OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

**FIELD OFFICE WORKLOAD RELATED
TO NONCONFIRMATION RESPONSES
FROM THE EMPLOYMENT
VERIFICATION PROGRAM**

November 2010   A-03-09-19052

AUDIT REPORT

Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, 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

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.

SOCIAL SECURITY

MEMORANDUM

Date: November 9, 2010   Refer To:

To: The Commissioner

From: Inspector General

Subject: Field Office Workload Related to Nonconfirmation Responses from the Employment
        Verification Program (A-03-09-19052)

OBJECTIVE

Our objectives were to evaluate the (1) Social Security Administration's (SSA) field
office (FO) workload associated with nonconfirmation responses generated from the
Employment Verification (E-Verify) program and (2) Agency's reimbursement process
for E-Verify.

BACKGROUND

E-Verify is a Department of Homeland Security (DHS) program that allows participating
employers to determine whether newly hired employees[1] are authorized to work in the
United States under immigration law.[2] SSA supports DHS in operating and
administering this program. E-Verify allows employers to electronically verify employee
information taken from the *Employment Eligibility Verification* form (Form I-9) against
Federal databases to verify the employment eligibility of both citizens and noncitizens.
Employers enter employees' information into DHS's web-based system. DHS then
sends the information to SSA to verify that the new hire's Social Security Number

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[1] Pursuant to Executive Order 13465—Amending Executive Order 12989, as amended, 73 Fed. Reg.
33285 (June 11, 2008) and 74 Fed. Reg. 26981 (June 5, 2009), as of September 8, 2009, executive
departments and agencies that enter into contracts are required to ensure that, as a condition of each
contract, that the contractor agree to use E-Verify to verify the employment eligibility of: (i) all persons
hired during the contract term by the contractor to perform employment duties within the United States;
and (ii) all persons assigned by the contractor to perform work within the United States on the Federal
contract.

[2] Authority for the E-Verify program is found in Division C, Title IV, Subtitle A, of the *Illegal Immigration
Reform and Immigrant Responsibility Act of 1996*, Pub. L. No. 104-208, as amended, 110 Stat. 3009-655
to 666. See 8 U.S.C. § 1324a notes, which, in part, sets forth changes to 8 U.S.C. 1324a attributable to
Pub. L. 104-208. The E-Verify Program was extended to all 50 States in the *Basic Pilot Program
Extension and Expansion Act of 2003,* Pub. L. No. 108-156, 117 Stat.1944. See 8 U.S.C. § 1101 note,
which amends 8 U.S.C. 1324a. See Appendix B for details about E-Verify.

(SSN), name, and date of birth (DoB) match the information in SSA's Numident record.[3] SSA will also confirm whether the Numident includes an indication of U.S. citizenship. If so, DHS will confirm work authorization. For all noncitizens and naturalized citizens whose status SSA cannot confirm, if there is a match with SSA records, DHS then determines current work authorization status.

E-Verify sends a message to the employer indicating whether the individual is employment-authorized or there is a mismatch with SSA or DHS data. An SSA Tentative Nonconfirmation (TNC) is generated when input data do not match SSA's Numident. If the individual chooses to contest the TNC response, the employer must refer the individual to SSA through E-Verify and provide them with the SSA Referral Notice.[4] The individual has 8 Federal workdays from the date of the SSA Referral Notice to visit a local FO to resolve the mismatch and to present evidence to support the request to update or correct the Numident. FO staff may (1) verify documentary evidence with the issuing agency; (2) process an application for an original or replacement SSN card for the individual; (3) update SSA's Numident as appropriate; or (4) notify the individual when SSA is unable to process an application for an original or replacement card. When an individual calls the 800-number prior to visiting the FO, staff may tell them to visit the local FO and provide them with the FO address, telephone number, and office hours. Further, staff may advise the caller to take evidence of identity and the SSA TNC referral letter provided by the employer with them to the FO.

In October 2007, SSA and DHS implemented the Employment Verification SSA Tentative Nonconfirmation Automated Response (EV-STAR) program, a web-based system created exclusively for SSA staff to manage and resolve SSA TNCs. EV-STAR, which is part of E-Verify, allows SSA staff to transmit the disposition of SSA TNC cases electronically to employers through E-Verify. Specifically, EV-STAR was designed to control employer TNC referrals, automate replies to the employer, provide consistent service from all FO staff, and guard numberholder records from improper disclosure.

SSA is reimbursed by DHS for the work it performs in connection with E-Verify because E-Verify is not part of SSA's mission to administer Social Security programs. The *Economy Act* allows, subject to certain conditions, SSA to recover from DHS all costs incurred in supporting E-Verify.[5] In addition, the *Social Security Act* permits SSA to require that individuals (including Federal agencies) who request information pay the

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[3] The Numident is a record of identifying information (such as name, DoB, date of death, mother's maiden name, etc.) provided by the applicant on his or her *Application for a Social Security Number* (Form SS-5) for an original SSN and subsequent applications for replacement SSN cards. Each record is housed in the Numident Master File in SSN order.

[4] The E-Verify SSA Referral Notice tells the new hire the reason for the SSA TNC, to visit an SSA FO within 8 Federal Government workdays to resolve the case, and what documentary evidence to bring to the FO in order to help resolve the discrepancy. This notice also shows what information the employer keyed into E-Verify.

