



## SOCIAL SECURITY

September 26, 2006

The Honorable Jim McCrery  
Chairman, Subcommittee on Social Security  
Committee on Ways and Means  
House of Representatives  
Washington, D.C. 20515

Dear Mr. McCrery:

I am pleased to provide you with the enclosed report addressing your April 7, 2006 letter requesting information related to the employee verification programs administered by the Social Security Administration (SSA) and the Department of Homeland Security (DHS). This report contains information related to (1) controls over the employee verification programs to monitor potential abuse by employers and (2) each Agency's experience to date with this monitoring.

Thank you for bringing your concerns to my attention. My office is committed to combating fraud, waste, and abuse in SSA's operations and programs. To ensure SSA and DHS are aware of the information provided to your office, we are forwarding copies of this report to both Agencies.

If you have any questions or would like to be briefed on this issue, please call me or have your staff contact H. Douglas Cunningham, Assistant Inspector General for Congressional and Intra-Governmental Liaison, at (202) 358-6319.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr." with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.  
Inspector General

Enclosure

cc:  
Jo Anne B. Barnhart

# ***CONGRESSIONAL RESPONSE REPORT***

## ***Monitoring the Use of Employee Verification Programs***

**A-03-06-36122**



September 2006

## **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.**

## OBJECTIVE

Our objective was to assess (1) controls over the Social Security Administration (SSA) and Department of Homeland Security (DHS) employee verification programs to monitor potential abuse by employers and (2) each Agency's experience to date with this monitoring.

## BACKGROUND

SSA posts wages reported on *Wage and Tax Statements* (Form W-2) to individuals' earnings records in SSA's Master Earnings File (MEF)<sup>1</sup> only when employers and third-party submitters<sup>2</sup> report employee wages under the correct names and Social Security numbers (SSN).<sup>3</sup> The Agency has implemented several verification programs that allow employers and third-party submitters to match the names and SSNs of existing and newly-hired employees with SSA's records to detect mismatches and other anomalies.<sup>4</sup> Further, SSA participates with DHS in a verification program that validates employees' work-authorization. The two on-line verification programs offered to employers include the Social Security Number Verification Service (SSNVS) and the Basic Pilot.<sup>5</sup>

- SSNVS is an on-line program that allows employers to validate the names and SSNs of employees.<sup>6</sup> The purpose of SSNVS is to ensure employees' names and SSNs match SSA records prior to the submission of their W-2s to SSA. Employers can either verify up to 10 names and SSNs (per screen) on-line and receive immediate results or upload batch files of up to 250,000 names and SSNs and

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<sup>1</sup> The MEF contains all earnings data reported by employers and self-employed individuals. The data is used to determine eligibility for and the amount of Social Security benefits.

<sup>2</sup> A third-party submitter is a company or individual that submits or requests information on behalf of someone else.

<sup>3</sup> The Social Security Act § 205(c)(2)(A), 42 U.S.C. § 405(c)(2)(A) requires SSA to maintain records of wage amounts employers pay to individuals.

<sup>4</sup> For example, SSNVS will indicate when SSA's records show a date of death.

<sup>5</sup> While our focus in this report is on-line verification programs, SSA also offers other forms of employee verification. For instance, employers can register for the Agency's Employee Verification Service for Registered Users, which allows employers to submit employee names/SSNs via paper or magnetic media. SSA also allows employers to verify up to 5 names/SSNs via a toll-free number, or submit a paper listing to the local Social Security office to verify up to 50 names/SSNs.

<sup>6</sup> SSNVS is one of the services offered by SSA's Business Service Online (BSO). BSO is a suite of Internet services for businesses and employers to exchange information with SSA. For further information, see the BSO homepage at [www.socialsecurity.gov/bsowelcome.htm](http://www.socialsecurity.gov/bsowelcome.htm).

usually receive results the next Government business day. In 2005, SSNVS processed over 25.7 million verifications for about 12,000 employers. See Appendix C for more information on SSNVS.

