SSA by March 1,2005.
4. In conducting the review activity, the reviewer shall ensure that:

- a. the requesting party utilizes the previously approved consent form, and that the form includes all required elements provided in the model consent form.
 - b. the requesting party complies with the timeframe for submitting the request to SSA based on the consent form and for using the original consent to resubmit the SSN for verification again within that timeframe, if necessary, and
 - c. the requesting party is using the SSN verification only for the purpose(s) indicated on the consent.
 - d. Additionally, the reviewer shall contact a limited number of individuals named in the consents using the contact information provided on the form to ensure the individual provided the authorization for SSA to disclose the SSN verification. This contact shall include verification of the date the individual signed the consent form. This number shall be determined by the reviewer and indicated in the report findings.
5. The reviewer shall also ensure that the individual named on the Privacy Act statement as responsible for the use of this service is acting in that capacity for the requesting party.

Report Requirements:

1. The report should be timely, fact-based, accurate, objective, clear and concise.
2. The form of the report should be appropriate for its intended use and comply with all applicable professional audit or review standards.
3. The report should include the objectives, and the scope and methodology used for achieving the objectives.
4. The report should present significant findings by providing credible and convincing evidence that relates to the review objectives.
5. The report should provide conclusions and recommendations, as appropriate.

Any questions regarding review activities as well as the final review report should be directed to:

Joan Peddicord
Office of the General Counsel
Office of Public Disclosure
3-A-6 Operations Building
6401 Security Blvd.
Baltimore, Md. 21235-6401

Appendix F

Consent Based Social Security Number Verification Compliance Review Criteria

CBSV Compliance Review (Audit) --Criteria

General:

1. The Requesting Party shall bear all costs associated with the compliance review in accordance with the User Agreement signed with the Social Security Administration.
2. The Requesting Party shall provide a copy of all applicable User Agreements in their entirety to the reviewing certified public accountant (CPA).
3. The CPA must adhere to the professional standards established by the American Institute of Certified Public Accountants and other applicable standards.
4. The CPA shall determine the procedures by which the following compliance review criteria will be verified including the sample size for each criterion and how each sample will be drawn. SSA will provide the size of the universe (i.e., the total number of SSNs verified by the company during the period to be audited) to assist the CPA in determining a statistically valid sample size. The CPA has the option of requesting additional SSA data to assist in the compliance review.
5. Terms that have a special meaning in the User Agreement are defined in Section I.B. of the User Agreement.

Compliance Review Criteria:

1. Verify that the Principal (the company's client) used the SSN verification for the purpose(s) specified on the SSA-89 signed by the individual.
2. Send confirmation letters (or use other form of re-contact) to a limited number of individuals signing Form SSA-89 to verify that the Client gave authorization to obtain the SSN verification and release it to the Requesting Party (if applicable) and the Principal for the stated purpose.
3. Confirm that a signed Form SSA-89 was used to obtain consent in all cases.
4. Verify that the Requesting Party used the SSN verification **only** for the purpose(s) specified on the SSA-89 signed by the individual.
5. Review and confirm that the SSA-89 was completed in its entirety, without alterations, including signature, date, contact information for the authorizing party and the stated purpose.
6. Confirm that the purpose stated on the SSA-89 identifies a specific purpose (e.g., "mortgage application") and is not a general purpose (e.g., "identity verification" or "identity proof or confirmation").

7. Verify that the submission date for the SSN verification was after the date the SSA-89 was signed and dated.
8. Verify that the submission date for the SSN verification was not more than 90 days after the SSA-89 was signed and dated unless the authorizing individual specified an alternate timeframe. If so, verify that the submission date was within the alternate timeframe.
9. Verify that the company is retaining consent forms for seven years from the date of the SSN verification.
10. Document the Requesting Party's record retention policy, and verify the procedures are followed as it relates to the particular circumstances outlined below:
 - a. Paper - Verify that the consent forms are stored in a locked fireproof storage cabinet, and confirm that only authorized personnel have access to these files as stated on the SSA-88.
 - b. Electronic - Verify that the consent forms are password protected, and confirm that only authorized personnel have access to these files as stated on the SSA-88. Verify passwords issued to personnel who no longer work for the company or no longer work in the capacity to have access to the files are voided. Verify that consent forms converted to electronic media have been destroyed. Verify that disaster recovery procedures are in place and are being followed.
 - c. Removable Electronic Media - Verify that all data has been encrypted, and confirm that such removable electronic media is stored in a locked, fireproof storage receptacle. Confirm that only authorized users have access to this media. Verify that the paper consent forms have been properly destroyed after being stored electronically.
11. Verify that 1) the Attestation Statement is current and, 2) that the signer's authority includes authority to financially bind the company and bear responsibility for CBSV SSN verification.
12. Verify that the SSA-88s are current (employee is still employed by the company and is still performing CBSV duties).

13. Verify that the access code sent to the Designated Company Official has only been given to the Authorized User and is properly safeguarded from improper disclosure.

14. For Requesting Parties that are not Principals, review the agreements between the company and its Principals (clients) to ensure the agreements include the restrictions on, and penalties for, reuse and re-disclosure.

15. For Requesting Parties that are not Principals, ensure the company has not informed the Principal (client) of the result of the SSN verification prior to receiving the SSN verification from SSA.

