



SOCIAL SECURITY

MEMORANDUM

Date: December 15, 2008

Refer To:

To: The Commissioner

From: Inspector General

Subject: Effectiveness of Educational Correspondence to Employers (A-03-07-17105)

The attached final Quick Response Evaluation presents the results of our review. Our objective was to assess the effectiveness of Educational Correspondence in communicating wage-reporting problems to employers and reducing the size of the Earnings Suspense File.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

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

Patrick P. O'Carroll, Jr.

Attachment

QUICK RESPONSE EVALUATION

Effectiveness of Educational Correspondence to Employers

A-03-07-17105



December 2008

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 the effectiveness of Educational Correspondence (EDCOR) in communicating wage-reporting problems to employers and reducing the size of the Earnings Suspense File (ESF).

BACKGROUND

As part of the Annual Wage Reporting process, the Social Security Administration (SSA) attempts to match the names and Social Security numbers (SSN) on *Wage and Tax Statements* (Form W-2) that are submitted by employers against SSA's Numident file—the repository for all issued SSNs. A Form W-2 that contains a name and SSN combination that matches the Numident file is posted to the Master Earnings File (MEF).¹ However, in cases where the name and SSN combination cannot be matched to SSA's records, the wage information on the Form W-2 is posted to the ESF—the repository of unmatched items.²

To resolve name/SSN combinations that cannot be matched, also known as “no-matches,” SSA began sending EDCOR letters to employers in 1994.³ These letters are commonly called “no-match letters.” The EDCOR letter was designed to help educate employers about their name/SSN no-matches and remind employers about the importance of submitting accurate information on Forms W-2.⁴ The EDCOR letter explains to employers that some of the name/SSN combinations reported do not agree with SSA's records and asks employers to submit a *Statement of Corrected Income and Tax Amount* (Form W-2C) within 60 days for each SSN listed on the letter.⁵ In addition, it explains that some of the name/SSN no-matches may be the result of common mistakes, such as transcriptions or typographical errors, incomplete or blank

¹ The MEF contains all earnings data reported by employers and self-employed individuals. The data are used to determine eligibility for, and the amount of, Social Security benefits.

² As of October 2007, the ESF had accumulated about 275 million wage items representing about \$661 billion in wages for Tax Years (TY) 1937 through 2005.

³ See Appendix B for a copy of the EDCOR letter.

⁴ SSA Program Operations Manual System, NL 00901.051 *Educational Correspondence (EDCOR) (Code V – No match letter)*.

⁵ The Form W-2C is used to correct errors reported on previously submitted Forms W-2. It can be used to correct errors related to names and SSNs, wage amounts, and employer information such as the Employer Identification Number (EIN).

name/SSN, or the failure of an employee to report a name change to SSA.⁶ SSA mails EDCOR letters to employers on a flow basis beginning in February of each year. As shown in Table 1, over the years, SSA has used various criteria to determine whether employers should receive an EDCOR letter.

Table 1: SSA's Criteria for Sending EDCOR Letters

2003 - Present (TYs 2002-present)	Letters were sent to employers who submitted a wage report containing more than 10 Forms W-2 that SSA could not process, and the mismatched forms represented more than one-half of 1 percent (.5 percent) of the total Forms W-2 included in the wage report. The letters list up to 500 SSNs (without names) that could not be matched. The employer is asked to contact SSA for a full list if there are more than 500 SSNs.
2002 (TY 2001)	Letters were sent to employers who submitted a wage report where the name and/or SSN on at least one Form W-2 did not agree with SSA's records.
2001 and Prior Years (TYs 2000-prior)	Letters were sent to employers who submitted a wage report containing more than 10 Forms W-2 that SSA could not process and the mismatched forms represented more than 10 percent of the total Forms W-2 included in the wage report.

In TY 2006, EDCOR letters were to include a Department of Homeland Security (DHS) insert that would have required employers to take timely action to resolve no-matches associated with the SSNs listed in EDCOR letters to avoid liability under immigration law.⁷ However, in August 2007, a temporary restraining order was issued based on a lawsuit filed by labor advocacy organizations preventing SSA from mailing EDCOR letters reflecting DHS's Final Rule entitled, *Safe Harbor Procedures for Employers Who Receive a No-Match Letter*.⁸ In October 2007, the U.S. District Court for the Northern District of California granted a preliminary injunction that continues to prevent DHS and

⁶ The letter explains that receipt of the letter does not imply the employer or the employee intentionally gave SSA wrong information about the employee's name and SSN. Further, the letter does not make any statement about the employees' immigration status. It cautions employers from taking adverse action (that is, suspending, firing, or discriminating) against an employee because his or her SSN appears on the letter.

⁷ The *Immigration and Nationality Act* (INA) § 274A(a)(2), 8 U.S.C. § 1324a(a)(2).

⁸ In August 2007, DHS issued the Final Rule, *Safe Harbor Procedures for Employers Who Receive a No-Match Letter*, which amended regulations relating to the unlawful hiring or continued employment of unauthorized aliens. The Final Rule outlined clear steps an employer may take in response to receiving a no-match letter from SSA indicating that an employee's name and SSN did not match SSA's records. See 72 Federal Register (FR) 45611, August 15, 2007. The U.S. District Court for the Northern District of California issued a temporary restraining order against DHS and SSA, preventing the two agencies from implementing the Final Rule. *American Federation of Labor, et al. v. Michael Chertoff, et al.*, 552 F. Supp. 2d 999.

SSA from implementing the Final Rule.⁹ In March 2008, DHS issued a proposed supplemental rule to clarify certain aspects of the August 2007 Final Rule and respond to the findings underlying the District Court's injunction.¹⁰ Because of the court injunction preventing implementation of DHS' worksite enforcement regulation, SSA decided not to send employers TYs 2006 and 2007 EDCOR letters.