[5] The *Economy Act of 1932*, as amended, 31 U.S.C. § 1535.

full cost of supplying information for any purpose not directly related to the administration of the programs under the *Social Security Act*.[6] These charges compensate SSA for its work, so the Agency's appropriation does not bear the costs that are not directly related to the administration of SSA programs.[7]

METHODOLOGY

To accomplish our objective, we obtained Fiscal Year (FY) 2008 E-Verify transaction data from SSA and DHS. Using these data, we reviewed SSA's methodology for determining its E-Verify workload and the related costs to be reimbursed by DHS. In addition, we reviewed the reimbursable agreements with DHS for FYs 2005 through 2008, the computations used to determine the reimbursement from DHS, and SSA's usage of EV-STAR. See Appendix C for more details about our scope and methodology.

RESULTS OF REVIEW

SSA's methodology for determining its FY 2008 E-Verify workload and the related reimbursement costs could be improved because it appeared the current methodology captured workloads that did not relate to E-Verify. In FY 2008, DHS reimbursed SSA about $3.8 million because SSA determined that 87,727 individuals either visited an FO and/or called the 800-number to resolve a TNC response generated by E-Verify. However, we estimate that 4,125 of these contacts related to other SSA workloads, such as filing a claim for Social Security benefits. As a result, DHS overpaid SSA about $159,000 in FY 2008. In addition, the Agency was reimbursed approximately $462,000 for 15,283 contacts where the purpose of the visit or call could not be determined based on available data in SSA's systems.

Furthermore, we found that for FYs 2005 and 2006, SSA did not pursue reimbursement for all costs incurred in supporting E-Verify. While the Agency received about $1.5 million for its FO workload for the 2 years, it did not seek reimbursement for system costs related to processing about 2.7 million E-Verify queries and personnel costs related to staff responding to calls made to its 800-numbers by individuals and employers who needed assistance with E-Verify issues. We were not able to determine how much SSA should have been reimbursed for the 800-number workload because the calls were not tracked; however, we estimate the Agency should have been reimbursed about $246,000 for processing the E-Verify queries.

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[6] The *Social Security Act* § 1106(c), 42 U.S.C. § 1306(c).

[7] Limitation on Administrative Expenses is SSA's basic administrative account and is an annual appropriation funded by the Social Security and Medicare trust funds.

Additionally, SSA was not reimbursed timely in FYs 2005 through 2008 as required by the *Economy Act* and SSA's fiscal policy.[8] The Agency did not receive reimbursement for E-Verify until 10 months to almost 4 years after providing support to DHS for E-Verify.

Finally, although SSA and DHS developed EV-STAR to improve the disposition of E-Verify cases, we found FO staff rarely used the program to process E-Verify cases. FO staff only used EV-STAR to process 10,632 (14 percent) of the 75,791 E-Verify cases where individuals visited FOs. The low usage of EV-STAR occurred primarily because FO staff was unaware that individuals were contacting SSA to resolve a TNC response. We found either the individuals did not provide FO staff with the required referral letter or they did not advise FO staff about the purpose of their visit. The Agency recognized this problem and was coordinating with DHS to develop an alert that would prompt FO staff when to use EV-STAR. At the time of our review, SSA and DHS were in the early stages of developing this alert and did not know when the new process would be implemented.

FIELD OFFICE AND 800-NUMBER WORKLOADS RELATED TO E-VERIFY

SSA's methodology for determining its reimbursement costs for FO and 800-number workloads for E-Verify needed improvement because it captured workloads that did not relate to E-Verify. To determine whether an individual visited a FO and/or called the 800-number to resolve a TNC response, SSA matches[9] the SSNs and dates individuals received a TNC response from E-Verify against the SSNs and dates of contact included in its Visitor Intake Process (VIP) and Customer Help and Information Program (CHIP) systems.[10] VIP and CHIP record and track, by SSN, visits to SSA's FOs and calls to the 800-number by the public, respectively. When SSNs match, SSA assumes that any

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[8] According to section 1535(b) of the *Economy Act*, 31 U.S.C. § 1535(b), payments made to an agency providing a service should be paid promptly upon written request and may be made in advance or on providing the goods or services. Further, SSA's Administrative Instructions Manual System (AIMS) Financial Management Manual (FMM), Section 05.02.03.H, dated July 31, 2007 (and in effect until November 13, 2009), clarifies that advance payments were required before work began on reimbursable projects and that Federal agencies were required to provide an advance payment equal to 50 percent of SSA's estimated costs. On November 13, 2009, SSA's policy was changed to require that Federal agencies pay SSA's actual costs quarterly. While advance payments are allowed under the new policy, they are no longer required for Federal Agency requestors. See SSA, AIMS, FMM, Section 05.02.03 G.

[9] See Appendix D for more detail about the methodology for determining FO and 800-number workloads.

[10] VIP helps SSA FO staff simplify and control all stages of in-office interviews and appointments. It keeps track of all in-office interviews and scheduled appointments, monitors visitor and appointment information, and provides reports and charts on a variety of local office statistical data. CHIP is a computer program that assists SSA personnel in responding to the public's calls in an accurate, quick, and consistent manner nationwide. For telephone calls, the CHIP system provides instant access to knowledge, facts, policies, and other reference materials.

visit to an FO or call to the 800-number on or after the no-match response date relate to E-Verify even though individuals have up to 8 Federal workdays[11] to contest a TNC response.

We found that for FY 2008, SSA was reimbursed about $159,000 for 4,125 visits and calls by individuals who were not responding to a TNC response. Further, the Agency was reimbursed about $463,000 for 15,283 contacts where the purpose of the visits or calls could not be determined based on available data in SSA's systems.[12]

FY 2008 FO and 800-Number Workloads

Based on the methodology discussed above, in FY 2008, SSA was reimbursed about $3.8 million because it determined that 87,727 individuals had visited a FO or called the 800-number to resolve a TNC response generated by E-Verify. The Agency received about $3.6 million for 75,791 individuals who visited FOs and about $182,000 for 11,936 individuals who called the 800-number.