- The Basic Pilot is an ongoing joint initiative between SSA and DHS. The purpose of the Basic Pilot is to assist employers in verifying the employment eligibility of newly-hired employees. Participating employers register on-line with DHS to use the automated system. The information the employer submits to DHS is sent to SSA to verify that the SSN, name, and date of birth (DoB) match SSA's records. SSA also confirms US citizenship, thereby confirming work authorization. DHS confirms the current work-authorization for non-citizens. In 2005, the Basic Pilot processed about 980,000 verifications for approximately 3,700 employers. See Appendix D for more information on the Basic Pilot.

# Results of Review

Our review found that SSA has established effective controls over access and use of sensitive data in its SSNVS program. We found SSNVS had controls over the application process to verify (1) the applicant's personal information, (2) the company's Employer Identification Number (EIN),<sup>7</sup> (3) the applicant's authorization to use the service on behalf of the company, and (4) the applicant's employment with the company. SSNVS also had controls to detect anomalies in SSNVS usage and potential misuse of the program. For example, SSA's monitoring resulted in four investigations of misuse of the program as well as the deactivation of one user's access to the program. The Basic Pilot did not have the same level of controls, in part because (1) the application process did not request some of the identifiers used by SSNVS to monitor the applicants, and/or (2) the information provided by the applicant during the registration process was not validated.

## ACCESS CONTROLS

We found the SSNVS program had a number of mechanisms in place to identify and authenticate applicants, as shown in Table 1. Effective access controls can protect data and systems from misuse. The Basic Pilot program did not have similar access controls.

**Table 1: Controls over the Application Process**

Description of Controls	Control Established?	
	SSNVS	Basic Pilot
Verifying applicant's name and SSN	Yes	No
Validating the company's EIN	Yes	No
Separately issuing program activation code to the company	Yes	No
Verifying applicant's employment under the company's EIN in SSA's earnings records	Yes	No

## SSNVS CONTROLS OVER THE APPLICATION PROCESS

We found the SSNVS program had controls to (1) verify the applicant's identity, (2) validate the company's EIN, (3) confirm that the employee is an authorized user for the company, and (4) verify the actual employment of the applicant under the company's EIN. The following controls were established as part of the SSNVS registration process:

<sup>7</sup> The EIN is a 9-digit number assigned by the Internal Revenue Service (IRS) to sole proprietors, corporations, partnerships, estates, trusts, and other entities for tax reporting purposes.

- Applicant's Personal Information – SSA authenticates the applicant by verifying his or her name, SSN,<sup>8</sup> and DoB against SSA's Numident.<sup>9</sup>
- Company's EIN – SSA verifies the submitted company's EIN against the Employer Identification File (EIF)<sup>10</sup> to confirm that the EIN is valid.
- Separate Issuance of the Program Activation Code to the Company – SSA mails the activation code<sup>11</sup> directly to the company's address shown in the EIF instead of the address provided by the applicant during the registration process.<sup>12</sup> This control allows a company to confirm an employee's authorization to use the program on its behalf.
- Applicant's Employment with the Company – SSA verifies the applicant's employment with the company via the MEF. To do this, the Agency searches the MEF to determine whether wages were posted under the reported EIN for each applicant's SSN.

During the registration process, if the information above could not be validated at any step in the process, SSA advised the applicants to contact the Agency's Employer Customer Service to resolve the potential discrepancy.<sup>13</sup> For example, if SSA could not verify the EIN provided, SSA would send an automated alert to the applicant stating:

We Cannot Match the Information that you Provided

We are sorry for the inconvenience, but we cannot match the information you have provided with our records. Please review the information you have sent us, make any corrections necessary, and resubmit your request. If you were hired by the company you are registering for in the last 6-8 months, it is possible that SSA's records do not reflect your employment with the company for whom you are trying to register. If the information that

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<sup>8</sup> If an applicant is not a United States citizen and he or she lives outside the country, the SSNVS registration process will allow an applicant to leave the SSN field blank. However, additional authentication will be required before access is granted.

<sup>9</sup> 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.

<sup>10</sup> The EIF is an IRS file which contains the EIN of a business and the employer name and address associated with each EIN.