In addition to the EDCOR letters, SSA sends Decentralized Correspondence (DECOR) to employees whose earnings cannot be credited to its records because the reported name/SSN cannot be matched. The letters request that the reported information be reviewed, verified or corrected when possible, and returned to SSA. These letters are mailed to the addresses reported on the individuals' Forms W-2. If a Form W-2 does not have an address, or the reported address was not found in the U.S. Postal Service database of valid addresses, a DECOR letter is sent to the employer. These letters are called "employer DECOR letters."

SCOPE AND METHODOLOGY

To perform this review, we focused on TY 2005 EDCOR and DECOR letters that were mailed in Calendar Year (CY) 2006. Although SSA mailed letters to employers in CY 2006 for prior TYs (going back to the 1980s), we focused on TY 2005 because (1) it was the most recent year and (2) about 97 percent of the letters related to this period. See Appendix D for more details about our scope and methodology.

⁹ *Id.*

¹⁰ See 73 FR 15944, March 26, 2008.

Results of Review

SSA's EDCOR letters were not effective in communicating wage-reporting problems to employers and reducing the size of the ESF. While EDCOR letters were established to help employers resolve name/SSN no-matches, for TY 2005, we found about 74 percent of employers who reported wage items with mismatched names and SSNs did not receive an EDCOR letter primarily because of the Agency's criteria for issuing the letters. In addition, employers who received EDCOR letters were not always informed about all of their no-matches because the EDCOR letters only listed up to 500 mismatched SSNs. For example, about 1,650 employers received EDCOR letters that did not include about 1.7 million of their 2.6 million no-matches. Moreover, our review found EDCOR letters provided employers with limited information needed to resolve name/SSN no-matches. The letters only included mismatched SSNs and not the reported names.

Furthermore, name/SSN no-matches were less likely to be resolved under the EDCOR process as compared to the DECOR process. In TYs 2001 through 2005, about 680,500 wage items were reinstated because of the DECOR process, whereas only 60,500 wage items were reinstated because of the EDCOR process. Finally, although SSA had developed a more effective process for employers to review and correct name/SSN no-matches electronically, we found employers seldom used the Business Service Online, which is a suite of Internet services for employers to exchange information with SSA.

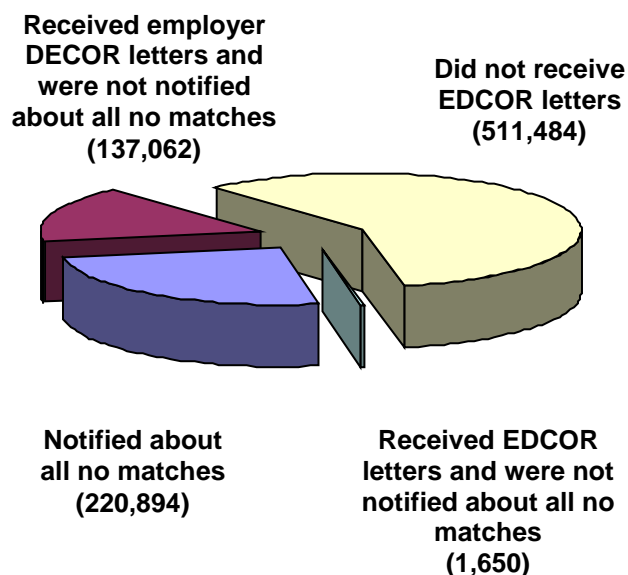
LIMITED EMPLOYERS ARE NOTIFIED ABOUT NO-MATCHES

In TY 2005, there were approximately 871,000 employers who reported about 10.1 million Forms W-2 to SSA that included name and SSN combinations that did not match SSA's records. As a result, these wage items were posted to the ESF. SSA sent both EDCOR and employer DECOR letters to some employers requesting their assistance in resolving the name/SSN no-matches.

Based on our review of the EDCOR and DECOR letters, we found

- 220,894 (25 percent) employers received EDCOR and/or employer DECOR letters that included about 5 million name/SSN no-matches;
- 1,650 employers (less than 1 percent) received EDCOR letters that included about 907,000 no-matches, but the letters did not include an additional 1.7 million no-matches;
- 137,062 employers (16 percent) did not receive EDCOR letters to notify them about 1 million no-matches, but they did receive employer DECOR letters that included about 376,000 no-matches; and
- 511,484 employers (59 percent) did not receive EDCOR letters, thus they were not notified about 1 million no-matches.

Figure 1: Summary of Employers Notified About No Matches



Employers Did Not Receive EDCOR Letters

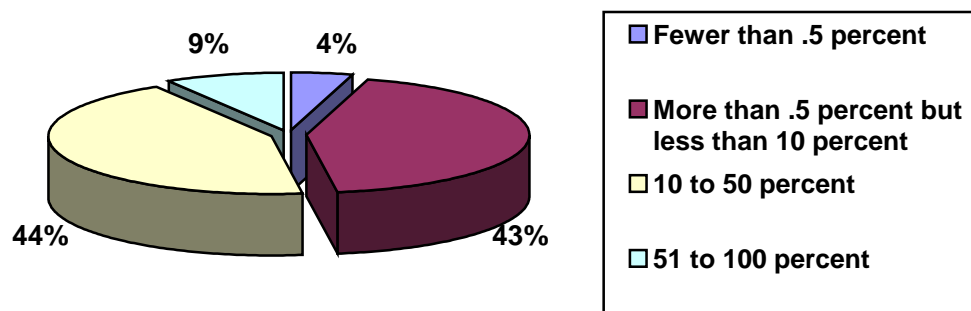
Our review found that 648,546 employers¹¹ (74 percent) did not receive EDCOR letters because their name/SSN no-matches either did not meet the EDCOR criteria or met the criteria, but the Agency did not have valid employer information in its records for the employers.