For our analysis, we took a conservative approach and reviewed the topic codes included in the VIP and CHIP systems for the 87,727 individuals to determine whether their visits to FOs or calls to the 800-number were in response to TNC responses generated by E-Verify. To manage FO and 800-number workloads, SSA established topic codes that identify the purpose of a substantive interview with the public.[13] SSA had not established a topic code for E-Verify to track individuals who visit a FO or call the 800-number in response to an SSA TNC response. Using the topic codes for the 87,727 individuals, we found (1) 68,319 individuals may have contacted the Agency to resolve a TNC response, (2) 15,283 individuals contacted the Agency for reasons that could not be determined, and (3) 4,125 individuals contacted for reasons not related to E-Verify.[14]

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[11] New hires have 8 Federal workdays from the date of the SSA Referral Notice to visit a local FO to resolve the mismatch and to present evidence to support the request to update or correct the Numident.

[12] We did not conduct a detailed analysis of the FO workload for FYs 2005 through 2007. However, SSA may not have been properly reimbursed for its FO workload in those years. In FYs 2005 and 2006, SSA's reimbursement for FO workload was based on an estimate because it had not developed a methodology to track actual visits to FOs by individuals receiving a TNC response. In FYs 2007, SSA used the same methodology as in FY 2008 to calculate its FO workload. Therefore, it is likely that SSA was overpaid for its FY 2007 FO workload.

[13] A substantive interview is any interview other than an initial screening interview, which is conducted solely to determine the reason for the contact. If the individual's business is addressed during the first interview, it is considered substantive.

[14] We reviewed other SSA systems (for example the Numident) for a sample of the 87,727 cases to ensure that the topic codes were sufficiently reliable for the purpose of our review.

Table 1: FY 2008 FO and 800-Number E-Verify Contacts

Purpose of Contact	Individuals Contacted SSA [1]	Reimbursable Costs
E-Verify Related Contact with SSA	68,319	$3,160,500
Unknown Contact with SSA	15,283	$462,800
Non-E-Verify Related Contact with SSA	4,125	$159,300
Totals	**87,727**	**$3,782,600**

Note 1: SSA uses unique SSNs to determine the first FO visit or telephone call after the SSA TNC transaction date. When an individual both calls the 800-number and visits a FO, SSA uses the FO visits for reimbursement.

We found the following for the 87,727 individuals who received an SSA TNC response:

- 68,319 individuals had contacted SSA to inquire about SSN-related issues. We considered these contacts to be related to E-Verify even though SSA had not established a topic code for E-Verify because Agency staff follow the same procedures to resolve E-Verify TNCs as when they issue original and replacement SSN cards. Thus, it appears that SSA should have been reimbursed about $3.2 million for these contacts. However, it is important for the Agency to establish a topic code for E-Verify to provide better assurance that it is accurately capturing its E-Verify workload because some of the 68,319 individuals may not have contacted SSA in response to receiving an SSA TNC.

- 15,283 individuals who received an SSA TNC contacted SSA, but the reasons for the contacts could not be determined. The topic codes used in VIP and CHIP were generic and did not specify the purpose of the contact. Although we could not verify, it is possible that at least 4,800 of the 15,283 individuals contacted SSA to resolve a TNC response because they first made contact with the Agency within 8 Federal workdays after the initial TNC response, as required by E-Verify. The remaining 10,483 individuals contacted SSA from 9 to 281 days after receiving a TNC response. SSA was reimbursed about $462,000 for the contacts the 15,283 individuals made.[15]

- 4,125 individuals who received an SSA TNC contacted SSA to inquire about disability and retirement benefits, inquire about earnings records, and report the deaths of numberholders. Because these contacts directly related to SSA administering its own programs and did not relate to E-Verify, the Agency was improperly reimbursed about $159,300 for these contacts. For example, a no match was provided to a 65-year-old woman on September 6, 2007 because SSA records showed she was a noncitizen who was not eligible to work. Her earnings records showed she was not a new hire because she had been working for the same employer since 2001. On August 27, 2008, almost 1 year later, she visited an SSA FO to file a claim for retirement benefits. This case may have involved SSN misuse whereby the individual who was verified used the numberholder's name and SSN for work.

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[15] If the 4,800 individuals had contacted SSA to resolve a TNC response, the Agency may have been improperly reimbursed between $293,000 and $462,000.

SSA staff acknowledged that the assumptions used in the methodology to determine the Agency's FO and 800-number workloads for E-Verify could lead to SSA being overpaid by DHS. However, the Agency wanted to ensure that it was reimbursed all costs incurred for supporting E-Verify. We understand why SSA had taken that approach, but as our analysis shows, SSA may have wrongly assumed that individuals who visited an FO or called the 800-number in FY 2008 were doing so in response to receiving an SSA TNC generated by E-Verify. Therefore, we believe the Agency needs to establish an E-Verify topic code in VIP and CHIP so FO and 800-number workloads can be properly tracked and reduce the risk of SSA being overpaid by DHS.

REIMBURSEMENT OF SSA's COSTS FOR E-VERIFY

The *Economy Act* and SSA's fiscal policy, subject to certain conditions, allows the Agency to pursue full cost reimbursement for services, such as E-Verify, rendered to other agencies.[16] SSA and DHS negotiate and sign reimbursable agreements so SSA can recover its actual costs incurred in supporting E-Verify.[17] However, we found that for FYs 2005 and 2006, SSA did not pursue reimbursement for all costs incurred in supporting E-Verify. Additionally, SSA was not reimbursed timely for FYs 2005 through 2008, as required by policy.[18] The Agency was not reimbursed for E-Verify until 10 months to almost 4 years after providing support to DHS for E-Verify.