<sup>11</sup> The activation code is an alphanumeric code sent by SSA to the employer or registered Personal Identification Number (PIN) holder (if self-employed) when access to certain services is requested. This code must be entered on the *Activate Access to BSO Service* web page to enable the user to access the requested service.

<sup>12</sup> The applicant is also assigned a PIN during the registration process and he or she must create his or her own password. The PIN is a unique value issued by SSA to each applicant, which must be entered to gain access to SSNVS.

<sup>13</sup> The Agency's Employer Customer Service is a toll-free line to help employers with wage reporting questions or problems.

you provided is correct, then it may be necessary to correct our records. Please call 1-800-772-6270 Monday through Friday, 7:00 a.m. to 7:00 p.m. Eastern Time to speak with Employer Customer Service personnel. For TDD/TTY call 1-800-325-0778.

## **BASIC PILOT CONTROLS OVER THE APPLICATION PROCESS**

Through discussions with DHS and SSA staff, as well as our own use of the Basic Pilot program, we found that the controls over the application process for the program were not as comprehensive as those over SSNVS. Specifically, we found (1) the application process did not request some of the identifiers used by SSNVS to monitor the applicants and (2) the program did not verify applicant and company information obtained during the registration process.

When registering for the Basic Pilot program, an applicant must complete and sign a Memorandum of Understanding (MOU),<sup>14</sup> which requests such information as the applicant and company name, company address, and EIN.<sup>15</sup> However, applicants were not required to provide other relevant data needed to authenticate the applicant's identity, such as the applicant's SSN and DoB. Without this information, the Basic Pilot program was unable to verify key information associated with the applicant against other Government records (i.e. SSA's Numident). We discussed this with DHS staff and they noted that even if their Agency collected the applicant's SSN and DoB, they may not have the authority to verify the relevant data through the Basic Pilot since the applicant is unlikely to be a newly-hired employee. New employees are the only category of employees currently permitted to be verified under the program.

We also found the Basic Pilot was not validating the information provided by the applicant during the registration process. For instance, although the applicant provided the company's EIN, this number was not verified to ensure it was a validly issued EIN. According to DHS staff, the Agency did not have access to the IRS list of assigned EINs, which could have been used to determine the validity of the EIN.<sup>16</sup> Moreover, the Basic Pilot did not have a process in place to confirm whether the applicants had authorization to use the service on behalf of their employers, but instead provided immediate access to the program. Access to the IRS list of assigned EINs would have provided DHS with an independent source for the employer's mailing address to confirm the employee's status with the employer in question.

Furthermore, if the applicants had been required to provide an SSN, the Basic Pilot program could have verified whether applicants received wages from their parent

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<sup>14</sup> The MOU sets forth the points of agreement between SSA, DHS, and the employer regarding the employer's participation in the Basic Pilot.

<sup>15</sup> The Basic Pilot did not require that companies provide their EINs until July 2004, when the program became a web-based system.

<sup>16</sup> DHS may need to seek approval from the IRS to obtain tax-related data, such as EINs and associated employer addresses, since Section 6103 of the Internal Revenue Code (26 U.S.C. § 6103) limits the amount of taxpayer information that can be disclosed.

company. However, DHS would need access to earnings records, such as SSA’s MEF, to perform this verification. DHS staff said they would need to work with SSA and/or the IRS to obtain such access to earnings records.

## MONITORING USE OF THE VERIFICATION SERVICES

The SSNVS program had controls to detect anomalies in SSNVS usage, as shown in Table 2. For example, SSA had processes that (1) identified users who were improperly searching for valid name and SSN combinations and (2) verified whether the employee names and SSNs submitted for verification related to wages recorded in SSA’s MEF. SSA’s monitoring of user activity resulted in four investigations of program misuse, one of which led to the deactivation of a user’s access to the program. The Basic Pilot did not have similar controls in place at the time of our review, but DHS planned to add such monitoring controls at a future date.

**Table 2: Controls over the Monitoring Process**

Description of Controls	Control Established?	
	SSNVS	Basic Pilot
Identifying multiple submissions of the same employee name and/or SSN	Yes	No <sup>1</sup>
Verifying submitted employee data against SSA’s earnings records	Yes	No

Note 1: Although the current Basic Pilot program did not have controls to identify multiple submissions of names/SSNs, DHS is planning to implement such controls with the potential expansion of the Basic Pilot program.