About 635,226 employers did not receive EDCOR letters because they reported 10 or fewer Forms W-2 that contained name/SSN no-matches. As stated earlier, an EDCOR letter was sent to employers if their wage report contained more than 10 Forms W-2 that could not be posted to the MEF because the name and SSN combination could not be matched to SSA's records, and the mismatched forms exceeded .5 percent of the total Forms W-2 included in the wage report. Although the number of no-matches reported by the 635,226 employers appeared to be small, for most of these employers, the no-matches represented a significant portion of their payroll. As shown in Figure 2, about

¹¹ The 648,546 employers include the 137,062 employers who did not receive EDCOR letters but received employer DECOR letters and the 511,484 employers who did not receive EDCOR letters.

53 percent of the 635,226 employers had no-matches that represented 10 percent or more of their payroll. About 43 percent of the employers had no-matches that represented more than .5 percent, but less than 10 percent, of their payroll. Approximately 4 percent of the employers had no-matches that represented .5 percent or less of their payroll, which is one of the criteria used by SSA to exclude employers from receiving an EDCOR letter. If the .5 percent criterion had applied to the total number of no-matches reported by an employer, instead of the number of no-matches included in a wage report and there was no minimum number of no-matches required, about 607,165 of the 635,226 employers would have been eligible to receive an EDCOR letter. The 607,165 employers submitted 1 to 501 wage reports to SSA that included approximately 1.6 million no-matches.

Figure 2: Percent of Payroll for Employers Who Reported 10 or Fewer Name/SSN No-Matches



For the remaining 13,320 employers who reported 11 to 16,934 Forms W-2 that contained no-matches, it appeared they did not receive EDCOR letters because (1) their no-matches did not exceed .5 percent of their wage reports; (2) they met the criteria, but the Agency had incomplete or inconsistent employer information in its records for the employers; or (3) they met the criteria, but Agency staff could not explain why they did not receive EDCOR letters. A sample of 50 employers revealed the following:¹²

- 68 percent of the employers had no-matches that met the EDCOR criteria but did not receive a letter because either SSA did not have addresses for the employers in the Employer Identification File (EIF) or the code that identifies the employer type (that is, household, agriculture) as reported by the employer was inconsistent with the EIF. The EIF is an Internal Revenue Service (IRS) file that contains employers' names, addresses, and employment type associated with EINs and SSA uses the

¹² We found that SSA had mailed an EDCOR letter to 1 (2 percent) of the 50 sample employers. This employer was not included in the data file we received from the Agency of all employers who were mailed EDCOR letters for TY 2005. According to Agency staff, the employer was not included in the data file because of an error related to a code that identifies the number of employer submissions (wage reports) to SSA. Agency staff was aware of the error and believed the problem had been corrected. Agency staff could not provide us with a reasonable estimate on the magnitude of this error. Therefore, some of the 13,320 employers may have received an EDCOR letter for TY 2005.

information maintained in this file to issue EDCOR letters to employers.¹³ When the Agency mailed the TY 2005 EDCOR letters to employers, the EIF did not include valid addresses or updated employment type codes for the employers included in our sample.

- 22 percent of the employers did not receive letters because their no-matches did not exceed .5 percent of the wage reports. The number of no-matches reported by these employers ranged from 13 to 47. Their no-matches were reported on multiple wage reports (2 to 9 reports) and each report was evaluated separately to determine if the employer should receive an EDCOR letter and for each report, the no-matches represented less than .5 percent.
- 8 percent of the employers had no-matches that met the EDCOR criteria and Agency staff agreed they should have received an EDCOR letter but could not explain why a letter was not issued.

Employers Were Not Notified About All No-Matches

Given the EDCOR letters only listed up to 500 reported SSNs even when employers had reported name/SSN no-matches that far exceeded 500 SSNs, some employers were not notified about all of their no-matches. Our review found that about 1,650 employers with over 500 name/SSN no-matches had reported about 2.6 million no-matches to SSA. They received EDCOR letters that included 907,000 of the no-matches. Consequently, they were not informed of about 1.7 million no-matches. These employers had reported no-matches that ranged from 501 to 37,375, and about 44 percent of the employers had reported SSA 1,000 or more no-matches to SSA.

SSA sent DECOR letters to 1,579 of the 1,650 employers notifying them of about 428,000 no-matches. As stated earlier, SSA sends DECOR letters to employers when the employer provides incomplete or invalid employee addresses. If the employers had provided SSA with valid employee addresses, the Agency would not have notified them about these no-matches. We were not able to confirm whether the 428,000 no-matches were among the 1.7 million no-matches that were not included on the EDCOR letters. If so, then the 1,650 employers would not have been notified about 1.3 million no-matches.

For the 1,650 employers, SSA placed an indicator on their EDCOR letter that explained they had additional name/SSN no-matches and that they should contact SSA to obtain the additional information.¹⁴ According to SSA staff, the Agency did not track how often

¹³ The employment type code identifies the kind of employer such as household, agriculture, or railroad. See Department of the Treasury, IRS, *Instructions for Forms W-2 and W-3 Wage and Tax Statement and Transmittal of Wage and Tax Statements*.

¹⁴ SSA places the word "MORE" on the EDCOR letter when an employer submitted more than 500 name/SSN combinations that could not be matched to SSA's records.

employers contacted SSA to request the additional name/SSN no-matches.¹⁵ While the indicator made employers aware they had additional name/SSN no-matches, we believe it would have been more useful if the letters clearly stated the number of name/SSN no-matches employers had in their payroll. This additional information would provide employers with a more complete view of their wage reporting problems. Moreover, if employers know the magnitude of their wage reporting problems, they may be encouraged to correct inaccuracies, especially because they could be assessed penalties by the IRS. The Internal Revenue Code allows the IRS to penalize an employer if it fails to file a complete and accurate wage report form.¹⁶

Letters Provide Limited Information

The EDCOR letter provided employers with limited information needed to resolve name/SSN no-matches. The letters only included the reported SSNs and not the reported names shown on Forms W-2. We believe that without the reported names, employers might have difficulty identifying those employees with mismatches, especially in instances where the letter includes duplicate SSNs. Duplicate SSNs could occur because of keying errors, potential SSN misuse, or the reporting of all zeros for employees who have not been assigned valid SSNs.¹⁷ There were about 16,000 employers that had reported wage items with duplicate SSNs, and most of the duplicates related to SSNs reported with all zeros.