Reimbursement for FYs 2005 and 2006

For FYs 2005 and 2006, DHS reimbursed[19] SSA about $1.5 million ($593,000 for FY 2005 and $891,000 for FY 2006) to cover personnel costs related to FO staff responding to visits by individuals who contested a TNC response generated by E-Verify.[20] We found that, in FY 2005, the Agency did not pursue reimbursement for system costs (personnel and machine) to process about 981,000 E-Verify queries and personnel costs related to SSA staff responding to calls made to its 800-numbers by individuals and employers who needed assistance with E-Verify issues. In addition, in FY 2006, the Agency did not pursue reimbursement for system costs for about 1,756,000 E-Verify queries and personnel costs related to its 800-number workload.

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[16] 31 U.S.C. § 1535(b) and AIMS, FMM, 05.02.02.B.

[17] Reimbursable agreements are documents signed by SSA and the Federal requestors that define the terms under which SSA agrees to provide reimbursable services, the period of the agreement, the authority, functions, and security safeguards.

[18] AIMS, FMM, 05.02.03.H, supra.

[19] SSA did not receive full reimbursement for FYs 2005 and 2006 FO workload until July 2008. We discuss this in more detail on pages 9 and 10 of the report.

[20] As stated previously, we did not conduct a detailed analysis of the FO workload for FYs 2005 and 2006, therefore, we are not certain of the precise extent to which SSA was not reimbursed properly for those 2 years. During this period, SSA's reimbursement for FO workload was based on an estimate because it had not developed a methodology to track actual visits to FOs by individuals receiving a TNC response.

According to Agency staff, this occurred because, in those 2 years, the Agency had not developed a methodology to track the system and 800-number workload for E-Verify. Therefore, the Agency absorbed these costs without knowing how much its appropriation would not be compensated.

Using the reimbursement rates for system costs for subsequent years,[21] we estimate that SSA was not reimbursed about $246,000 for processing 2.7 million E-Verify queries for the 2-year period—$88,000 for processing the 981,000 E-Verify queries in FY 2005 and $158,000 for processing 1,756,000 E-Verify queries in FY 2006. We were not able to determine the amount that should have been reimbursed for the 800-number telephone calls because the Agency did not track the data needed to determine these actual costs. In a 2008 report,[22] the Agency acknowledged it provided electronic information to third parties (for example, State and Federal agencies) for non-program purposes without charging them to recover its costs. Specifically, the report stated that SSA was not applying a consistent policy when deciding whether to charge fees for electronic information exchanges. The lack of clarity may have resulted in the Agency's appropriation absorbing costs for non-program services that should have been reimbursed or mission-related services that could not be performed because of insufficient resources. The report contained several recommendations, including that the Agency consider charging full costs for all non-program work it does not otherwise receive appropriations to perform.

Reimbursement for FYs 2007 and 2008

For FYs 2007 and 2008, SSA improved its cost recovery for E-Verify by ensuring it was reimbursed its full costs for supporting E-Verify. As shown in Table 2, during the 2-year period, SSA was reimbursed about $9.5 million from DHS to cover costs associated with FO and 800-number workloads, system costs for processing E-Verify queries, development and training costs for EV-STAR, and development costs for an isolated Numident environment to handle the expected increase in E-Verify queries in the future.[23]

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[21] In FYs 2007 and 2008, SSA was reimbursed about $.09 per query to process E-Verify queries. For example, in FY 2008, SSA received $642,000 to process 7 million E-Verify queries, which totaled $.09 per query. We used this figure to determine that SSA should have received about $246,000 to process 2.7 million E-Verify queries for FYs 2005 and 2006.

[22] *Electronic Information Exchange Initiative Report to the Commissioner of Social Security*, prepared by the Office of Financial Policy and Operations, August 2008.

[23] According to SSA, the expected benefits of the new isolated Numident included (1) improving the communication interface between SSA and DHS, (2) reducing risks of slowdown and disruption caused by competition with SSA workloads running in SSA's main production facility; (3) adding E-Verify to SSA's Disaster Recovery Plan, and (4) enhancing management information to address requests from stakeholders.

Table 2: Reimbursed Costs for FYs 2007 and 2008

Reimbursable Costs	2007	2008	Total
FO Visits[1]	$1,413,000	$3,601,000	$5,014,000
800-Number Calls	$143,000	$182,000	$325,000
Process E-Verify queries	$318,000	$642,000	$960,000
Develop EV-STAR	$1,637,000		$1,637,000
Develop Isolated Numident		$1,527,000	$1,527,000
Total Cost[2]	**$3,511,000**	**$5,952,000**	**$9,463,000**

Note 1: We determined that, in FY 2008, SSA was overpaid about $159,000 for costs associated with FO and 800-number workloads. It is likely these costs were overpaid in FY 2007 since the same methodology was used to calculate these costs.

Note 2: The data sources were Form SSA-1033 and *Actual Cost for Reimbursable Servic*es, Form SSA-1036, and both Forms included the actual costs (direct and indirect) for E-Verify.