## SSNVS MONITORING CONTROLS

To aid in SSNVS monitoring activities, SSA generated *Potential Fraud Identification* reports to highlight incidents where (1) users attempted to verify the same name and/or SSN multiple times and (2) submitted employee data did not match earnings information in SSA’s records for the EIN in question. SSA also generated various management information reports to assist SSA staff in their monitoring of employer usage. Sufficient monitoring of data is needed to provide assurance that the relevant controls are operating effectively and to identify control weaknesses.

### Potential Fraud Identification Reports

At the time of our review, SSA was using two types of reports to assist in detecting improper searching for valid names/SSNs during the data submission process:

- *Same Name/Different SSN* report; and
- *Same SSN/Different Name* report.

The *Same Name/Different SSN* report identified users who attempted to verify more than 50 combinations for the same name but different SSN, whereas the *Same SSN/Different Name* report identified users who attempted to verify more than

50 combinations for the same SSN but different name. These reports captured data from both on-line and batch verification attempts and were produced on a weekly basis.<sup>17</sup>

SSA developed an *SSNVS Failed MEF Check* report to highlight all PINs, EINs, and SSNs for which the MEF did not contain wages related to the employees submitted for verification. The purpose of the report was to identify users who were verifying individuals not employed by the company. The *SSNVS Handbook* clearly states “Social Security will verify SSNs and names solely to ensure the records of current or former employees are correct for the purpose of completing Internal Revenue Service Form W-2.”<sup>18</sup> The Agency plans to generate the *SSNVS Failed MEF Check* report on an annual basis for all users, including third-party users.

### Management Information Reports

SSA also used its management information reports to aid in monitoring employers’ use of the SSNVS program. The frequency and content of the reports varied, but they included:

- Daily reports on customers who requested access to SSNVS. The information included the company’s EIN and name, and the full name, address and telephone number of the individual requesting access to the program.
- Weekly reports on the top 50 companies that had the most submissions for verification (called the *Top 50 EINs* report). This information included the rank order of the company based on the number of submissions, the company’s EIN and name, and the submission and verification requests.
- Weekly and monthly reports on submission and verification counts.
- Monthly reports on year-to-date usage trends.

In addition to the *Potential Fraud Identification* reports noted above, these management information reports were used by SSA staff to identify potential anomalies. For instance, SSA staff may monitor the usage trends for unexpected high submission volumes since this could be an indicator of possible fraud or misuse of the program.<sup>19</sup>

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<sup>17</sup> SSNVS also has a control feature for on-line verification of names/SSNs. In this case, SSNVS will display an on-screen alert to notify the user of the inappropriate use of the program. SSA captures misuse data via its *Potential Fraud Identification* report.

<sup>18</sup> The *SSNVS Handbook* also states “It is illegal to use the service to verify SSNs of potential new hires or contractors or in the preparation of tax returns.”

<sup>19</sup> In the pilot stage of SSNVS, the program generated alerts when an employer verified more than 200 percent of the W-2s reported by the company in the preceding year. However, SSA found that this alert was not useful since it did not detect misuse but rather allowable variances in how companies were verifying their data.

## SSNVS USERS INVESTIGATED FOR POTENTIAL FRAUD

SSA staff informed us that since implementation of the SSNVS program they have investigated four SSNVS users for potential fraud and terminated the access of one of these users. SSA found that although the other three users were inappropriately using the system, their use did not appear to be fraudulent. SSA discovered two of the users through review of the *Top 50 EINs* report and detected the other two users after reviewing the *Potential Fraud Identification* reports.

### Top 50 EINs Report

In their review of the *Top 50 EINs* report, SSA staff recognized that a user was requesting a significant number of verifications through the SSNVS on-line process even though the user was submitting verifications for a small company. Upon further investigation, SSA staff suspected that the user was submitting verification requests related to applicants for new mortgages. SSA contacted the user on several occasions to inquire about usage and received either no response or unsatisfactory answers. As a result, SSA staff deactivated the user's access<sup>20</sup> to the SSNVS program in 2005.<sup>21</sup> The staff also notified the Office of the Inspector General, Office of Investigations, but no further action was necessary due to SSA's termination of the user's access.