RESOLVING NAME/SSN NO-MATCHES

Our review found that name/SSN no-matches were less likely to be resolved under the EDCOR process as compared to SSA's DECOR process. As shown in Figure 3, for TYs 2001 to 2005, the DECOR process helped resolve about 11 times more suspended wage items related to name/SSN no-matches than the EDCOR process. During this period, the EDCOR process resulted in about 60,500 wage items being reinstated from

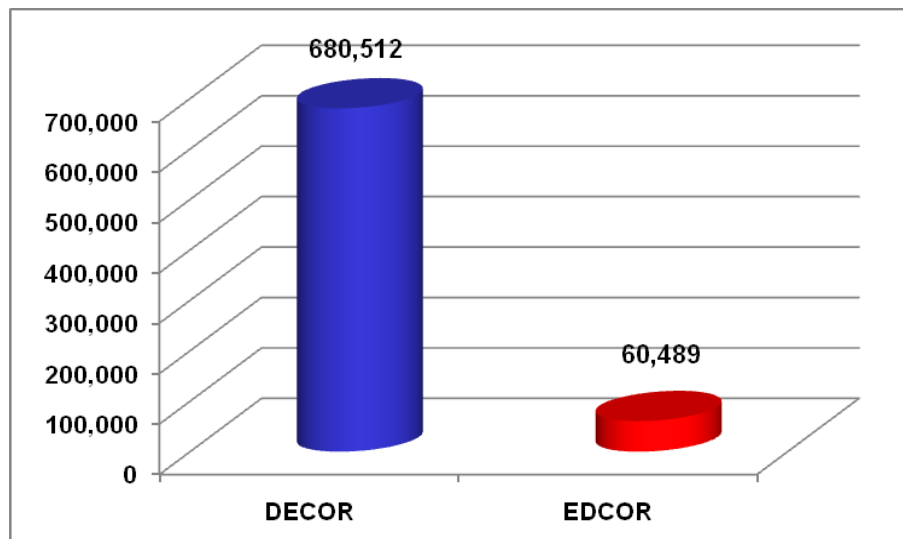
¹⁵ According to SSA staff, they received about 5,000 calls in Fiscal Year 2006 regarding EDCOR, but they were unable to specify how many of the calls related to employers requesting the additional name/SSN no matches.

¹⁶ 26 U.S.C. § 6721.

¹⁷ The IRS instructs employers who file their wages electronically to use all zeros in the SSN block of the Form W-2 if the employee has applied for an SSN but has not received it at the time he or she was hired. For employers who file by paper, they should write-in "Applied for" in the SSN block on the Form W-2. However, SSA systems convert blanks and alphanumeric fields into zeros, making it hard to differentiate between what the employer reported and what SSA recorded. See *2008 Instructions for Forms W-2 and W-3*, IRS, Department of the Treasury.

the ESF and posted to the MEF.¹⁸ In comparison, the DECOR process resulted in approximately 680,500 wage items being reinstated from the ESF, a difference of 620,000. One factor that could have attributed to the success of the DECOR letters is the fact that DECOR letters are mailed before the EDCOR letters so employees and some employers have the opportunity to resolve no-matches earlier. Another factor is the DECOR letters provide employees and employers with more detailed information about the no-matches, including the name and SSN of the employee and the wage amount.

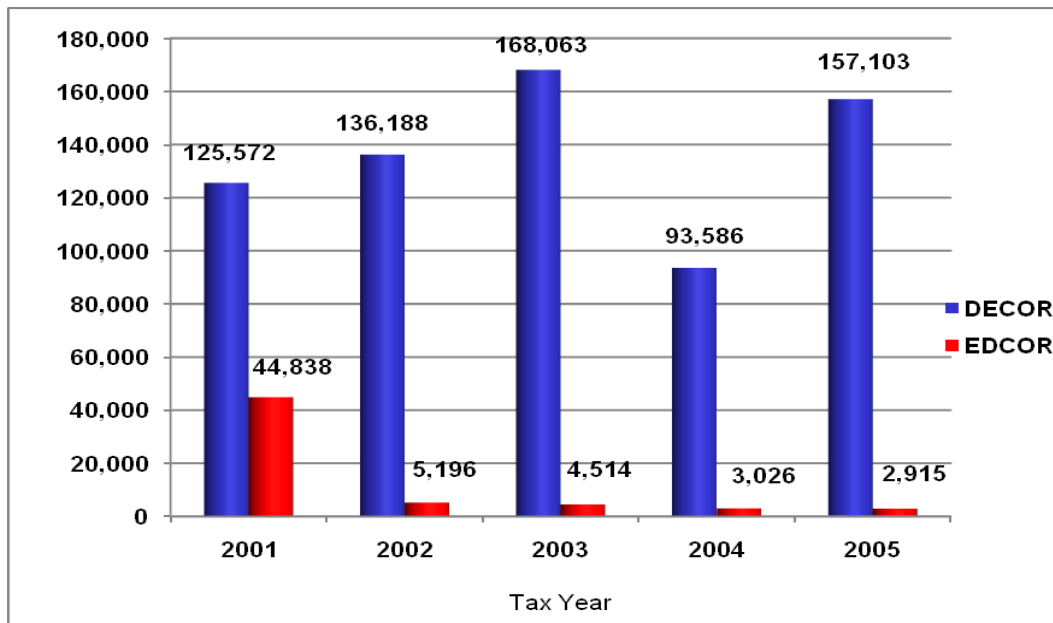
Figure 3: Cumulative Number of Reinstated Wage Items Processed as a Result of EDCOR and DECOR (TYs 2001 to 2005)



In addition, we found that in TY 2001, the EDCOR process had resulted in a significantly high number of reinstated items (see Figure 4). This was the year in which SSA had sent EDCOR letters to all employers who submitted at least one wage item where the name and SSN combination did not agree with SSA's records. In TYs 2002 through 2005, SSA limited sending letters to employers who submitted more than 10 Forms W-2 that could not be posted to the MEF because the name and SSN combination did not match SSA's records, and the mismatched forms exceeded . 5 percent of the total Forms W-2 included in the employer's wage report. During these years, the number of EDCOR reinstatements remained relatively constant.