Timeliness of Reimbursable Payments

Regarding payments for reimbursable work from Federal agencies, the *Economy Act* indicates, in part, that payment shall be promptly made on the written request of the agency or unit filling an order and may be made in advance or on providing the goods or services ordered.[24] SSA's fiscal policy, dated July 2007, required that advance payments equal to 50 percent should be collected from Federal agencies "before" the work is performed.[25] Our review found for FYs 2005 through 2008, SSA had not received payment for costs incurred until 10 to 45 months (nearly 4 years) after DHS should have made the advance payments (see Table 3). This resulted in SSA's appropriation bearing the expense of the work performed on behalf of DHS until it was reimbursed. In FY 2009, SSA improved the timeliness of signing the agreement and being reimbursed. The FY 2009 agreement was signed on September 29, 2008, and SSA received approximately $22 million to cover its costs for supporting E-Verify as of December 2008.

Table 3: SSA's Reimbursement for E-Verify

Fiscal Year	Agreement Signed[1]	Months After Beginning of FY Agreement Signed	Date Funds Paid	Months After Beginning FY SSA Reimbursed	Amount Reimbursed
2005	09/2005	12	07/2008	45	$118,000
2006	No Agreement	N/A	07/2008	34	$891,000
2007	06/2007	9	07/2007	10	$3,511,000
2008	07/2008	10	07/2008	10	$5,952,000

Note 1: SSA's Agreement Covering Reimbursable Services, Form SSA-1235.

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[24] 31 U.S.C. § 1535(b).

[25] AIMS, FMM, 05.02.03.H supra. As previously noted, this policy was revised and now states Federal Agencies must pay SSA's actual costs quarterly. Advance payments are allowed, but not required for Federal Agency requestors. See AIMS, FMM, 05.02.03 G, November 13, 2009.

Specifically, our review found the following for FYs 2005 through 2008.

- In FY 2005, SSA and DHS signed the reimbursable agreement on September 30, 2005; about 12 months after SSA performed the reimbursable work. At that time, SSA received $475,000 (80 percent) for FO workload associated with TNC responses even though SSA's calculation showed the full cost was about $593,000, a difference of about $118,000 (20 percent). SSA received only 80 percent of its costs because DHS had only set aside $475,000 for this expense because it no longer received a separate appropriation for E-Verify. SSA received the remaining $118,000 in reimbursement in July 2008 as discussed below.

- In FY 2006, SSA and DHS did not sign a reimbursable agreement so SSA did not receive about $891,000 in reimbursement at that time. Again, SSA was not reimbursed for FY 2006 because DHS stated it did not receive a separate appropriation for E-Verify. SSA was reimbursed the $891,000 in July 2008 as discussed below.

- In FY 2007, SSA worked on E-Verify for 9 months before signing the reimbursement agreement in June 2007 and receiving about $4.8 million in reimbursements from DHS in July 2007. According to SSA staff, signing the reimbursement agreement and obtaining funds was delayed because of protracted negotiations with DHS concerning developing EV-STAR. In July 2008, when SSA reconciled its estimated and actual costs for FY 2007, it discovered the actual cost incurred was $3.5 million. Thus, SSA was overpaid about $1.3 million. SSA notified DHS that it wanted to be reimbursed for its FY 2005 and 2006 workload. As a result, SSA returned the $1.3 million overpayment and DHS reimbursed SSA the $118,000 for FY 2005, and $891,000 for FY 2006. Thus, SSA was reimbursed 45 and 34 months after the payments should have been paid for FYs 2005 and 2006.

In FY 2008, SSA did not have a signed reimbursement agreement before performing work for E-Verify. SSA signed an agreement with DHS and received about $4.8 million in July 2008; 10 months after it began incurring costs for E-Verify. SSA staff stated that signing the reimbursement agreement and obtaining funds was delayed because of protracted negotiations with DHS concerning the development of the isolated Numident. In September 2008, SSA received an additional

- $1.5 million from DHS to start developing the isolated Numident, which increased SSA's total reimbursement to about $6.3 million. In February 2009, SSA returned about $362,000 because its actual costs for E-Verify had only totaled about $6 million.

We believe both SSA and DHS need to ensure they are following applicable Federal law and SSA's fiscal policies when negotiating and authorizing interagency reimbursable work for E-Verify so agreements are in place and payments are made to SSA timely to avoid the Agency's appropriation bearing the costs of E-Verify.

USE OF EV-STAR BY FO STAFF

SSA and DHS developed EV-STAR to improve the disposition of E-Verify cases. EV-STAR allows SSA staff to transmit the disposition of SSA TNC cases electronically to employers through E-Verify.[26] EV-STAR was intended to provide in real time, a correction of the new hire's mismatched information that caused the TNC response, thus reducing employer burden by eliminating the need to resubmit cases after individuals have resolved SSA TNCs. We looked at FY 2008 EV-STAR data and found FO staff rarely used EV-STAR to process E-Verify cases. FO staff had only used EV-STAR to process 10,632 (14 percent) of the 75,791 E-Verify cases where individuals visited FOs. Using the VIP and CHIP data, we contacted staff in the 100 FOs who had either the highest or lowest volume of E-Verify transactions in FY 2008 to ascertain why FOs rarely used EV-STAR and found:

- 18 FOs indicated they were unaware individuals visited their FOs in response to an SSA TNC response from E-Verify. For example, staff in one FO stated they did not use EV-STAR because they never had E-Verify related cases. However, SSA's FY 2008 data showed that about 226 individuals who received SSA no-match responses visited this FO. Later, the FO staff stated that they did not realize that individuals were visiting the office because of SSA TNCs. The FOs indicated that the individuals did not advise them they wanted to resolve a TNC response.