In our further review of this company, we found that while the company reported 8 W-2s during Calendar Year (CY) 2005, the user submitted approximately 14,000 names/SSNs for verification. We also determined that the user in question was employed by a company that offered a number of mortgage services on its website, including the processing of IRS Form 4506, *Request for Transcript of Tax Return* and SSN verification services. The user also attempted to verify more names/SSNs using SSA's telephone service. SSA questioned the user about the number of verifications and terminated the user's telephone access.<sup>22</sup> We found that in late 2005 the user obtained access to the Basic Pilot program. However, as of August 2006, the user had not submitted any verification requests to the Basic Pilot.

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<sup>20</sup> SSA has a manual process that allows staff to deactivate registered users who inappropriately use the SSNVS application. However, there were limitations with the blocking process. The process only allowed deactivation of a specific user's PIN. Therefore, a company could register another employee to conduct name/SSN verification through SSNVS. In addition, when a user was deactivated, the parent company's access was also revoked from all BSO Internet services. This revocation could cause problems if the user was also responsible for reporting the company's wages electronically through BSO. As a result, SSA plans to initiate a new blocking facility that will allow blocking to be performed at the company (EIN), individual employee (SSN), or BSO PIN-holder levels (EIN and SSN). The software enhancement is expected to be implemented by December 2006.

<sup>21</sup> SSA is finalizing a new verification service, the Consent Based Social Security Number Verification (CBSV), which will give businesses with a need to verify SSNs (banks, insurance companies, etc.) a way to purchase SSN verifications from SSA. Businesses will need to register and pay a fee. Submissions will be made via the CBSV Internet application for number holders who have given valid consent. It is possible that the deactivated user would qualify to use this service.

<sup>22</sup> SSA maintains a "Do Not Verify" list alerting the Agency's Employer Customer Service that they should not verify information for the named employers.

SSA staff also found through review of its *Top 50 EINs* report another user who was submitting a significant number of employee names/SSNs for verification, though the company's reported payroll did not support such a large volume of submissions. SSA staff contacted the user and learned that the user owned a construction company and was using SSNVS to verify the names and SSNs of subcontractors. SSA staff informed the user that this was an inappropriate use of the program, and the user ceased this inappropriate verification activity.

### Potential Fraud Identification Reports

SSA staff identified two additional user issues through their review of the *Same Name/Different SSNs* report. In the first instance, SSA staff found that one user tried to use SSNVS to determine the correct digits in an SSN shown on an illegible, hand-written document provided by an employee. In the second instance, SSA staff found that the user submitted a test file of names and SSNs through SSNVS to determine if all fictitious SSNs came back as unverified. SSA informed both of these users that such use of the SSNVS program was inappropriate, and the users ceased their inappropriate verification activity.

### BASIC PILOT MONITORING CONTROLS

In our discussions with DHS staff, they noted that while the Basic Pilot does not currently verify applicant data or continuously monitor user activity, the Agency is planning to initiate similar efforts in the future. At the time of our review, DHS had assigned one staff person to monitor Basic Pilot activity on a part-time basis. However, DHS staff informed us that the potential expansion of the Basic Pilot<sup>23</sup> would necessitate additional staff to perform a variety of duties, including monitoring day to day use of the program as well as verifying applicant information. For example, one task for the new compliance staff could be to follow up on anomalies with program users, including users that submit no queries or submit only the SSNs of noncitizens. Compliance officers could contact employers to ensure they are not misusing the program.<sup>24</sup> At a congressional hearing on July 25, 2006, the Associate Director of U.S. Citizenship and Immigration Services (USCIS) at DHS noted the Agency's position on controls over the Basic Pilot:

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<sup>23</sup> For example, Senate Bill 2611 has proposed the establishment of the *Electronic Employment Verification System* to be used by all employers to verify their employees. See Senate Bill 2611, Comprehensive Immigration Reform Act of 2006, 109th CONGRESS, 2d Session, S. 2611, § 301(a).