¹⁸ Given that SSA had not established a specific code that identifies the EDCOR letter process as the reason a wage item was reinstated from the ESF, we followed the agency's methodology by reviewing reinstatements associated with corrected Forms W-2. In 2003, the agency used this approach in its evaluation of the effectiveness of the EDCOR notice process for TY 2001. We believe the agency's assumption that the receipt of corrected Form W-2s would primarily be in response to an EDCOR letter is reasonable because the agency instructs employers to submit corrected Forms W-2 to resolve no-matches.

Figure 4: Reinstated Wage Items Processed as a Result of EDCOR and DECOR Processes by Tax Year



Large Employer Reinstatement Facility

Another option offered to employers to resolve name/SSN no-matches is the Large Employer Reinstatement (LER) facility. As part of the LER process, SSA provided employers with an electronic data file that contained suspended wage items for multiple TYs, if requested.¹⁹ Employers were instructed to fill in the corrected information on the data file and submit it to SSA for processing. Employers had the option of correcting name/SSN no-matches as well as wage items suspended under the Earnings After Death (EAD) and Young Children's Earnings Record (YCER) processes, which are discussed in Appendix C.²⁰ We found the LER facility was not routinely used to resolve name/SSN no-matches. During TYs 2001 through 2005, we found about 59,000 name/SSN no-matches were resolved under the LER facility. According to several Employer Service Liaison Officers (ESLO),²¹ the LER facility was usually

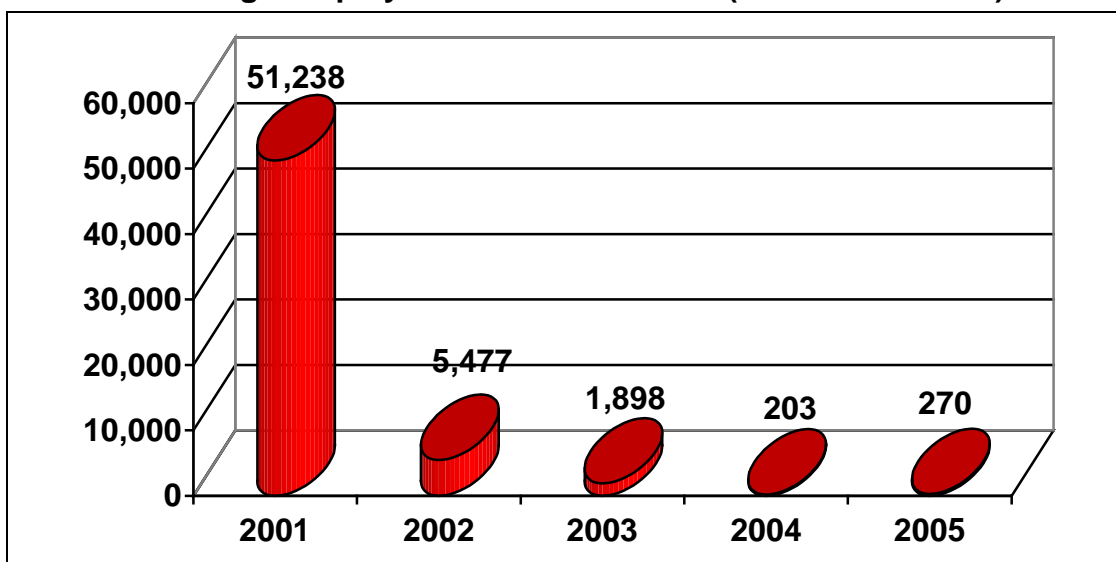
¹⁹ Employers can obtain information about wage items reported by that employer in the ESF for TYs 1978 to present.

²⁰ See Appendix C for more details about the EAD and YCER processes.

²¹ SSA has ESLOs in each of its regions nationwide to (1) answer employers' questions on wage reporting submissions; (2) encourage employers to use SSA's various programs, such as the Social Security Number Verification Service (SSNVS); (3) conduct wage-reporting seminars, in partnership with the IRS; and (4) contact employers with significant suspended wage items in their regions.

suggested to employers a few times a year.²² As was the case with reinstatements resulting from the EDCOR process, there were a significantly high number of suspended wage items in TY 2001 that were reinstated as a result of the LER process. As noted previously, TY 2001 was the year the Agency sent letters to all employers who had at least one item posted to the ESF. The reinstatements leveled off when the Agency changed the EDCOR criteria in TY 2002.

Figure 5: Number of Wage Items Reinstated as a Result of the Large Employer Reinstatement Process (TYs 2001 to 2005)



BUSINESS SERVICES ONLINE

In addition to the EDCOR letters, SSA provided employers with the option to view and correct name/SSN no-matches using its Business Services Online (BSO), which is a suite of Internet services for businesses and employers to exchange information with SSA.²³ The main function of BSO is to allow employers to report Forms W-2 to the Agency electronically.²⁴ However, BSO also offers employers the option to review name/SSN no-matches online using the *View Name and Social Security Number Errors* service.²⁵ Under this service, employers can review

²² In 2006, the San Francisco Region sent letters to every employer in the region who had 100 or more wage items posted to the ESF for TY 2005 to encourage them to use the LER facility to resolve their wage discrepancies. The region mailed approximately 4,400 letters to employers. However, only a few employers used the LER facility to provide corrected data to SSA.