- 89 FOs indicated that individuals did not always bring the required referral letter with them. The referral letter explains the procedures for resolving a TNC response. This may have contributed to FO staff being unaware that individuals were visiting to resolve TNC responses. Further, a recent study by a DHS contractor[27] found that some employers did not provide workers with the required referral letters for those who wanted to contest TNCs. The report stated that 83 of 86 employers had indicated they always provided their employees with the referral letters, but of those employers, 21 had 1 or more workers who reported not receiving the referral letter.

- 29 FOs indicated they needed additional training or a refresher course on EV-STAR. Some stated the EV-STAR training provided in 2007 was not sufficient or they never received training on EV-STAR.

Given that individuals may not always bring the TNC referral letters with them when they visit an FO or remember to advise FO staff about the purpose of their visit, SSA needs to establish a process to identify when these individuals visit an FO so staff knows when to use EV-STAR. SSA is aware of the FO staffs' low usage of EV-STAR and was coordinating with DHS to develop an alert that would notify them when to use

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[26] Before EV-STAR, the individual would visit SSA to resolve any discrepancies and the employer would have to wait 24 hours after the individual stated they resolved the TNC to resubmit the case. If the individual did not inform the employer they resolved the TNC, the employer could resubmit the case 10 Federal workdays from the original referral date.

[27] Westat report to DHS, *Findings of the E-Verify® Program Evaluation*, December 2009.

the system. At the time of our review, SSA and DHS were in the early stages of developing this alert and did not know when the new process would be implemented. We encourage SSA to expedite this new process because if E-Verify were to become mandatory, the volume of visits to the FOs would increase significantly,[28] which would in turn force thousands of employers to resubmit cases through E-Verify because SSA is not sufficiently using EV-STAR.

CONCLUSION AND RECOMMENDATIONS

While SSA made progress with the reimbursable agreement process and reimbursements for its E-Verify workload, improvements are still needed. We found that the methodology SSA used to calculate its E-Verify workloads needs improvement, because it may capture workloads that do not relate to E-Verify. SSA's methodology caused the Agency to be overpaid about $159,000 in FY 2008. In addition, in FYs 2005 and 2006, SSA did not always seek reimbursement for all costs incurred for supporting E-Verify, missing an opportunity to be reimbursed an additional $246,000. We are not recommending that the Agency collect the difference of $87,000 from DHS because these figures are estimates. However, we encourage SSA to develop processes that will ensure SSA is being properly reimbursed its costs for the FO and 800-number workloads to avoid any under or overpayments in the future. Further, we believe SSA needs to develop a process to increase the use of EV-STAR so employers are not burdened with resubmitting cases through E-Verify because SSA is not sufficiently using EV-STAR.

Accordingly, we recommend SSA:

1. Add E-Verify topic codes to VIP and CHIP so management information can be generated to accurately track the FO and 800 number workloads associated with E-Verify to ensure the Agency is being reimbursed its full cost for supporting E-Verify.

2. Continue to work with DHS to develop a process or system that alerts FO staff to use EV-STAR.

3. Send reminders to FO staff to use EV-STAR when processing SSA TNC cases.

4. Evaluate FO staff training needs for EV-STAR and provide training as appropriate.

AGENCY COMMENTS

SSA agreed with three of the four recommendations. SSA did not agree with Recommendation 1 because the Agency believes it used the best available records when estimating its costs and that adding topic codes to the VIP and the CHIP would

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[28] SSA's Office of Budget estimated that if E-Verify became mandatory, over a 5-year period, between 210,000 and 700,000 new hires would visit a FO or call the 800-number to resolve a TNC response.

not give better information to track those costs. However, the Agency indicated it is considering a new process that may provide better information to track its costs for E-Verify. Specifically, SSA is currently developing a process whereby a TNC action will generate an E-Verify alert in SSA's VIP/Customer Service Record. When a claims representative (CR) enters a visitor's SSN into the VIP system, the CR will receive an alert if that SSN is in the E-Verify TNC data store to remind them to process the case through EV-STAR. SSA may be able to capture that information and use it in estimating its reimbursable costs. The Agency plans to implement this new process in March 2011, which may help measure E-Verify costs more accurately.

The Agency's comments are included in Appendix F.

OIG RESPONSE

Although SSA disagreed with Recommendation 1, we believe the Agency's alternative approach meets the intent of our recommendation because it may allow the Agency to better track its FO workload for E-Verify, which may help prevent SSA from being reimbursed for workloads that did not relate to E-Verify. Therefore, we encourage SSA to move forward with implementing this new process so that the Agency can ensure that it is only being reimbursed costs associated with E-Verify.

Patrick P. O'Carroll, Jr.

Appendices

Acronyms

AIMS	Administrative Instructions Manual System
CHIP	Customer Help and Information Program
CR	Claims Representative
DHS	Department of Homeland Security
DoB	Date of Birth
E-Verify	Employment Verification
EV-STAR	Employment Verification SSA Tentative Nonconfirmation Automated Response
FMM	Financial Management Manual
FO	Field Office
FR	Federal Register
FY	Fiscal Year
OIG	Office of the Inspector General
SSA	Social Security Administration
SSN	Social Security Number
TNC	Tentative Nonconfirmation
VIP	Visitor Intake Process

Forms

I-9	*Employment Eligibility Verification*
SSA-1033	*Estimated Cost for Negotiating Reimbursable Services*
SSA-1036	*Actual Cost for Reimbursable Services*
SSA-1235	*Agreement Covering Reimbursable Services*
SS-5	*Application for a Social Security Card*

Description of the Employment Verification Program

The Employment Verification program (E-Verify), formerly known as the Basic Pilot/Employment Eligibility Verification, is a Department of Homeland Security (DHS) program whereby participating employers verify whether newly hired employees are authorized to work in the United States under immigration law. The Social Security Administration (SSA) supports DHS in operating this program. Employers must register with DHS to access E-Verify. Participating employers input information about the individual, including the individual's name, date of birth (DoB), and Social Security number (SSN) as well as whether the individual claims to be a U.S. citizen or work-authorized noncitizen (for noncitizens, the DHS-issued alien or admission number is also entered), into E-Verify.