<sup>24</sup> The MOU between the employer, DHS, and SSA states that "The Employer agrees not to use the Basic Pilot procedures for pre-employment screening of job applicants, support for any unlawful employment practice, or any other use not authorized by this MOU. The Employer will not verify selectively; it agrees to use the Basic Pilot procedures for all new hires as long as this MOU is in effect. The Employer agrees not to use Basic Pilot procedures for reverification, or for employees hired before the date this MOU is in effect. The Employer understands that should the Employer use the Basic Pilot procedures for any purpose other than as authorized by this MOU, the Employer may be subject to appropriate legal action and the immediate termination of its access to SSA and Department of Homeland Security information pursuant to this MOU."

The current Basic Pilot is not fraud proof and was not designed to detect identity fraud. In fact, a recent analysis of Basic Pilot systems data found multiple uses of certain I-94 numbers, A-numbers, and SSNs in patterns that could suggest fraud. As currently envisioned, the Employment Verification Program will include robust processes for monitoring and compliance that will help detect and deter the use of fraudulent documents, imposter fraud, and incorrect usage of the system by employers (intentionally and unintentionally). USCIS will forward enforcement leads to [Immigration and Customs Enforcement (ICE)] Worksite Enforcement in accordance with referral procedures developed with ICE. The monitoring unit will scrutinize individual employers' use of the system and conduct trend analysis to detect potential fraud. Findings that are not likely to lead to enforcement action (e.g., user has not completed training) will be referred to USCIS compliance officers for follow-up. Findings concerning potential fraud (e.g., SSNs being run multiple times in improbable patterns, employers not indicating what action they took after receiving a final nonconfirmation) will be referred to ICE Worksite Enforcement investigators.<sup>25</sup>

DHS officials noted that they have met with officials from SSA and the IRS to discuss potential enhancements to the Basic Pilot as well as avenues for greater cooperation. DHS officials also stated that future meetings will discuss some of the monitoring and applicant verification activities already being performed under SSNVS.

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<sup>25</sup> *Is the Federal Government Doing all it Can to Stem the Tide of Illegal Immigration?*, Statement of Janis Sposato, Associate Director, USCIS, DHS, before the House Subcommittee on Regulation Affairs, Committee on Government Reform, July 25, 2006.

## Conclusion

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We found the SSNVS program had application and monitoring controls in place to protect the program, safeguard data, and prevent unauthorized access. Although our review of the Basic Pilot program was limited, we did not find the same level of access or monitoring controls in place at the time of our review. For example, key identifiers such as the applicant's SSN and DoB were not captured as part of the registration process so the applicant's identity could be authenticated. Furthermore, the Basic Pilot program was not validating the information it obtained from applicants, such as the EIN. Due to the lack of access and monitoring controls over the Basic Pilot, the program would not be able to detect someone who used an assumed name and fabricated EIN from gaining access to sensitive data. We believe continued coordination between DHS, SSA, and IRS would lead to more effective controls to minimize the potential misuse of the Basic Pilot.

# Appendices

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Social Security Number Verification Service

APPENDIX D – Basic Pilot Program

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## Acronyms

BSO	Business Service Online
CBSV	Consent Based Social Security Number Verification
CY	Calendar Year
DHS	Department of Homeland Security
DoB	Date of Birth
EIF	Employer Identification File
EIN	Employer Identification Number
ICE	Immigration and Customs Enforcement
IRS	Internal Revenue Service
MEF	Master Earnings File
MOU	Memorandum of Understanding
OIG	Office of the Inspector General
PIN	Personal Identification Number
SSA	Social Security Administration
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
USCIS	U.S. Citizenship and Immigration Service
U.S.C.	United States Code

## Forms

Form 1040	<i>U.S. Individual Income Tax Return</i>
Form I-9	<i>Employment Eligibility Verification Form</i>
Form I-94	<i>Arrival/Departure Record</i>
Form SS-5	<i>Application for a Social Security Number</i>
Form W-2	<i>Wage and Tax Statement</i>
“A” Number	<i>Alien Registration Number</i>
I-94 Number	<i>Arrival/Departure Number</i>
Form I-551	<i>Alien Registration Receipt Card</i>
Forms I-766 and I-688B	<i>Employment Authorization Document</i>
Form 4506	<i>Request for Transcript of Tax Return</i>