16. For Requesting Parties that are not Principals, ensure the company has correctly relayed to the Principal (client) the information regarding the SSN verification received from SSA.

Report Requirements:

1. The CPA shall provide a report containing the results of the review to SSA within 30 days after the review is conducted.
2. The report shall conform to the American Institute of Certified Public Accountants and other applicable standards.
3. At its discretion, SSA may request copies of the reviewer's work papers and test plans.
4. Any questions regarding review activities as well as the final review report shall be directed to:

SSA
OPSOS, Fee Based Disclosure Team
4334 Annex Building
6401 Security Blvd.
Baltimore, MD 21235-6401
Name, Email and Telephone: will be provided when agreement is signed

Appendix G

Examples of Certified Public Accountant Findings

We reviewed the Fiscal Year 2003 certified public accountant (CPA) reports for all four of the Pilot participating companies and found that generally, the reports offered some useful information that was not required for the review. For example, the reports identified the number of input errors, submission of multiple Social Security numbers (SSN), and apparent errors in the Social Security Administration's (SSA) reporting on verification results. However, the reports lack specificity with which the CPAs reported the results of their reviews for required performance elements. Table G-1 provides examples of how the CPAs reported on some of the performance criteria.

Table G-1: Examples of CPA Findings for the Four Pilot Companies

Performance Criteria	Companies ¹			
	1	2	3	4
Company used the approved consent form.	Specified and quantified discrepancies.	Addressed only that the consent forms agreed with SSA's model consent form.	Specified and quantified discrepancies.	Addressed only that the consent forms agreed with SSA's model consent form.
Company complied with consent form expiration for submitting verification requests to SSA.	Specified and quantified discrepancies.	Specified that consent forms were signed within 90 days of verification requests.	Specified and quantified discrepancies.	Specified and quantified discrepancies.
Company used the SSN verification only for the purpose indicated on the consent form.	Obtained written representation from company.	Stated that requesting company confirmed use of verifications.	Stated that verifications were for purposes stated on the consent forms.	Not addressed in CPA report.

Note: 1. The companies are in order by volume of verification requests.

Appendix H

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: July 01, 2009 Refer To: S1J-3

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

From: James A. Winn /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Consent-based Social Security Number Verification Program" A-03-08-18067)—INFORMATION

Thank you for the opportunity to review and comment on the draft report. We appreciate OIG's efforts in conducting this review. Attached is our response to the report recommendations.

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

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S DRAFT REPORT,
"CONSENT-BASED SOCIAL SECURITY NUMBER VERIFICATION PROGRAM"
(A-03-08-18067)**

The Consent-Based Social Security Number Verification (CBSV) program is a reimbursable project and changes resulting from these recommendations may result in a change in cost to CBSV users.

Our responses to your specific recommendations are as follows.

Recommendation 1

Periodically calculate the costs for the CBSV program so fees charged to participating companies can be adjusted.

Comment

We agree. We have had this process in place since the inception of the CBSV program. The CBSV User Agreement, Section X, Cost of Services (page 9) states: "Periodically, but no less frequently than annually, SSA will recalculate its costs related to providing the services in this User Agreement and will adjust the fees charged accordingly." We will continue to follow this agreement and make any necessary fee adjustments.

Since its inception, we have adjusted the price of CBSV three times. In August 2007, when we instituted the CBSV program, we charged \$0.27 per verification request. In December 2007, we increased the price to \$0.32, and in April 2008, we adjusted the price to \$0.56 per verification request.

Recommendation 2

Require that CBSV-participating companies obtain proof of parental and legal guardianship authority from individuals signing consent forms for Social Security number (SSN) verification on behalf of minors and incompetent adults as required by our policy.

Comment

We agree. We will take the necessary steps to make this change. However, we may have to obtain Office of Management and Budget (OMB) approval prior to making the necessary amendments to the User Agreement.

Recommendation 3

Develop specific requirements for the compliance reviews conducted by independent Certified Public Accountants (CPA) to ensure uniformity in reporting results. At a minimum, require that

CPAs specify and quantify noted discrepancies on consent forms or state that there were no noted discrepancies on consent forms, if applicable.

Comment

We agree. We will incorporate these instructions into our planned CBSV Compliance Review Handbook. As mentioned in our earlier comment, we may have to obtain OMB approval prior to making the necessary amendments to the User Agreement.

Recommendation 4

Establish written procedures (guide) that will allow the agency to effectively evaluate and monitor the compliance reviews conducted by independent CPAs.

Comment

We agree. We will incorporate these instructions into our planned CBSV Compliance Review Handbook. Again, we may have to obtain OMB approval prior to making the necessary amendments to the User Agreement.

Recommendation 5

Require that participating companies submit the date of birth as part of their verification request for the CBSV program.

Comment

We agree. We will take the necessary steps to make this change. As with the other recommendations, we may have to obtain OMB approval prior to making the necessary amendments to the User Agreement.

Appendix I

OIG Contacts and Staff Acknowledgments

OIG Contacts

Cylinda McCloud-Keal, Director, Philadelphia Audit Division

Carol Madonna, Audit Manager

Acknowledgments

In addition to those named above:

Brenda Williams, Auditor-in-Charge

For additional copies of this report, please visit our web site at
www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-03-08-18067.

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