The information the employer submits via E-Verify is sent to SSA to verify the name, SSN, and DoB against SSA's Numident[1] records. SSA also provides DHS an indication of U.S. citizenship, as recorded in SSA records. DHS confirms the current employment authorization for noncitizens. E-Verify will provide one of the following responses: employment eligibility is authorized or employment eligibility is tentatively not confirmed.

- Employment Authorized—The data input by the employer matched the information in SSA's and DHS' databases, and the individual is authorized to work in the United States.

- SSA Tentative Nonconfirmation (SSA TNC)—The data input by the employer did not match information in SSA's Numident. The individual has 8 Federal workdays from the date the employer refers the employee to SSA through E-Verify and provides them with the SSA Referral Notice.[2]

- DHS Tentative Nonconfirmation (DHS TNC)—The data input by the employer for a noncitizen did not match the information in DHS immigration records and/or the DHS record shows the individual is not authorized to work. Again, the individual has 8 Federal workdays to contest the DHS TNC response.

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[1] The Numident is a record of identifying information (such as name, DoB, date of death, mother's maiden name, etc.) provided by the applicant on his or her *Application for a Social Security Number* (Form SS-5) for an original SSN and subsequent applications for replacement SSN cards. Each record is housed in the Numident Master File in SSN order.

[2] The SSA Referral Notice provides the reason for the SSA TNC response, instructs the individual to visit an SSA field office (FO) within 8 Federal Government workdays to resolve the case, and instructs the individual to bring documentary evidence to the FO to resolve the TNC response. This notice also includes the information the employer entered into E-Verify.

As of the end of Fiscal Year 2009, about 156,000 employers, representing about 605,000 locations, were enrolled to use E-Verify. These employers submitted approximately 8.5 million queries during this period.

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 interagency reimbursable agreements.

- Gained an understanding of the Employment Verification program (E-Verify), E-Verify SSA Tentative Nonconfirmation Automated Response (EV-STAR) system, and reimbursable agreement process.

- Obtained E-Verify related transactions for Fiscal Year (FY) 2008 from SSA's Visitor Intake Process (VIP) and Customer Help and Information Program (CHIP).

- We reviewed the Numident, Master Beneficiary Record, and Supplemental Security Record for 250 of the 87,727 to ensure the topic codes from VIP and CHIP were sufficiently reliable for the purpose of the review. We found that the topic codes were consistent with information in SSA's data systems.

- Obtained the SSA Tentative Nonconfirmation (TNC) transactions SSA used to compute the FY 2008 field office (FO) and 800-number workloads.

- Obtained from Department of Homeland Security (DHS) the FY 2008 SSA TNC Employer Case Verification data and the EV-STAR transaction data.

- To gain an understanding of FO staff procedures for processing SSA TNCs and their use of the EV-STAR system, we contacted 100 FOs (10 FOs in each of the 10 regions) that were visited by individuals who received a TNC response from E-Verify. The 100 selected FOs comprised the top 5 FOs with SSA TNC visits and 5 FOs with the lowest number of visits.

- Reviewed Reimbursable Agreements between SSA and the DHS for FYs 2005 through 2009 to determine the amount and timeliness of the reimbursements.

- Reviewed and discussed with SSA personnel the reimbursable agreement process between SSA and DHS for FYs 2005 through 2008.

We determined that E-Verify data used for this audit were sufficiently reliable to meet our objective. The entities audited were SSA's Offices of Enumeration and Medicare Policy and Earnings, Enumeration and Administrative Systems. Our work was conducted at the Philadelphia Audit Division, Philadelphia, Pennsylvania, from April 2009 through March 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require 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.

Reimbursement Methodology Field Office and 800-Number Workloads

The Social Security Administration (SSA) uses a fallout methodology to determine its field office (FO) and 800-number Employment Verification (E-Verify) program workloads. The Agency uses the fallout for management information reports and to calculate SSA's FO and 800-number E-Verify workload-related costs for reimbursement from the Department of Homeland Security.

The Agency compares the total number of individuals who are processed by the E-Verify system with the number of individuals who contact SSA after receiving an SSA Tentative Nonconfirmation (TNC) during the Fiscal Year (FY). Unique Social Security numbers (SSN) with a response code of 1, 2, 3, 4, 5, 6, or B, along with the date of the SSN's first occurrence, are retrieved from the E-Verify system and then matched to SSNs contained in the Visitor Intake Process and Customer Help and Information Process systems (see table below). SSA assumes that <u>any</u> visit or call on or after the no-match response date relates to E-Verify, and this becomes the number used to calculate the Agency's E-Verify FO and 800-number workloads.

Table: SSA No Match E-Verify Response Codes

Code	Description
1	Invalid SSN
2	Name match; Date of Birth (DoB) did not match
3	Name did not match; DoB match
4	Name and DoB did not match
5	Matched, but deceased
6	Matched, but without permanent work authorization
B	SSN did not verify; Other Reason

According to SSA's E-Verify records, for FY 2008, the Agency processed about 7 million E-Verify queries. Of the 7 million queries, about 6 million (85 percent) matched SSA records, and about 1 million (15 percent) did not match SSA records and received an SSA no match response code. The 1 million queries related to 630,000 individuals who received a TNC, of which SSA determined that about 88,000 visited an SSA FO, contacted the teleservice center, or both.