²³ Employers and third party submitters can use BSO to exchange information with SSA.

²⁴ Some of the other functions offered by BSO include *Report Wages to Social Security*; *View File/Wage Report Status*, *Errors and Error Notices*; and *Verify Social Security Numbers Online using the SSNVS*.

²⁵ This service is only offered to employers who file their wage reports electronically.

- errors, including name/SSN mismatches found by SSA,
- the status of wage files and wage reports, and
- EDCOR letters.

The BSO functions appeared to be more beneficial than the EDCOR process because employers could

- view all no-matches, since this function was not subject to the EDCOR criteria (for example, more than 10 items posted to the ESF and the suspended items exceed .5 percent of the total wage items included on a wage report),
- review both the name and SSN that did not match SSA's records;
- access no match information within a day to a few weeks, as opposed to months under the EDCOR process; and
- create and submit corrected Forms W-2 online.

However, we found most employers who were registered to use BSO did not request access to the *View Name and Social Security Number Errors* service. As of June 2008, about 271,000 employers were registered to use BSO, but only 14,344 (5 percent) had requested access to the *View Name and Social Security Number Errors* service. The low participation could be attributed to the fact that the *View Name and Social Security Number Errors* service is an optional feature of BSO and employers must go through a more rigorous application process to gain access to the service.²⁶ While SSA has been encouraging employers to register for BSO for wage reporting because it is more convenient,²⁷ we believe the Agency may want to promote greater use of the *View Name and Social Security Number Errors* service or consider making the service mandatory when employers register to use BSO.

²⁶ SSA verifies the user's authorization to use the *View Name and Social Security Number Errors* service by sending a letter to the employer notifying them that their employee had requested access to the service on their behalf. SSA sends the letter to the employer's address shown in the Employer Identification File and not the address provided by the user during the application process.

²⁷ ESLOs encourage employers to use BSO during various payroll conferences and other meetings with employers.

Matters for Consideration

Given the current hiatus for sending EDCOR letters to employers, this would be the appropriate time for the Agency to determine whether the criteria for issuing EDCOR letters is effective in communicating wage reporting problems to employers. Our review questioned whether EDCOR letters were being sent to most employers who had wage items posted to the ESF. Moreover, our review showed EDCOR letters were not as successful as other SSA processes in removing suspended wage items from the ESF. The Agency may want to focus its efforts on (1) encouraging greater use of the *View Name and Social Security Number Errors* service offered under BSO for employers who report wages electronically because the service appeared to be more beneficial than the EDCOR letter in informing employers about wage reporting problems and (2) exploring ways to ensure employers who do not use BSO and have a significant number of no-matches are informed about their wage reporting problems.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Educational Correspondence Letter

APPENDIX C – Other Types of Letters

APPENDIX D – Scope and Methodology

APPENDIX E – OIG Contacts and Staff Acknowledgments

Acronyms

BSO	Business Services Online
CY	Calendar Year
DECOR	Decentralized Correspondence
DHS	Department of Homeland Security
DoB	Date of Birth
EAD	Earnings After Death
EDCOR	Educational Correspondence
EIF	Employer Identification File
EIN	Employer Identification Number
ESF	Earnings Suspense File
ESLO	Employer Service Liaison Officer
FR	Federal Register
INA	<i>Immigration and Nationality Act</i>
IRS	Internal Revenue Service
LER	Large Employer Reinstatement
MEF	Master Earnings File
NH	Numberholder
SSA	Social Security Administration
SSN	Social Security number
SSNVS	Social Security Number Verification Service
TY	Tax Year
U.S.C.	United States Code
YCER	Young Children's Earnings Record

Forms

W-2	<i>Wage and Tax Statement</i>
W-2C	<i>Statement of Corrected Income and Tax Amount</i>

Educational Correspondence Letter

Social Security Administration
Retirement, Survivors and Disability Insurance
Employer Correction Request **CODE V**

Office of Central Operations
300 N. Greene Street
Baltimore, MD 21290-0300

Date:
EIN:

EMPLOYER'S NAME
STREET ADDRESS
CITY, STATE ZIP

Establishment Number:

MRN:

WFID:

Why You Are Getting This Letter

Some employee names and Social Security numbers that you reported on the Wage and Tax Statements (Forms W-2) for tax year 2004 do not agree with our records. We need corrected information from you so that we can credit your employees' earnings to their Social Security records. It is important because these records can determine if someone is entitled to Social Security retirement, disability and survivors benefits, and how much he or she can receive. If the information you report to us is incorrect, your employee may not get benefits he or she is due.

There are several common reasons why the information reported to us does not agree with our records, including:

- Errors were made in spelling an employee's name or listing the Social Security number;
- An employee did not report a name change following a marriage or divorce; and
- The name or Social Security number was incomplete or left blank on the Form W-2 report sent to the Social Security Administration.

IMPORTANT: This letter does not imply that you or your employee intentionally gave the government wrong information about the employee's name or Social Security number. Nor does it make any statement about an employee's immigration status.

See Next Page

Visit our website at www.socialsecurity.gov

You should not use this letter to take any adverse action against an employee, such as laying off, suspending, firing, or discriminating against that individual, just because his or her Social Security number appears on the list. Doing so could, in fact, violate State or Federal law and subject you to legal consequences.

For Spanish-speaking individuals: Esta carta y los documentos adjuntos proveen información sobre las acciones que usted debe tomar para corregir algunos de los nombres y números de Seguro Social que informó en los Comprobantes de Retribuciones e Impuestos (formularios W-2, "Wage and Tax Statement", en inglés) de sus empleados. Si usted necesita una traducción de esta carta, por favor llámenos al número de teléfono gratis, 1-800-772-1213, de 7 a.m. a 7 p.m. de lunes a viernes.