# Scope and Methodology

To accomplish our objective, we:

- Reviewed pertinent sections of the Social Security Administration's (SSA) policies and procedures as well as other relevant Federal laws and regulations.
- Reviewed Office of the Inspector General, Government Accountability Office, and Department of Homeland Security (DHS) reports, and other relevant documents.
- For SSA's Social Security Number Verification Service (SSNVS) and the Basic Pilot program, we:
  - ✓ obtained a current list of registered users;
  - ✓ obtained user feedback data;
  - ✓ obtained sample submission data;
  - ✓ identified the number of registered employers using the service in Calendar Years (CY) 2004-2005; and
  - ✓ identified the number of verifications submitted in CYs 2004-2005.
- Discussed the following with SSA and DHS staff:
  - ✓ controls in place under SSNVS and the Basic Pilot to ensure employers are taking appropriate actions related to feedback;
  - ✓ controls in place under SSNVS and the Basic Pilot to ensure employers are not misusing programs;
  - ✓ each Agency's experience to date monitoring programs; and
  - ✓ whether any employers had been terminated from SSNVS or the Basic Pilot.
- Established accounts with SSNVS and the Basic Pilot to (1) gain an understanding of the registration process and (2) verify sample data.

We did not perform a full review of internal controls and data reliability due to the limited timeframe of our review. The entities audited were the Office of Earnings, Enumeration and Administrative Systems under the Deputy Commissioner for Systems, the Office of Central Operations under the Deputy Commissioner for Operations, and the Employer Wage Reporting and Relations Staff under the Deputy Commissioner of Budget, Finance, and Management. We conducted the audit between April and August 2006 in Philadelphia, Pennsylvania. We conducted our audit in accordance with generally accepted government auditing standards.

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# Social Security Number Verification Service

The Social Security Number Verification Services (SSNVS) is a free on-line program that is available to employers and third-party submitters to verify employees' names and Social Security numbers (SSN). The purpose of SSNVS is to ensure employees' names and SSNs match the Social Security Administration's (SSA) records prior to the submission of their wage reports to SSA.<sup>1</sup> Employers and third-parties must first register on-line at SSA's Business Services Online (BSO) website to use this service. Following registration, SSA will mail an activation code,<sup>2</sup> which is a code needed to gain access to SSNVS, directly to the company's address shown in SSA's Employer Identification File (EIF).<sup>3</sup> Once the registered users activate SSNVS using their Personal Identification Number (PIN)<sup>4</sup> and the activation code, they can start submitting verifications. Registered users can:

- Submit up to 10 employee names and SSNs (per screen) via the on-line SSNVS and receive immediate results; and
- Upload files containing up to 250,000 employee names and SSNs and usually receive verification results the next government business day. This bulk procedure allows employers to verify an entire payroll database or verify at one time the names and SSNs of a large number of newly hired workers.

SSA will return a verification code to the employer for each employee whose information does not match SSA's record. In addition to the verification code, SSA provides a death indicator if the employee's Numident<sup>5</sup> record includes a date of death. Table C-1 provides descriptions for the SSNVS verification codes.

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<sup>1</sup> Prior to June 2, 2005, SSNVS was a pilot that was restricted to a limited number of employers.

<sup>2</sup> The activation code is an alphanumeric code sent by SSA to the employer or registered PIN holder (if self-employed) when access to certain services is requested. This code must be entered on the *Activate Access to BSO Service* web page to enable the user to access the requested service.

<sup>3</sup> The EIF is an Internal Revenue Service file that contains the Employer Identification Number (EIN) of a business and the employer name and address associated with each EIN.

<sup>4</sup> The PIN is a unique value issued by SSA to the applicant at registration, which must be entered to gain access to SSNVS.

<sup>5</sup> The Numident is a record of identifying information (such as name, date of birth, date of death, mother's maiden name, etc.) provided by the applicant on his or her *Application for 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.