Visitor Intake Process and Customer Help and Information Program Topic Codes

Individuals who conduct business with the Social Security Administration (SSA) will contact the Agency either by visiting 1 of the approximately 1,300 field offices (FO) or by calling SSA's 800-number. To manage the FO and 800-number workloads, SSA established topic codes, which identify the purpose of a substantive interview with the public. A substantive interview is any interview other than an initial screening interview, which is conducted solely to determine the reason for the contact. We found that 112 topic codes were used for the 87,727 individuals who SSA asserted had visited a FO or called the 800-number to resolve a tentative nonconfirmation response. The following table provides 20 examples of the topic codes used for 87,727 individuals.

Table: Examples of Visitor Intake Process and Customer Help and Information Program Topic Code Descriptions

1	New/Replacement Social Security Number
2	Other Issue
3	Screening Interview
4	Office Locator
5	General Inquiry
6	Benefit Verification
7	Social Security Number
8	Disability Insurance Benefits
9	Replacement Card
10	Appointment - Claims
11	Supplemental Security Income Redetermination
12	Supplemental Security Income Disabled Individual
13	Benefit Screening
14	Retirement Insurance Benefits
15	Earnings Discrepancies
16	Status of Claim
17	Representative Payee Issue
18	Title II Change of Address
19	Title XVI Change of Address
20	Social Security Number Verification

Agency Comments

SOCIAL SECURITY

Date: October 15, 2010   Refer To: S1J-3

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

From: James A. Winn /s/
            Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "Field Office Workload Related to
            Nonconfirmation Responses from the Employment Verification Program"
            (A-03-09-19052)--INFORMATION

Thank you for the opportunity to review the draft report. Attached is our response to the report recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Rebecca Tothero, Acting Director, Audit Management and Liaison Staff, at (410) 966-6975.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "FIELD OFFICE WORKLOAD RELATED TO NONCONFIRMATION RESPONSES FROM THE EMPLOYMENT VERIFICATION PROGRAM" (A-03-09-19052)

Thank you for the opportunity to review the subject report. We offer the following responses to your recommendations.

Recommendation 1

Add E-Verify topic codes to VIP and CHIP so management information can be generated to accurately track the FO and 800-Number workloads associated with E-Verify to ensure the Agency is being reimbursed its full cost for supporting E-Verify.

Response

We disagree. Office of Management and Budget (OMB) Circular A-25 provides guidance on establishing user fees for government services. We referred to Circular A-25 when we developed our method for determining E-Verify costs so that we could bill the Department of Homeland Security accordingly. OMB Circular A-25, Section 6.d.1.(e) reads:

> "Full cost shall be determined or estimated from the best available records of the agency, and new cost accounting systems need not be established solely for this purpose."

We use best available records when estimating our costs. Adding topic codes to the Visitor Intake Process (VIP) and the Customer Help and Information Program (CHIP) would not give us better information to track those costs; however, we are considering a new process that may.

As you state, "E-Verify sends a message to the employer indicating whether the individual is employment-authorized or there is a mismatch with SSA or DHS data. An SSA Tentative Nonconfirmation (TNC) is generated when input data does not match SSA's Numident." We are currently developing a process whereby a TNC action will also generate an E-Verify alert in the VIP/Customer Service Record (CSR). When a claims representative (CR) enters a visitor's Social Security number (SSN), the CR will receive an alert if that SSN is in the E-Verify TNC data store. We may be able to capture that information and use it in estimating our costs.

We plan to implement this process in March 2011, and it may help us to measure E-verify costs more accurately. We will evaluate its usefulness for that purpose at some point in the future.

We do not agree it would be helpful to add a topic code to CHIP. Callers to the 800 Number explain their reasons for contacting us. Unless a person mentions a TNC, we would not be able to determine with certainty that a call relates to an E-Verify issue.

Recommendation 2

Continue to work with DHS to develop a process or system that alerts FO staff to use EV-STAR.

Response

We agree. In addition to the E-Verify alert we mentioned in our response to recommendation 1, we are developing a new functionality with DHS that will add two new pop-up alerts to the Social Security Number Application Process (SSNAP). We use the SSNAP system to add, update, or modify data on the Numident record. The new SSNAP alerts will notify users of potential E-Verify cases and prompt users to access the Employment Verification SSA Tentative Nonconfirmation Automated Response (EV-STAR). We plan to implement this enhancement by September 2011.

In addition, we are adding a link in SSNAP to take users directly to EV -STAR. This will provide quick access to EV-STAR from SSNAP. We expect to implement the link by December 2011.

Recommendation 3

Send reminders to FO staff to use EV -STAR when processing SSA TNC cases.

Response

We agree. We are drafting reminder instructions to stress the importance of using EV-STAR. We expect to release the instructions by December 2010. In addition, we prepared and released to the regional office for distribution, an EV -STAR quick reference guide for use by field office staff.

Recommendation 4

Evaluate FO staff training needs for EV-STAR and provide training as appropriate.

Response

We agree. We will develop a new Interactive Video Teletraining (IVT) program on EV-STAR for field office staff. The training will discuss the new E-Verify alerts that are currently in development with VIP/CSR and SSNAP and will explain why it is important for us to use EV - STAR. We expect to release this IVT by September 2011.

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:

Mary Dougherty, Auditor-in-Charge

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David Domzalski, Auditor

For additional copies of this report, please visit our Website at
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A-03-09-19052.

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