Esta carta no implica que usted ni su empleado intencionalmente proveyeron información incorrecta al gobierno sobre el nombre o número de Seguro Social del empleado. Tampoco hace ninguna declaración sobre el estado de inmigración de su empleado.

Usted no debe usar esta carta para tomar una acción adversa contra el empleado, tal como suspenderlo, despedirlo o discriminar contra el individuo, simplemente porque su número de Seguro Social aparece en la lista. Cualquier empleador que haga esto se encuentra en violación de la ley estatal o federal, y está sujeto a enfrentar consecuencias legales.

What You Should Do

It would be a great help to us if you could respond within 60 days with the information that you are able to correct so that the Social Security Administration can maintain an accurate earnings record for each employee and make sure your employees get the benefits they are due.

We have attached some materials to help you:

- A list of the Social Security numbers that do not match our records. (If the list shows you have "MORE" Social Security numbers to correct than listed, please call us at 1-800-772-6270 for assistance.)
- Instructions on "How To Correct Social Security Numbers."
- Tips on "Annual Wage Report Filing" for the future.

Visit our website at www.socialsecurity.gov

If You Have Any Questions

If you have any questions, please call us toll-free at 1-800-772-6270 between 7 a.m. and 7 p.m., Eastern time, Monday through Friday. We can answer most questions over the phone. You can also write us at the address shown on the first page of this letter. If you call, please have this letter with you. It will help us answer your questions. Also, general program information is available from our website at www.socialsecurity.gov/employer.

Carolyn L. Simmons
Associate Commissioner for
Central Operations

Visit our website at www.socialsecurity.gov

SOCIAL SECURITY NUMBERS THAT DO NOT MATCH OUR RECORDS

000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000
000-00-0000	000-00-0000	000-00-0000	000-00-0000

Visit our website at www.socialsecurity.gov

How To Correct Social Security Numbers (SSNs)

Complete Forms W-2c (Corrected Wage and Tax Statement) for each of the Social Security numbers (SSNs) listed that you are able to correct. You only need to prepare Forms W-2c for the names or SSNs for which you have corrected information. If an employee does not provide corrected information or no longer works for you and you are unable to contact him/her, document your records with the information you relied on in completing the Form W-2 or the efforts you made to contact your former employee. Retain this information in your files; do not send it to the Social Security Administration (SSA.) You should provide all corrections as soon as possible.

You also need to file a Form W-3c (Transmittal of Corrected Wage and Tax Statements) whenever you file Forms W-2c.

Please follow the guidelines below when preparing Forms W-2c.

- Refer to the Internal Revenue Service (IRS) filing requirements in its publication, "Instructions for Forms W-2c and W-3c," at the IRS website <http://www.irs.gov> or call 1-800-829-3676 to request a copy.
- Compare your employment records to the Forms W-2 you reported for the SSNs included on the attached list.
- If your employment records and Forms W-2 do not match, prepare Forms W-2c with the corrected information from your employment records. (Do not send copies of proofs of identity or other documents in addition to, or in place of, the Forms W-2c.)
- If your employment records and Forms W-2 match, ask your employee to check his/her Social Security card and to inform you of any name or SSN difference between your records and his/her card. If your employment records are incorrect, correct your records.
- If your records match the information on the employee's Social Security card, have the employee contact any Social Security office to resolve the issue. Tell the employee that once he/she has visited the Social Security office he/she should inform you of any changes and you should correct your records accordingly.
- SSA may also send the employee a notice regarding this issue. You should discuss with the employee any changes you make to your employment records.
- If you file your Form W-2c corrections electronically or on magnetic media, call SSA at 1-800-772-6270 to request a copy of the "Magnetic Media Reporting and Electronic Filing of W-2c Information (MMREF-2)" or you can download the MMREF-2 at SSA's website, www.socialsecurity.gov/employer.

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- You may also file your Form W-2c corrections using W-2c Online. W-2c Online is one of several Business Services Online (BSO) Internet services for businesses and employers who exchange information with the Social Security Administration.

To begin using BSO, you must complete a one-time registration process. To register, go to www.socialsecurity.gov/bsowelcome.htm.

- We suggest using AccuW2C to identify possible MMREF-2 formatting errors. You can download AccuW2C from the Internet at:

www.socialsecurity.gov/employer/accuwage

- If you file paper Forms W-2c, you can get them from the Internal Revenue Service. Paper Forms W-2c should be sent to one of the following addresses:

If you use the **U.S. Postal Service**, send the forms to:
Social Security Administration
Data Operations Center
Attention: W-2c Process
P.O. Box 3333
Wilkes-Barre, Pennsylvania 18767-3333

If you use a **carrier other than the U.S. Postal Service**, send the forms to:
Social Security Administration
Data Operations Center
Attn: W-2c Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

Visit our website at www.socialsecurity.gov

Tips on Annual Wage Report Filing

Why Accurate Names and SSNs are Important

Accurate names and SSNs are important to you and your employees for several reasons. We use the name and SSN to maintain a record of personal earnings for each of your employees. Generally, we are not able to give an employee credit for his or her earnings unless the name and SSN reported on the Form W-2 agree with our records. It is most important that these records are correct since we later use them to decide if the individual can receive Social Security benefit payments and the amount of any payments due.

Filing Tips To Ensure Accuracy

Before you file your next annual wage report, please make sure your employment records and the Forms W-2 you report have your employees' correct names and SSNs. Use the tips below to ensure accuracy.