**Table C-1: SSNVS Verification Codes Provided to Users**

<b>SSNVS Code</b>	<b>Description of Code</b>
<b>1</b>	SSN not in file (never issued to anyone)
<b>2</b>	Name and date of birth match; gender code does not match
<b>3</b>	Name and gender code match; date of birth does not match
<b>4</b>	Name matches; date of birth and gender code do not match
<b>5</b>	Name does not match; date of birth and gender code not checked
<b>Y</b>	Death indicator

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## Basic Pilot Program

The Basic Pilot is an ongoing joint initiative between the Social Security Administration (SSA) and the Department of Homeland Security (DHS).<sup>1</sup> The purpose of the Basic Pilot is to assist employers in verifying the employment eligibility of newly-hired employees. The President signed *The Basic Pilot Program Extension and Expansion Act of 2003* (Public Law Number 108-156) into law on December 3, 2003. This law extended the operation of the Basic Pilot for an additional 5 years (to a total of 11 years) and expanded the operation to all 50 States not later than December 1, 2004.

As discussed with SSA and DHS staff, the Basic Pilot involves using the information in Government databases (SSA databases and, if needed, DHS databases) to determine the employment eligibility of new hires. The Social Security number (SSN) and Alien Registration Number ("A" Number)<sup>2</sup> or I-94 Number (Admission Number)<sup>3</sup> are used for these checks. The employer must complete the DHS-issued *Employment Eligibility Verification Form* (Form I-9) for each employee and then enter elements of this data into the Basic Pilot within 3 days of hiring, including the employee's SSN, name, date of birth (DoB), and whether the new-hire indicated he or she was a United States (U.S.) citizen and, if not, the "A" Number or I-94 Number.

The system first checks the information entered against SSA's database to verify the name, SSN, and DoB of newly-hired employees, regardless of citizenship. When the Numident shows the U.S. as the place of birth for the newly-hired employee or a code indicating the number holder is a U.S. citizen and the new hire indicated that he/she is a U.S. citizen, the Basic Pilot automated system confirms employment eligibility. If the Basic Pilot system cannot confirm employment eligibility based on the information in SSA's database or an "A" Number or I-94 Number was entered, the Basic Pilot system checks the data against DHS' database.

The employer will receive notification of "SSA tentative non-confirmation" of employment eligibility when the SSN, name, or DoB does not match the information in SSA's database or if a death indicator is present. Also, employers will receive an "SSA tentative non-confirmation" if the new-hire indicated he or she was a U.S. citizen and

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<sup>1</sup> Section 401 of *The Illegal Immigration Reform and Immigrant Responsibility Act of 1996* (8 U.S.C. § 1324a), Pub. Law No. 104-208.

<sup>2</sup> The "A" number is the 9-digit number following "A" which is shown on the "green card" or *Permanent Resident Card* (formerly the I-551 *Alien Registration Receipt Card*), the *Employment Authorization Document* (I-766 and I-688B), and on certain other immigration documents and notices. For newly admitted immigrants, the "A" number is shown on the machine readable immigrant visa affixed to the foreign passport.

<sup>3</sup> The I-94 Number is the 11-digit number located on the *Arrival-Departure Record* (Form I-94). The Form I-94 shows the date the individual arrived in the United States, the "Admitted Until" date, and the date when his or her authorized period of stay expires.

SSA's records did not show that the person was a U.S. citizen. The employer will receive notification of "DHS tentative nonconfirmation" of employment eligibility when DHS' database does not show the new-hire as authorized for employment. In these cases, the employer asks the employee whether he or she wishes to contest the tentative non-confirmation. If contested, the employee must contact SSA or DHS within eight Government working days of the notification. After the employee contacts SSA or DHS to correct the record, the employer resubmits the query through the Basic Pilot system. If the system does not confirm employment eligibility after the employer resubmits the query, the employer may terminate the new-hire.

## **DISTRIBUTION SCHEDULE**

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Social Security Advisory Board

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

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

## **Office of Audit**

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

## **Office of Investigations**

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

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

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

## **Office of Resource Management**

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