- We encourage you to use SSA's Employee Verification Service (EVS) prior to submitting Forms W-2 to SSA for processing. EVS is a free, convenient and secure method for employers to verify that employee names and SSNs match SSA's records. EVS is not to be used to screen job applicants. A negative EVS response makes no statement about your employee's immigration status. Visit our website at www.socialsecurity.gov/employer and select SSN Verification or call toll-free 1-800-772-6270 for further details.
- Ask your employees to check their latest Forms W-2 against their Social Security cards and to inform you of any name or SSN differences on the two. If the Form W-2 is incorrect, correct your records and prepare a Form W-2c. If the card is incorrect, advise the employee to request a corrected card from the nearest Social Security office.
- Remind your employees near the end of each year to report to Social Security name changes due to marriage, divorce, or other reasons.
- Ask each new employee to check his or her Social Security card and inform you of the name and SSN exactly as shown on the card. (While the employee must furnish the SSN to you, the employee is not required to show the Social Security card. But, seeing the card will help ensure that all records are correct.)
- Direct those who do not have SSNs or cards to contact their nearest Social Security office.
- Ensure that the SSNs you report are valid. A valid SSN must have a total of nine digits. The first three digits are referred to as the area, the next two as the group, and the last four as the serial. No SSNs with a 000 area number, or an area number in the 800 or 900 series, have been issued. Also, no SSNs with a 00 group or 0000 serial number have been issued.

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- If you file electronically or on magnetic media, be sure that all of your employees' names are correctly entered in the appropriate fields of the Code RW "Employee Wage Record."

For more information see SSA Publication "Magnetic Media Reporting and Electronic Filing (MMREF-1)."

- If you file on paper, be sure to enter your employees' names on the Forms W-2 as follows: first name, middle initial, and last name exactly as shown on their Social Security cards.

See IRS Publication 393, "Federal Employment Tax Forms." SSA Publication 31-011, "Software Specifications and Edits for Annual Wage Reporting" can be obtained through SSA's website or by contacting the SSA Employer 800 Number.

For IRS forms or publications, call 1-800-TAX-FORM (829-3676), or visit IRS' website at <http://www.irs.gov>.

For SSA forms or publications, call SSA's Employer 800 Number, 1-800-772-6270, or visit SSA's website at www.socialsecurity.gov/employer.

Visit our website at www.socialsecurity.gov

Other Types of Letters

The Social Security Administration (SSA) sends thousands of other letters to employers and employees each year requesting additional information related to suspended wage items. The other letters sent to employers and employees are the Earnings After Death (EAD) and Young Children's Earnings Record (YCER).

EAD: SSA has processes in place to detect unusual earnings reports, such as instances where earnings relate to someone recorded as deceased on SSA's records. Under the EAD process, when a date of death is present on the Numident, all earning items reported for Tax Years after the year of death are placed in the Earnings Suspense File (ESF). The earnings are also transmitted to an EAD investigative file so letters can be printed and mailed to employers and/or employees. SSA sends EAD letters to employers and employees. Employer responses are returned to SSA for processing. If the employer states the individual was working for them, SSA sends a notice to the employee requesting that he or she visit a field office to correct his or her earnings information. At the field office, staff interviews the individual and verifies his or her identification. If the evidence appears valid, SSA personnel reinstate the wages to the proper Master Earnings File account. If the employer states the wage earner is deceased, SSA informs the employer to refund the employee's share of the Social Security taxes to the employee's estate or next of kin, and the relevant wages will remain in the ESF. We reviewed the EAD process in a prior audit.¹

YCER: Another unusual earnings pattern monitored by SSA relates to young earners. Under the YCER process, SSA checks the Date of Birth (DoB) for the Social Security Number (SSN) on each earnings report. If a DoB indicates the numberholder (NH) is a child under age 7, the earnings will be placed in the ESF. When the *Wage and Tax Statement* (Form W-2) reporting process is complete, a YCER investigate file is generated to determine whether the earnings belong to a child under age 7. SSA sends YCER letters to employers and employees. Employer responses are returned to SSA for processing. If the employer states the NH's SSN, name and DoB agree with SSA's records, the wages are reinstated to the NH. If the employer states the NH's name and SSN are the same as SSA's records, but the DoB is different, a form is sent to the NH

¹ *Effectiveness of the Social Security Administration's Earnings After Death Process* (A-03-01-11035), August 2002.

advising him or her to contact the local SSA office to correct the discrepancy. If the employer states the name and/or SSN is different from SSA's records, the information is further researched. If the employer does not return the form or states the NH did not work for them, a letter is sent to the NH asking him or her to contact the local SSA field office. We reviewed the YCER process in a prior audit.²

² *Effectiveness of the Young Children's Earnings Records Reinstatement Process, (A-03-05-25009),* October 2006.

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 reports, Government Accountability Office reports and other relevant documents.
- Obtained a copy of the Educational Correspondence (EDCOR) File generated in Calendar Year 2006. We extracted from the EDCOR File about 7.5 million wage items related to Tax Year (TY) 2005.
- Obtained a copy of the TY 2005 Decentralized Correspondence (DECOR) File, which included about 10.5 million wage items related to multiple TYs. We extracted from the DECOR File approximately 10.1 million wage items related to TY 2005.
- Obtained and reviewed a copy of SSA's Reinstatement File as of November 2007 for TYs 2001 to 2005.
- Obtained trend data for the Business Service Online as of June 2008.
- Obtained a data extract of Wage and Tax Statement data from the TY 2005 SSA/Internal Revenue Service Reconciliation file.

Because of time constraints, we did not review the internal controls over the EDCOR and DECOR processes. We conducted limited testing to determine whether the data provided were reliable for the purpose of our review. In prior audits, we reviewed the completeness and accuracy of the Earnings Suspense File (ESF) postings, and tested the accuracy of ESF data reinstated to earnings records. The entities audited were the Office of Earnings, Enumeration and Administrative Systems within the Office of the Deputy Commissioner for Systems and the Office of Central Operations within the Office of the Deputy Commissioner of Operations. We performed our review in Philadelphia, Pennsylvania, between May and September 2008 in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*.

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Acknowledgments

In addition to those named above:

Virginia Harada, Auditor-in-Charge

Rich Devers, IT Specialist

For additional copies of this report, please visit our web site at www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-03-07-17105.

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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 an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts 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 reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations 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 liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG 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. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.